

City of Tucson, Arizona



COMPREHENSIVE ANNUAL FINANCIAL REPORT

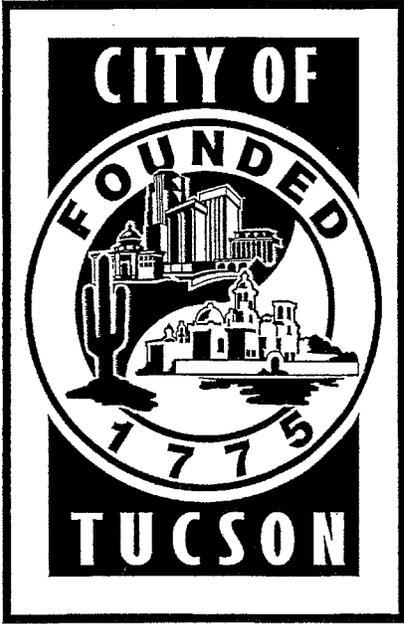
Fiscal Year July 1, 2010 - June 30, 2011



City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011



Prepared by: The Department of Finance,
Accounting Division



City of Tucson, Arizona



INTRODUCTION



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For the Year Ended June 30, 2011

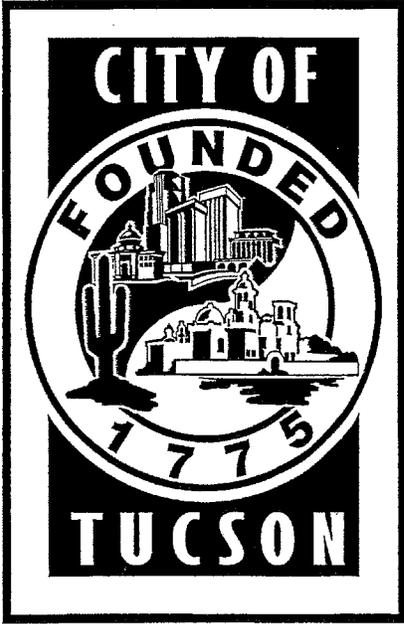
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CITY OF TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

December 21, 2011

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, 2011, 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.

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. Under State statutes, the City has the option to choose the State's expenditure limitation or follow an alternate expenditure limitation option. Currently the City uses the State limitation, which allows for deductions and exclusions of expenditures made from constitutionally excluded revenues to determine compliance.

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 and offices organized into the following six program categories: Elected and Official, Neighborhood Services, Environment and Development, Support Services, Non-departmental, and Fiduciary Fund. The budget office and the City Manager or designee can approve transfers within program categories and Mayor and Council approve transfers between program categories as long as State set spending limitations are not violated. Additional information is provided in the notes to the basic financial statements.

Assessing Economic Condition

The recession may be over, but the recovery in Tucson and the Mountain region (Arizona, New Mexico, Nevada, Colorado, Utah, and Idaho), as defined by the Brookings Institute, has been progressing variably and extremely slow. The table below shows Tucson's overall performance compared with the top 100 Ciites and the national average taking into account employment, output (gross metropolitan output), unemployment, and housing prices and foreclosures.

Tucson's employment recovery has been slow. During the second quarter of 2011, it rose 0.5% and is still off 7.7% from the 2007 peak. Public sector job losses of 2.6% reduced small gains in the private sector. Unemployment is at 9.1%, which ranks in the middle of the Mountain region and slightly better than the national average. One concern is that decreases in the unemployment rate absent increases in the employment rate generally point toward a shrinking labor force. In the second quarter of 2011, all Mountain region metros output grew except for Tucson (and Phoenix). Tucson's economy has been hit severely by the housing bust and remains 4% smaller than before the recession. In the Mountain region, depressed home prices remained a significant drag on the recovery. In the second quarter, Tucson's housing prices declined 18.7% and are off 42.9% from their pre-recessions highs. In addition, foreclosures continue to rise.

	Tucson	Rank*	100-metro average	U.S. average
Employment				
Change in employment from peak (2007Q1)	-7.7%	75	-5.1%	-4.8%
Change in employment from trough (2010Q3)	1.0%	63	1.1%	1.2%
One-quarter change in employment	0.5%	32	0.2%	0.3%
Unemployment				
Unemployment rate	9.1%	54	9.4%	9.3%
Three-year percentage point change in unemployment rate	3.5 points	51	3.7 points	3.3 points
One-year percentage point change in unemployment rate	-0.1 points	62	-0.3 points	-0.4 points
Gross metropolitan product (GMP)				
Change in GMP from peak (2007Q3)	-4.0%	79	0.5%	0.4%
Change in GMP from trough (2009Q2)	1.6%	89	4.5%	5.8%
One-quarter change in GMP	-0.2%	92	0.3%	0.4%
Housing prices				
Change in housing prices from peak (2006Q4)	-42.9%	82	-30.3%	-26.7%
Change in housing prices from trough (2011Q2)	0.0%	‡	0.0%	0.0%
One-year change in housing prices	-15.2%	96	-8.9%	-8.6%
One-quarter change in housing prices	-6.2%	91	4.4%	4.1%
Real estate owned properties (REOs)				
REOs per 1,000 mortgageable properties	6.32	84	4.40	3.63
One-quarter change in REOs per 1,000 mortgageable properties	0.99	93	-0.13	-0.08
* For all indicators, a rank of 1 signifies the strongest-performing metro while a rank of 100 signifies the weakest-performing metro.				
‡ Because all metros experienced new house price lows in 2011Q2, no metro experienced a housing price recovery. Therefore, there are no rankings for this indicator this quarter.				
This economic performance ranking was written by the Brookings Metropolitan Policy Program.				

Tucson's major revenue sources showed the impact of the slow economic recovery. The City's sales tax revenue of \$168.1 million, which represents about 40% of the general fund revenues, was basically flat from fiscal year 2010 to 2011 and within \$2.1 million of the established budget. The City receives State Shared revenues, which represents about 26.3% of general fund revenues. From fiscal years 2010 to 2011, State Shared revenues declined \$14.4 million and \$36.5 million from FY 2008. Revenues in some categories have started to rebound, but are still significantly below fiscal year 2008 revenues.

With flat or declining revenues, the financial condition of the general fund has improved primarily due to significant decreases in expenditures. The fund balance, although below policy levels, increased \$13.6 million in fiscal year 2011. This increase will allow the curtailment of debt restructures to balance the FY 2012 budget.

Long-Term Planning

The City's long term challenge is to eliminate our structural deficit coupled with increasing employee health and pension benefit costs. A managed attrition planning process, that is currently underway, will utilize the Five-Year Financial Model to improve our personnel management and assist in eliminated furloughs. Utilizing this model will continue to improve decision-making by assessing the impact to revenue and expenditure changes on our current and future budgets.

Early fiscal year 2012 sales revenue numbers are showing positive trends and are within the adopted budget projections. For the first four months, they are 3.1% above the same period for fiscal year 2011. Other general fund revenues are showing increases over the period in the prior year. Overall, State Shared revenues are budgeted 5% lower than fiscal year 2011. At this point fiscal year revenues are in line with projections.

Major Initiatives

Despite the impact of the recession and slow recovery, the City has several initiatives that are having positive effects on the City's economy. Private investments of \$124 million coupled with public investments have created new jobs by attracting new businesses and residents to the downtown area.

Construction on the modern streetcar, which is partially funded by a federal TIGER grant, has started and already spurred private development along its route.

The City received one of the largest hiring grants (\$13 million) in the country from the Department of Justice to hire 56 police officers.

The Parks and Recreation Department received accreditation by the Commission for Accreditation of Park and Recreation Agencies. Only 97 agencies in the country have attained this measure of overall quality of operation, management and service to the community.

City Policies

Financial Policies: During fiscal year 2011, the City formalized and adopted a comprehensive set of financial policies that incorporates a wide range of topics including fiscal planning, budgetary planning, expenditure control, fund balance, revenue and collections, reporting, and debt planning. The financial goals are broad and will help the City improve service delivery at the most cost-effective basis, maintain an adequate financial base to sustain our service ability in spite of local or regional economic fluctuations, and ensure adherence to the highest accounting and management practices.

The Fund Balance policy was significantly changed. A stabilization fund that represents no less than 10% of general fund revenues was established as "Committed Fund Balance" with established restrictions on how it can be used. A minimum target of 7% of general fund revenues will be "Unassigned" to help provide additional stability during cyclical changes in the economy. Funds in excess of this minimum target will be available to supplement City recurring requirements. Currently, our unassigned fund balance represents 5.4% of general fund revenues. Mayor and Council and City management are working to meet the established goal.

Risk Management: The City maintains a self insurance program for liability claims, unemployment compensation, and workers' compensation. For workers' compensation, the City posted a \$24,437,742 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, 2010. 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 29 consecutive years (fiscal years ended 1982 through 2010). 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, Kristie Ellis, Principal Accountant, Aaron Williams, CPA, Principal Accountant and Michael Mason, CPA, Finance Administrator, and to the entire accounting staff who prepared this CAFR.

Omar Garcia
Leticia Brumbaugh
Patrick Riesen

Cheryl Van De Beuken
Jose McKinney
Marsha Schlanger

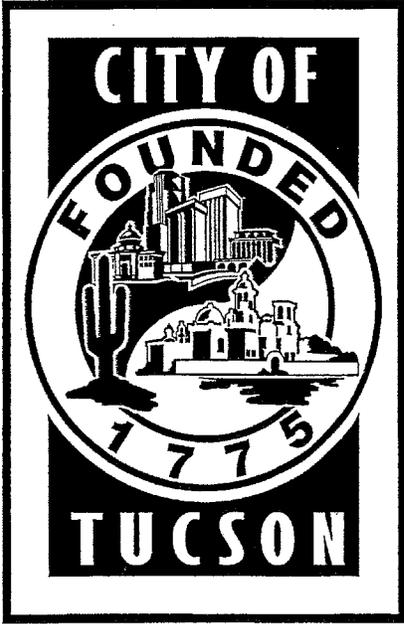
Valerie Sparks

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
Assistant City Manager



City Of Tucson Officials

As of June 30, 2011

CITY COUNCIL



HONORABLE
ROBERT E. WALKUP
MAYOR



REGINA ROMERO
Ward One



PAUL CUNNINGHAM
Ward Two



KARIN UHLICH
Ward Three



SHIRLEY SCOTT
Ward Four



RICHARD FIMBRES
Ward Five



STEVE KOZACHIK
Ward Six

CITY ADMINISTRATION

MIKE LETCHER
City Manager



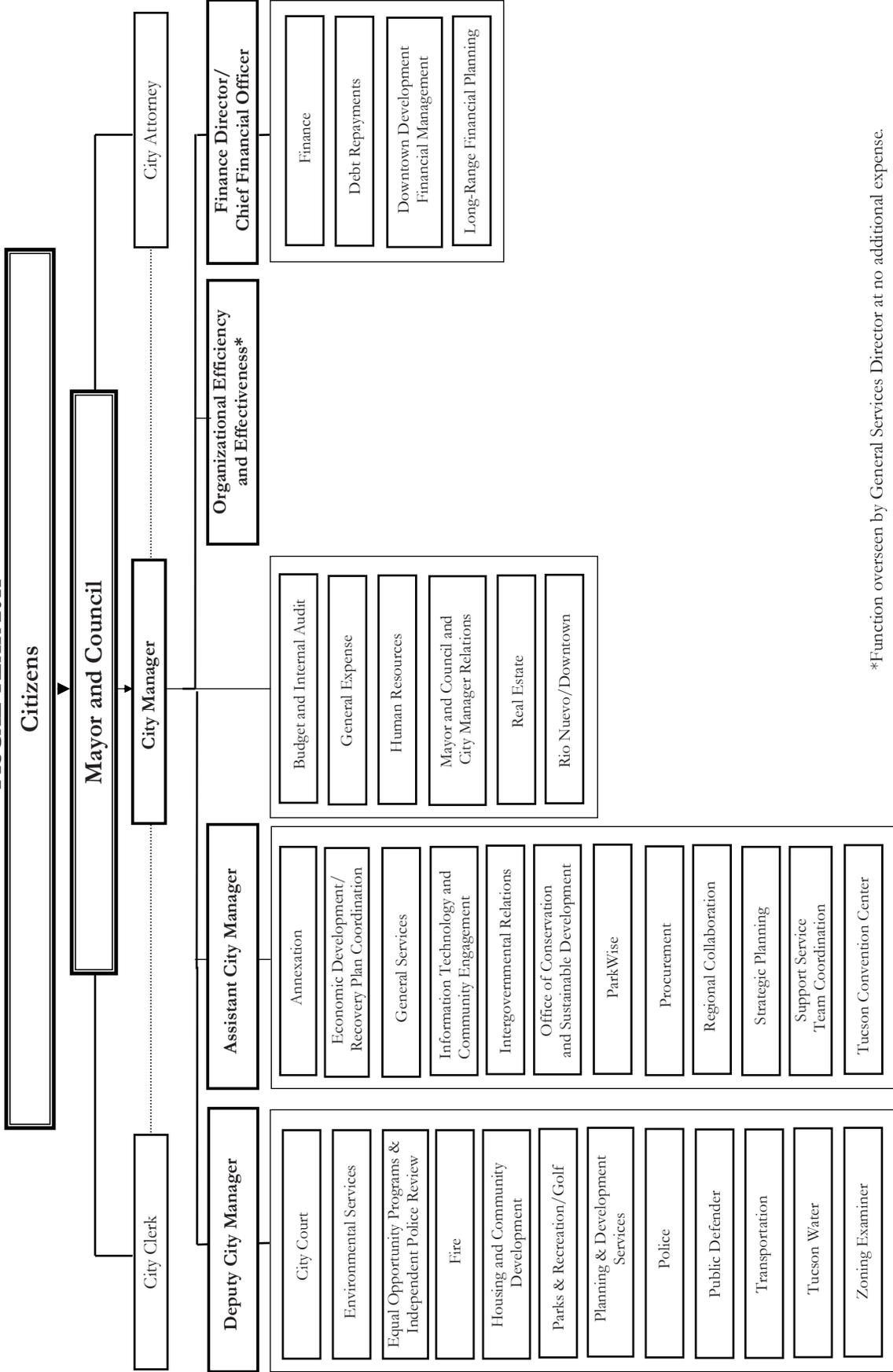
KELLY GOTTSCHALK
Chief Financial Officer



MICHAEL MASON
Finance Administrator



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2011**



*Function overseen by General Services Director at no additional expense.

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, 2010

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.

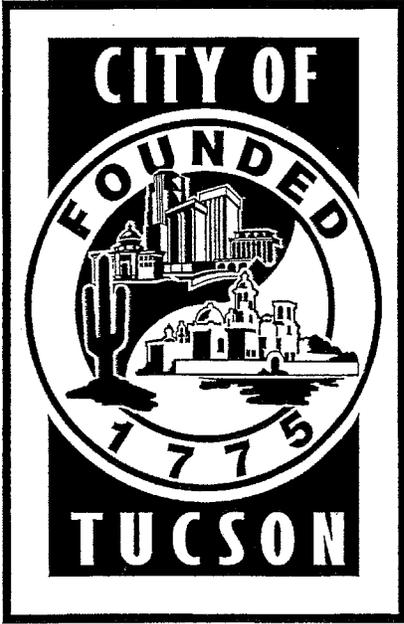


A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

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

Executive Director



City of Tucson, Arizona



FINANCIAL SECTION





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



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 remaining fund information of the City of Tucson, Arizona (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, 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 13 and budgetary comparison information on pages 67 through 69 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 22, 2011

City of Tucson, Arizona



MANAGEMENT'S DISCUSSION AND ANALYSIS



**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

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, 2011. 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.

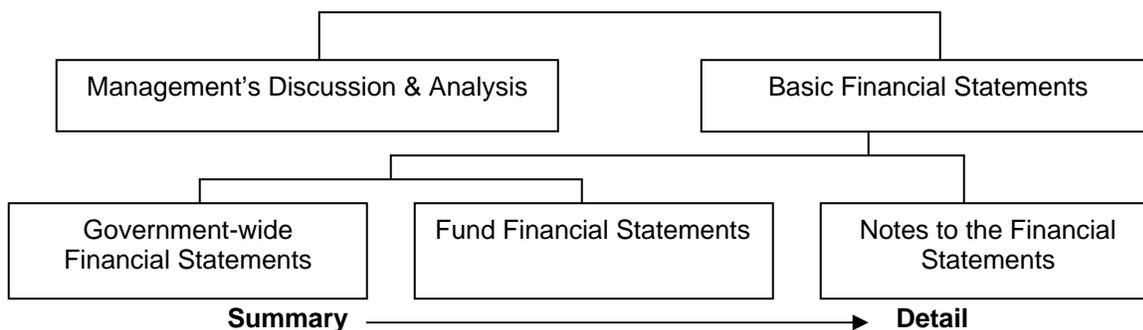
FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$2.2 billion—reported as net assets. Assets totaled \$3.6 billion and liabilities were \$1.4 billion.
- Total net assets increased by \$103.5 million over last fiscal year. Governmental activities increased \$79.0 million in net assets, while business-type activities increased \$24.5 million. The largest increases were in the restricted and unrestricted net assets categories, which increased \$29.0 million and \$37.4 million, respectively. For the business-type activities, invested in capital assets, net for related debt increased \$15.1 million and the unrestricted net assets increased \$9.8 million.
- The City's governmental funds reported a combined fund balance of \$172.4 million, an increase of \$36.2 million from last fiscal year. The significant changes occurred in the restricted fund balance category, \$18.1 million increase, in the committed fund balance category, \$22.8 million increase, and the unassigned fund balance category, \$10.3 million decrease.
- The General Fund reported a fund balance of \$60.7 million, which represents a \$13.6 million increase from last year. The unassigned fund balance is \$11.1 million, an \$11.7 million decrease from last year. The City formalized its financial policies and created a stabilization fund in the committed fund balance category of the general fund to improve financial stability to within future economic fluctuations (see Note 1P).
- With essentially flat revenue trends compared with the prior fiscal year, the City's net asset position improved primarily through continued expense reductions. The increase fund balance resources will be used to eliminate furloughs and avoid a budgeted debt restructuring next fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

Required Components of Annual Financial Report

Figure 1



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

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, fines and customer service fees, 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, 2011

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 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% over the course of the year to \$2.2 billion. Governmental activities contributed to \$78.9 million of the increase, while business-type net assets increased \$24.5 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 \$29.0 million in restricted net assets and \$37.4 million in unrestricted net assets. The increase in restricted net assets is due to unspent Certificates of Participation (COPS) and Clean Renewal Energy bond proceeds for capital projects. The increase in the unrestricted is primarily due reduced personnel costs because of significant attrition rates.

The change in net assets for Business-type activities is due to an increase of \$15.1 million in invested in capital assets, net of related debt and an increase of \$9.8 million in unrestricted assets. The \$15.1 increase is due to capital asset activity exceeding debt activity. The \$9.8 increase in unrestricted net assets is due to the improved financial positions of both the Environmental Services and Water Utility enterprise funds primarily due to service rate increases.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Figure 2 is a comparative summary of the City's net assets for fiscal years 2011 and 2010:

Figure 2						
Net Assets	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 343,531,074	\$ 276,033,910	\$ 181,636,453	\$ 162,567,933	\$ 525,167,527	\$ 438,601,843
Capital Assets	1,869,301,168	1,794,516,210	1,241,095,990	1,217,850,319	3,110,397,158	3,012,366,529
Total Assets	2,212,832,242	2,070,550,120	1,422,732,443	1,380,418,252	3,635,564,685	3,450,968,372
Current and Other Liabilities	139,358,982	133,760,543	66,456,702	64,238,169	205,815,684	197,998,712
Long-term Liabilities	645,902,677	588,159,502	595,226,901	579,677,170	1,241,129,578	1,167,836,672
Total Liabilities	785,261,659	721,920,045	661,683,603	643,915,339	1,446,945,262	1,365,835,384
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	1,244,170,566	1,231,660,136	752,837,699	737,714,049	1,997,008,265	1,969,374,185
Restricted	159,017,958	129,992,175	35,160,494	35,566,434	194,178,452	165,558,609
Unrestricted (Deficit)	24,382,059	(13,022,236)	(26,949,353)	(36,777,570)	(2,567,294)	(49,799,806)
Total net assets	\$ 1,427,570,583	\$ 1,348,630,075	\$ 761,048,840	\$ 736,502,913	\$ 2,188,619,423	\$ 2,085,132,988

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:

Figure 3						
Changes in Net Assets	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 106,774,422	\$ 102,596,184	\$ 203,344,162	\$ 186,970,950	\$ 310,118,584	\$ 289,567,134
Operating Grants and Contributions	119,655,515	124,171,155	6,769,831	7,762,635	126,425,346	\$ 131,933,790
Capital Grants and Contributions	95,761,089	116,859,034	10,963,141	10,190,038	106,724,230	\$ 127,049,072
Total Program Revenues	322,191,026	343,626,373	221,077,134	204,923,623	543,268,160	548,549,996
General Revenues:						
Taxes:						
Property Taxes	36,313,914	33,033,945			36,313,914	33,033,945
Business Privilege Taxes	175,207,546	172,738,382			175,207,546	172,738,382
Public Utility Taxes	25,291,168	18,216,381			25,291,168	18,216,381
Transient Occupancy Taxes	12,524,705	11,692,050			12,524,705	11,692,050
Occupational Taxes	86,091	127,851			86,091	127,851
Liquor Taxes	760,615	732,622			760,615	732,622
Unrestricted Grants and Contributions	110,567,181	125,011,993			110,567,181	125,011,993
Investment Income (Loss)	718,308	1,086,559	1,813,164	866,019	2,531,472	1,952,578
Miscellaneous	1,966,010	7,500,061			1,966,010	7,500,061
Total General Revenues	363,435,538	370,139,844	1,813,164	866,019	365,248,702	371,005,863
Total Revenues	685,626,564	713,766,217	222,890,298	205,789,642	908,516,862	919,555,859
Expenses:						
Elected and Official	22,071,179	18,771,020			22,071,179	18,771,020
Support Services	42,164,837	44,550,729			42,164,837	44,550,729
Neighborhood Services	340,720,803	354,449,593			340,720,803	354,449,593
Environment and Development	146,488,882	137,548,043			146,488,882	137,548,043
Strategic Initiatives		5,538,870				5,538,870
Non-Departmental	27,175,033	29,756,362			27,175,033	29,756,362
Interest on Long-term Debt	27,880,687	27,605,603			27,880,687	27,605,603
Fiscal Agent and Other	1,803,136	801,342			1,803,136	801,342
Public Housing AMP			12,138,321	12,370,229	12,138,321	12,370,229
Environmental Services			45,752,439	48,824,879	45,752,439	48,824,879
Golf			8,452,760	9,184,549	8,452,760	9,184,549
Water			130,382,350	127,688,652	130,382,350	127,688,652
Total Expenses	608,304,557	619,021,562	196,725,870	198,068,309	805,030,427	817,089,871
Changes in Net Assets before transfers	77,322,007	94,744,655	26,164,428	7,721,333	103,486,435	102,465,988
Transfers	1,618,501	(5,094,077)	(1,618,501)	5,094,077		
Changes in Net Assets	\$ 78,940,508	\$ 89,650,578	\$ 24,545,927	\$ 12,815,410	\$ 103,486,435	\$ 102,465,988

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

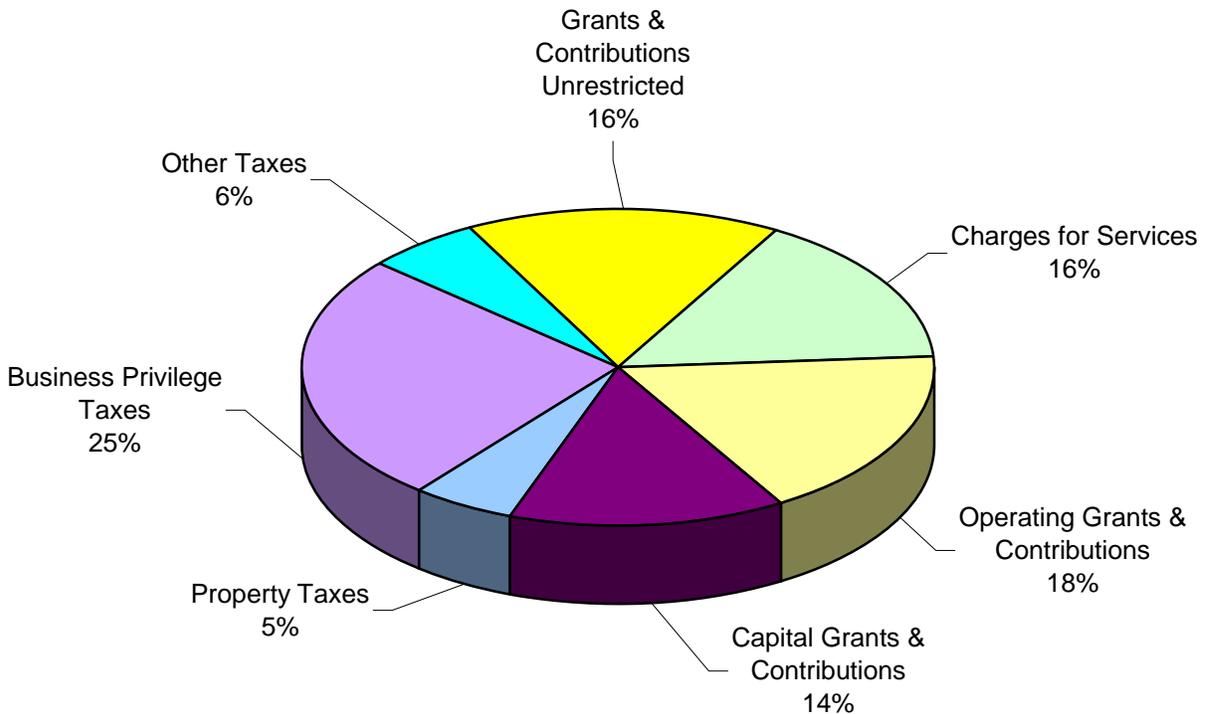
Governmental Activities

Total expenses for governmental activities for fiscal year 2011 were \$608.0 million, which was a \$10.7 million decrease from fiscal year 2010. Program revenues, including charges for services and restricted grants or contributions, covered 53% of these costs. General revenues covered the remaining 47% of governmental costs. Components of general revenues include taxes, unrestricted grants and contributions and miscellaneous revenues.

The significant changes in program revenues were due to decreases in the operating grants and contributions of \$4.5 million which was the result of spending HELP proceeds in fiscal year 2010 that were not available for fiscal year 2011. The decrease in the capital grants and contributions of \$21.1 million was due to a reduction of donated right-of-way and recording Neighborhood Stabilization Program public housing purchases as operating due to resale requirements.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2011:

Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2011



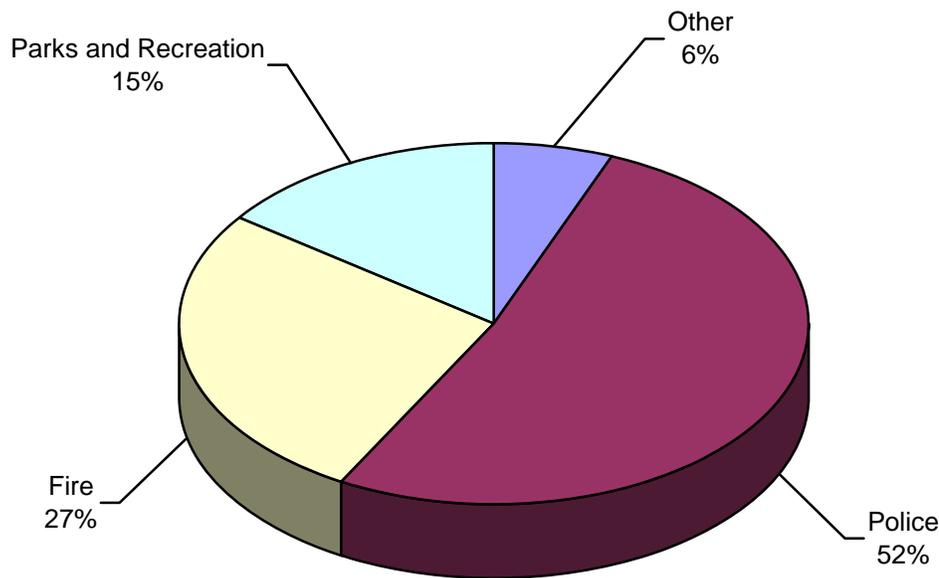
CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

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	2011		2010		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and Official	\$ (19,244,654)	6%	\$ (16,927,146)	6%	
Support Services	(8,081,548)	3%	(10,994,928)	4%	
Neighborhood Services	(226,856,643)	79%	(229,468,971)	84%	
Environment and Development	23,210,519	(8%)	40,492,304	(15%)	
Strategic Initiatives		0%	(2,173,619)	1%	
Non-Departmental	(25,457,382)	9%	(27,915,884)	10%	
Interest on Long-term Debt	(27,880,687)	10%	(27,605,603)	10%	
Fiscal Agent Fees and Other	(1,803,136)	1%	(801,342)	0%	
Total Net Expense	\$ (286,113,531)	100%	\$ (275,395,189)	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, 2011



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

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 2011 the business-type net assets increased \$25.7 million. Invest in capital assets, net of related debt increased \$15.1 million and unrestricted increased \$9.8 million. The majority of this change occurred in the Water Utility where invested in capital assets, net of related debt increased \$17.0 million. Unrestricted net assets increased due to rate increases in the Water Utility and the Environmental Services funds. These rate increases resulted in combined operating revenue increases of \$14.6 million while combined expenses increased only \$3.7 million.

Water Utility Revenues

Total program revenues increased in fiscal year 2011 by \$9.8 million. Charges for services increased by \$8.9 million due to a 9.7% increase in metered water sales.

Water Utility Expenses

Total operating expenses increased by \$4.0 million in fiscal year 2011 compared to fiscal year 2010. The increase is primarily the result of electric and gas expense increases of \$1.5 million and increased repair and maintenance expenses of \$.6 million. Interest on debt payments increased \$.6 million.

Environmental Services Revenues

Total operating revenues increased \$7.4 million in fiscal year 2011 as compared with fiscal year 2010 due to new volume based rate increases and a new groundwater remediation fee. Landfill service charges increased \$1.7 million due to two one-time events that increased the tonnage deposited into the landfills by 63,000 tons.

Environmental Services Expenses

Total operating expenses decreased by \$.3 million. This decrease is primarily due to a \$3.2 million reduction in remediation costs from fiscal year 2010 that offset the increases in commodity and depreciation expenses. Depreciation expense increased \$1.9 million due to a capitalization of a landfill cell with a short useful life.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City has two major governmental funds: the General Fund and the Mass Transit Fund. Fund balance in both General Fund and Mass Transit increased respectively by \$13.5 million and \$4.3 million. A stabilization fund of \$22.8 million was established in the committed fund balance category of the general fund in accordance with the financial policies approved by Mayor and Council. Within the General Fund, revenues decreased slightly while expenditures decreased by \$14.8 million. In the Mass Transit Fund, revenues decreased \$7.6 million while expenditures remained consistent with fiscal year 2010. With the reduction in revenues, the General Fund subsidy to the Mass Transit Fund increased \$12.2 million. In addition the City refunded the July 1, 2011 COPS principal payment, as a part of a debt restructuring plan and budget balancing measure.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

General Fund Revenues

- Total tax revenues, which represent 54% of total revenues, increased \$9.8 million (4.5%). The public utility tax increased \$7.1 million due to higher utility bills in fiscal year 2011 than fiscal year 2010. Business privilege tax remained fairly flat with a slight increase of \$1.6 million.
- Other Agency revenues, which includes state shared and other intergovernmental agreement revenues, decreased \$11.9 million (represents 27% of total revenues.) The three main revenue sources, state auto lieu tax decreased \$.6 million, state sales tax increased \$1.8 million, and state shared income tax decreased \$15.3 million. The state shared income tax distribution is based on 2009 collections. These revenues are very sensitive to the state and local economic conditions, which is an indication of a slow recovery from the recent recession.
- Charges for service revenues represent 10.2% of total revenues and increased \$1.4 million from last fiscal year. The primary increase was from paramedic fees, which now included city residents. Previously city residents were not charged for this service.

General Fund Expenditures

- General Fund expenditures decreased by \$14.8 million dollars. The decrease of \$18.9 million in personnel costs were offset by increases in other expenditure categories. The personnel reductions would be even more if not offset by increases in medical and workers' compensation rates and pension employer contributions.

Mass Transit Fund Revenues

- Total revenues decreased by \$7.6 million. The revenue decrease is attributable to an overall reduction in grant funding of \$2.3 million, reduction of state funding of \$1.6 million, and a reduction of Regional Transportation Authority (RTA) funding. The reduction of grant funding was due to fewer bus purchases, the state reduction was because of budget reductions, and the reduction of RTA funding was due to a formula reimbursement change.

Mass Transit Fund Expenditures

- Although total expenditures were slightly higher, operating expenditures increased \$2.9 million while capital expenditures decreased overall \$2.5 million. The operating increase was due to funding liability reserves (\$1.5 million) and increases in fuel costs. Capital expenditures decreased \$9 million because of fewer bus purchases, but increased \$6.5 million for the completion of a bus storage facility

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

- The adopted budget contained a "placeholder" to issue debt (included in capital leases adopted budget of \$34.3 million) in case revenues did not meet projections due to the slow economic recovery. As revenues exceeded budget estimates the revised budget eliminated the \$24.7 million placeholder. Actual revenues exceeded the adopted budget by \$13.4 million and the revised budget by \$9.8 million. Because revenues were above revised budget, assigned fund balance was not used as originally projected.
- As revenues were analyzed throughout the fiscal year, revisions were made to prevent financing of operating expenditures and to increase fund balance. Other Agency actual revenues exceeded the adopted budget by 2% and the revised budget by 2.4%. The Charges for service actual revenues were below the adopted budget by 4.9% and exceeded the revised budget by 2.9%.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

- The final expenditure budget of \$397.3 million was \$5 million lower than the original expenditure budget of \$402.3 million due primarily to adjustments to salaries of \$2 million and overtime of \$1.8 million to reduce expenditures to stay within projected revenues. Actual personnel expenditures of \$268.2 were below the final budget by \$14.2 million.
- In comparing the actual expenditures to the final budget, the total \$17.3 million variance for the Elected and Official, Support Services, Neighborhood Services, and Environment and Development service areas was due to significant attrition rates and employees in End of Service and DROP programs. As positions became vacant, they were either eliminated or reclassified to lower paid positions.
- For Non-Departmental, the \$4.4 million variance was due to budget capacity of \$2.5 added for a potential legal expense that did not occur and \$1.6 million reduction in jail board expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2011 and June 30, 2010:

Capital Assets (net of depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 690,830,627	\$ 680,644,113	\$ 68,190,734	\$ 65,958,375	\$ 759,021,361	\$ 746,602,488
Buildings and Improvements	316,725,032	287,922,584	94,783,728	98,596,827	411,508,760	386,519,411
Equipment	95,314,237	107,262,096	29,431,985	31,402,849	124,746,222	138,664,945
Infrastructure	393,543,585	378,576,974	902,438,438	860,760,495	1,295,982,023	1,239,337,469
Construction in Progress	372,887,687	340,110,443	94,124,137	108,986,090	467,011,824	449,096,533
Goodwill				18,715		18,715
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 1,869,301,168	\$ 1,794,516,210	\$ 1,241,095,990	\$ 1,217,850,319	\$ 3,110,397,158	\$ 3,012,366,529

Additional information regarding capital assets can be found in Note 7 on page 51.

Governmental Activities

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

- The net increase in land holdings was \$10.2 million, which represents a 1.5% increase from the previous year.
- Building and improvements had a net increase of \$28.8 million a 10% increase over prior year. The increase is primarily from capitalized projects. These projects included the central fire station building and improvements. Building and improvement additions were offset with \$17.8 million in depreciation expense.
- Equipment had a net decrease of \$11.9 million representing an 11% decrease from prior year. As our equipment assets get older, the depreciation expense exceeds the addition of new assets.
- Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage. The City's infrastructure had a net increase of \$14.9 million which represented a 4.0% increase from prior year. Infrastructure improvements were offset by \$20.7 million in depreciation expense.
- Capitalized construction-in-progress (CIP) projects for governmental activities assets were \$82.3 million. These projects included the fire headquarters building, the crime lab building, Grant road widening, and the modern street car.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Business-type Activities

Business-type activities had a net increase of \$23.2 million in capital assets during the fiscal year which represents a 2% increase over prior year.

- The net increase in land holdings was \$2.2 million, which represents a 3% increase from the previous year.
- Building and improvements had a net decrease of \$3.8 million, a 4% decrease from prior year. Depreciation expense exceeds the amount of the additions.
- Equipment had a net decrease of \$1.9 million representing a 6% decrease from prior year. As our equipment assets age, the depreciation expense exceeds the addition of new assets.
- Infrastructure improvements had a net increase of \$41.7 million which represented a 5.0% increase from the prior year. This represents assets constructed primarily through debt financing.

Long-term Debt

Figure 6 illustrates the City's long-term debt as of June 30, 2011 and June 30, 2010. Additional information regarding long-term debt can be found in Notes 8 through 12 starting on page 52.

Long-term Debt						Figure 6	
	Governmental Activities		Business-type Activities		Total		
	2011	2010	2011	2010	2011	2010	
General Obligation Debt	\$ 222,360,610	\$ 238,315,610	\$	\$	\$ 222,360,610	\$ 238,315,610	
Street & Highway Revenue Bonds	122,535,000	123,550,000			122,535,000	123,550,000	
Certificates of Participation	247,651,000	190,771,000	14,529,000	14,529,000	262,180,000	205,300,000	
Special Assessment Bonds	3,052,000	3,626,000			3,052,000	3,626,000	
Federal Highway Loan							
Clean Renewable Energy Bonds	17,662,300	7,011,600			17,662,300	7,011,600	
Water Revenue Bonds			495,852,215	483,682,203	495,852,215	483,682,203	
Central Arizona Project Loan			1,143,619	2,230,711	1,143,619	2,230,711	
Deferred Amount on Refundings, Premiums and Discounts	8,470,911	7,900,713	2,444,963	171,962	10,915,874	8,072,675	
Landfill Closure/Post Closure			37,929,644	37,222,517	37,929,644	37,222,517	
Deferred Revenue			56,622,896	53,237,580	56,622,896	53,237,580	
Remediation	1,391,221	1,675,632	6,585,000	6,585,000	7,976,221	8,260,632	
Capital Leases Payable	2,875,924	5,687,600	1,261,542	2,738,197	4,137,466	8,425,797	
Other Post-employment Benefits	5,498,042	1,120,724	243,211	261,761	5,741,253	1,382,485	
Compensated Absences	35,210,812	37,549,860	6,003,163	6,158,467	41,213,975	43,708,327	
Claims and Judgments	45,325,514	40,065,287			45,325,514	40,065,287	
Total	\$ 712,033,334	\$ 657,274,026	\$ 622,615,253	\$ 606,817,398	\$ 1,334,648,587	\$ 1,264,091,424	

Outstanding debt for the City totaled \$1.3 billion with 53.3% attributed to governmental activities and the remaining 46.7% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Governmental Activities

- The City issued two debt refundings during fiscal year 2011 for Streets and Highway and Certificates of Participation (COPS). The refunding for Streets and has a par value of \$10.7 million, but refunded \$11.7 million for the July 1, 2011 principal payment. The COPS Series 2011 has a par value of \$10.4 million, and refunded \$8.5 million for the July 1, 2011 principal.
- The City issued Series 2010-A on July 14, 2010 in the amount of \$47.0 million. This issue supports funding for projects such as the police crime lab, the central energy upgrade, Reid Park Zoo expansion and City Court repairs.
- The City also issued COPS series 2011 on June 21, 2011 in the amount of \$9.1 million for the Plaza Centro garage and technological software improvements.
- The City paid \$2.8 million on its capital lease principal. The leases were primarily issued between fiscal years 2005 and 2007 for vehicles and equipment.

Business-type Activities

- The Water Utility issued \$31.0 million on Series 2011 Water System Revenue Obligation to provide funds for the acquisition and construction of water system improvements.
- The Water Utility paid \$14.8 million in revenue bond principal, and \$3.6 million on the WIFA principal (Water Infrastructure Financing Authority).

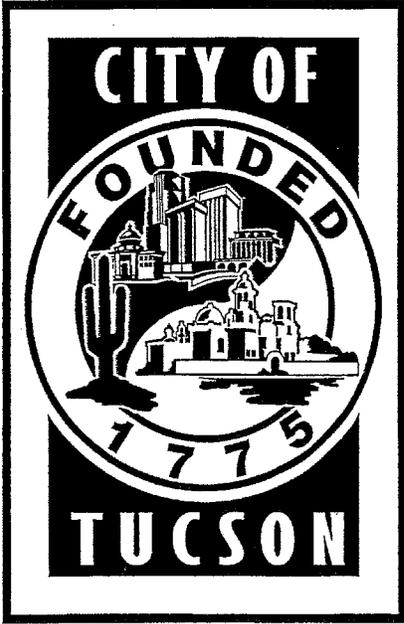
Bond Ratings

Figure 7 provides the bond ratings for fiscal year 2011 (current) and fiscal year 2010 (previous):

Bond Ratings						Figure 7
Type of Bond:	Moody		Standard and Poor's		Fitch	
	Current	Previous	Current	Previous	Current	Previous
General Obligation Bonds	Aa2	Aa2	AA-	AA-	AA	AA
Street & Highway User Revenue Bonds						
Senior Lien	Aa3	Aa3	AA+	AA+	AA	AA
Junior Lien	A1	A1	AA	AA	AA-	AA-
Water System Revenue Bonds						
Senior Lien	Aa2	Aa2	AA-	AA-	AA	AA
Certificates of Participation	Aa3	Aa3	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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Pooled Cash and Investments	\$ 62,791,088	\$ 42,381,663	\$ 105,172,751
Cash & Investments - Restricted		39,482,164	39,482,164
Cash & Investments with Fiscal Agent - Restricted	84,232,977	27,975,168	112,208,145
Taxes Receivable, Net	15,525,397		15,525,397
Accounts Receivable, Net	33,028,861	26,732,280	59,761,141
Special Assessments Receivable	2,193,957		2,193,957
Internal Balances	21,934,735	(21,934,735)	
Due from Other Agencies	43,403,342	435,182	43,838,524
Interest Receivable	123,497	13,295	136,792
Inventories	5,438,730	2,300,817	7,739,547
Other Assets	1,148,691	1,776,394	2,925,085
Total current assets	269,821,275	119,162,228	388,983,503
Noncurrent assets:			
Long Term Accounts Receivable	21,157,355	57,337,399	78,494,754
Long Term Notes Receivable	20,647,392		20,647,392
Long Term Investments	1,700,094		1,700,094
Other Assets - Restricted	22,573,864	707,865	23,281,729
Deferred Charges	7,631,094	4,428,961	12,060,055
Land & Construction in Progress	1,063,718,314	162,314,871	1,226,033,185
Other Capital Assets, Net	805,582,854	1,026,654,151	1,832,237,005
Water Rights		52,126,968	52,126,968
Total noncurrent assets	1,943,010,967	1,303,570,215	3,246,581,182
Total assets	2,212,832,242	1,422,732,443	3,635,564,685
LIABILITIES			
Current liabilities:			
Accounts Payable	25,935,936	3,309,401	29,245,337
Accrued Payroll Liabilities	10,057,154	1,832,724	11,889,878
Accrued Interest Payable	78,336	5,167	83,503
Due to Other Agencies	1,052,195	116,687	1,168,882
Refundable Deposits	7,503,726	3,807,780	11,311,506
Liabilities Payable from Restricted Assets	24,569,181	30,974,058	55,543,239
Unearned Revenue	4,031,797	166,152	4,197,949
Current portion of Long Term Liabilities	66,130,657	26,244,733	92,375,390
Total current liabilities	139,358,982	66,456,702	205,815,684
Noncurrent liabilities:			
Long Term Liabilities	645,902,677	595,226,901	1,241,129,578
Total non-current liabilities	645,902,677	595,226,901	1,241,129,578
Total liabilities	785,261,659	661,683,603	1,446,945,262
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,244,170,566	752,837,699	1,997,008,265
Restricted for:			
Restricted for Debt Service	6,640,091	27,691,069	34,331,160
Restricted for Capital	75,186,181	927,984	76,114,165
Restricted for Self Insurance Mandates	24,437,742		24,437,742
Restricted for Transportation	21,434,661		21,434,661
Restricted for Grants and Entitlements	23,439,258	6,541,441	29,980,699
Restricted for Other Purposes	7,880,025		7,880,025
Unrestricted	24,382,059	(26,949,353)	(2,567,294)
Total net assets	\$ 1,427,570,583	\$ 761,048,840	\$ 2,188,619,423

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 22,071,179	\$ 577,264	\$ 2,141,670	\$ 107,591
Support Services	42,164,837	32,998,812	309,981	774,496
Neighborhood Services	340,720,803	38,097,756	63,244,966	12,521,438
Environment and Development	146,488,882	35,056,522	52,318,487	82,324,392
Non-Departmental	27,175,033	44,068	1,640,411	33,172
Interest	27,880,687			
Fiscal Agent Fees	1,803,136			
Total governmental activities	<u>608,304,557</u>	<u>106,774,422</u>	<u>119,655,515</u>	<u>95,761,089</u>
Business-type activities:				
Public Housing AMP	12,138,321	3,894,804	6,769,831	
Environmental Services	45,752,439	48,442,224		109,785
Golf Course	8,452,760	7,015,322		
Water Utility	130,382,350	143,991,812		10,853,356
Total business-type activities	<u>196,725,870</u>	<u>203,344,162</u>	<u>6,769,831</u>	<u>10,963,141</u>
Total primary government	<u>\$ 805,030,427</u>	<u>\$ 310,118,584</u>	<u>\$ 126,425,346</u>	<u>\$ 106,724,230</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		
Governmental Activities	Business-type Activities	Totals
\$ (19,244,654)	\$	\$ (19,244,654)
(8,081,548)		(8,081,548)
(226,856,643)		(226,856,643)
23,210,519		23,210,519
(25,457,382)		(25,457,382)
(27,880,687)		(27,880,687)
(1,803,136)		(1,803,136)
<u>(286,113,531)</u>		<u>(286,113,531)</u>
	(1,473,686)	(1,473,686)
	2,799,570	2,799,570
	(1,437,438)	(1,437,438)
	24,462,818	24,462,818
	<u>24,351,264</u>	<u>24,351,264</u>
<u>\$ (286,113,531)</u>	<u>\$ 24,351,264</u>	<u>\$ (261,762,267)</u>
36,313,914		36,313,914
175,207,546		175,207,546
25,291,168		25,291,168
12,524,705		12,524,705
86,091		86,091
760,615		760,615
110,567,181		110,567,181
718,308	1,813,164	2,531,472
1,966,010		1,966,010
1,618,501	(1,618,501)	
<u>365,054,039</u>	<u>194,663</u>	<u>365,248,702</u>
78,940,508	24,545,927	103,486,435
<u>1,348,630,075</u>	<u>736,502,913</u>	<u>2,085,132,988</u>
<u>\$ 1,427,570,583</u>	<u>\$ 761,048,840</u>	<u>\$ 2,188,619,423</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 597,472	\$ 258,500	\$ 52,544,273	\$ 53,400,245
Cash/Investments with Fiscal Agents	1,710,006	250	25,325,748	27,036,004
Cash & Investments with Fiscal Agent - Restricted			44,239,072	44,239,072
Taxes Receivable - Current	17,207,633			17,207,633
Accounts Receivable, Net	29,244,764	583,302	851,272	30,679,338
Special Assessments Receivable			2,193,957	2,193,957
Notes & Loans Receivable	3,399,062		17,248,330	20,647,392
Due from Other Agencies	19,420,687	7,942,648	16,016,535	43,379,870
Interfund Receivable	39,136,973		7,882,445	47,019,418
Grants & Entitlements Receivable		10,796,298	12,640,135	23,436,433
Interest Receivable	2,117		25,431	27,548
Inventories	1,008,568	3,334,589		4,343,157
Long Term Investments			1,700,094	1,700,094
Other Assets		851,415	3,008	854,423
Total assets	\$ 111,727,282	\$ 23,767,002	\$ 180,670,300	\$ 316,164,584
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 6,078,644	\$ 8,370,393	\$ 8,673,365	\$ 23,122,402
Accrued Payroll Liabilities	8,221,316	430,488	903,578	9,555,382
Accrued Interest Payable			1,285	1,285
Interfund Payable	7,882,444	6,648,255	21,990,051	36,520,750
Due to Other Agencies	816,451	232,310	3,434	1,052,195
Refundable Deposits	6,444,776	99	1,050,809	7,495,684
Bonds & Interest Payable, including Special Assessments			24,569,181	24,569,181
Deferred Revenue	21,546,344	114,479	19,725,619	41,386,442
Total liabilities	50,989,975	15,796,024	76,917,322	143,703,321
Fund balances:				
Nonspendable	2,725,063	4,186,004		6,911,067
Restricted	5,477,328	3,277,000	82,176,622	90,930,950
Committed	28,162,175	249,474	3,110,847	31,522,496
Assigned	13,264,761	258,500	18,642,988	32,166,249
Unassigned	11,107,980		(177,479)	10,930,501
Total fund balances	60,737,307	7,970,978	103,752,978	172,461,263
Total liabilities and fund balances	\$ 111,727,282	\$ 23,767,002	\$ 180,670,300	\$ 316,164,584

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, 2011

Total Governmental Fund Balances (pg.18)		172,461,263
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		1,856,031,140
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred Charges	7,408,101	
Allowance for Doubtful Accounts	<u>(1,682,236)</u>	
Total Other Long-term Assets		5,725,865
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	(356,418,521)	
Capital Leases	(250,521,920)	
Matured Lease Principal	(745,851)	
Compensated Absences	(35,210,812)	
OPEB Liabilities	<u>(5,498,042)</u>	
Total Long-term Liabilities		(648,395,146)
Interest payable on long-term debt is not reported in governmental funds.		(75,463)
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.		37,354,645
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.		4,468,279
Net Assets of Governmental Activities (pg. 15)		<u><u>\$ 1,427,570,583</u></u>

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, 2011

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 225,486,157	\$	\$ 24,276,588	\$ 249,762,745
Licenses and Permits	22,243,472		236,950	22,480,422
Fines and Forfeitures	13,752,551		903,548	14,656,099
Developer Fees			4,923,737	4,923,737
Use of Money and Property	1,343,628	193,337	1,275,481	2,812,446
Federal Grants and Contributions		24,038,066	74,392,987	98,431,053
Other Agencies	114,430,126	9,262,782	104,537,359	228,230,267
Charges for Services	43,027,311	11,273,379	6,186,859	60,487,549
Special Assessments			598,613	598,613
Contributions from Outside Sources			259,238	259,238
Miscellaneous	296,923	1,233,746	2,008,139	3,538,808
Total revenues	<u>420,580,168</u>	<u>46,001,310</u>	<u>219,599,499</u>	<u>686,180,977</u>
Expenditures:				
Current -				
Elected and Official	19,587,569		1,951,541	21,539,110
Support Services	36,842,673		439,812	37,282,485
Neighborhood Services	264,381,762		64,197,800	328,579,562
Environment and Development	8,566,581	66,587,170	35,485,192	110,638,943
Non-Departmental	18,275,250		3,915,202	22,190,452
Capital Outlay	1,105,960	3,391,483	10,576,724	15,074,167
Capital Projects	1,121,399	13,710,825	106,094,723	120,926,947
Debt service -				
Principal	3,207,878		17,514,590	20,722,468
Interest	9,680,874		18,247,316	27,928,190
Fiscal Agent Fees	21,550		9,700	31,250
Issuance Costs of Debt	1,589,146		185,145	1,774,291
Total expenditures	<u>364,380,642</u>	<u>83,689,478</u>	<u>258,617,745</u>	<u>706,687,865</u>
Excess (deficiency) of revenues over expenditures	<u>56,199,526</u>	<u>(37,688,168)</u>	<u>(39,018,246)</u>	<u>(20,506,888)</u>
Other financing sources (uses):				
Bond Issuance			10,730,000	10,730,000
Capital Leases	11,900,595		54,664,405	66,565,000
Premium on Debt Issuance	28,750		1,546,408	1,575,158
Transfers In	1,612,253	41,977,344	5,895,183	49,484,780
Refunded Bond Escrow Agent	(9,901,551)		(12,091,263)	(21,992,814)
Discount on Debt Issuance	(252,090)			(252,090)
Transfers Out	(46,002,181)		(3,385,715)	(49,387,896)
Total other financing sources (uses)	<u>(42,614,224)</u>	<u>41,977,344</u>	<u>57,359,018</u>	<u>56,722,138</u>
Changes in fund balances	<u>13,585,302</u>	<u>4,289,176</u>	<u>18,340,772</u>	<u>36,215,250</u>
Fund balances, beginning of year	47,152,005	3,681,802	85,412,206	136,246,013
Fund balances, end of year	<u>\$ 60,737,307</u>	<u>\$ 7,970,978</u>	<u>\$ 103,752,978</u>	<u>\$ 172,461,263</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, 2011

Net Change in Fund Balances - Total Governmental Funds (pg. 20) \$ 36,215,250

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Expenditures	136,001,114	
Depreciation Expense	<u>(56,207,324)</u>	79,793,790

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.

Proceeds on the sale of an asset	(384,677)	
Gain on the sale of an asset	418,389	
Loss on the sale of an asset	<u>(1,434,490)</u>	(1,400,778)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

7,615,493

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:

Debt Proceeds	(77,295,000)	
Repayment of Debt Principal	<u>20,722,468</u>	(56,572,532)

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.

Extinguishment of Debt		20,215,000
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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.

Issuance Costs	1,788,011	
Amortization of Issuance Costs	<u>(680,924)</u>	1,107,087

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:

Premium on Issuance of Debt	(1,575,158)	
Discount on Issuance of Debt	252,090	
Accrued Interest Expense	47,503	
Amortization of Premium/Discount on Debt	<u>752,870</u>	(522,695)

Governmental funds do not recognize the changes in long-term debt:

Change in Compensated Absences Liability		2,212,707
Change in OPEB Liability		<u>(4,377,318)</u>

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.

(5,345,496)

Change in Net Assets of Governmental Activities (pg. 17)

\$ 78,940,508

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, 2011

	Enterprise Funds			Governmental
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Internal Service Funds
			Total	
ASSETS				
Current assets:				
Pooled Cash and Investments	\$ 14,095,365	\$ 20,628,784	\$ 7,657,514	\$ 42,381,663
Cash & Investments - Restricted	806,167	38,675,997		39,482,164
Cash & Investments with Fiscal Agent - Restricted	121,817	27,691,069	162,282	27,975,168
Accounts Receivable, Net	3,501,193	23,162,362	68,725	26,732,280
Due from Other Agencies	13,265	79,941	341,976	435,182
Interest Receivable	4,241	6,767	2,287	13,295
Inventories		1,835,316	465,501	2,300,817
Other Assets		1,776,394		1,776,394
Total current assets	<u>18,542,048</u>	<u>113,856,630</u>	<u>8,698,285</u>	<u>141,096,963</u>
Noncurrent assets:				
Long Term Accounts Receivable		519,458	56,817,941	57,337,399
Other Assets - Restricted		707,865		707,865
Deferred Charges	336,629	4,026,501	65,831	4,428,961
Land & Construction in Progress	11,557,471	138,762,820	11,994,580	162,314,871
Other Capital Assets, Net	21,106,887	973,996,196	31,551,068	1,026,654,151
Water Rights		52,126,968		52,126,968
Total noncurrent assets	<u>33,000,987</u>	<u>1,170,139,808</u>	<u>100,429,420</u>	<u>1,303,570,215</u>
Total assets	<u>51,543,035</u>	<u>1,283,996,438</u>	<u>109,127,705</u>	<u>1,444,667,178</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	667,609	1,722,083	919,709	3,309,401
Accrued Payroll Liabilities	473,857	1,126,233	232,634	1,832,724
Accrued Interest Payable	1,074		4,093	5,167
Interfund Payable			6,880,543	6,880,543
Due to Other Agencies		116,687		116,687
Refundable Deposits	36,897	2,785,251	985,632	3,807,780
Current Portion of Bonds Payable		21,530,759		21,530,759
Current Portion of Contracts Payable	838,183		6,174	844,357
Claims Payable				9,887,881
Remediation Obligations				211,200
Current Portion of Compensated Absences	630,659	1,900,193	235,708	2,766,560
Liabilities Payable from Restricted Assets		30,974,058		30,974,058
Unearned Revenue		26,799	139,353	166,152
Current portion of Long Term Liabilities	1,103,057			1,103,057
Total current liabilities	<u>3,751,336</u>	<u>60,182,063</u>	<u>9,403,846</u>	<u>73,337,245</u>
Noncurrent liabilities:				
Unearned Revenue			56,622,896	56,622,896
Bonds Payable		476,680,761		476,680,761
Contracts Payable	11,157,530		3,874,313	15,031,843
Claims Payable				35,437,633
Remediation Obligations				1,180,021
Compensated Absences	847,794	2,149,455	239,354	3,236,603
Other Post-employment Benefits	73,668	159,195	10,348	243,211
Long Term Liabilities	43,411,587			43,411,587
Total non-current liabilities	<u>55,490,579</u>	<u>478,989,411</u>	<u>60,746,911</u>	<u>595,226,901</u>
Total liabilities	<u>59,241,915</u>	<u>539,171,474</u>	<u>70,150,757</u>	<u>668,564,146</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	21,005,274	692,101,432	39,730,992	752,837,698
Restricted for Debt Service		27,691,069		27,691,069
Restricted for Capital	927,984			927,984
Restricted for Self Insurance Mandates				24,437,742
Restricted for Grants and Entitlements			6,541,441	6,541,441
Unrestricted	(29,632,138)	25,032,463	(7,295,485)	(11,895,160)
Total net assets	<u>\$ (7,698,880)</u>	<u>\$ 744,824,964</u>	<u>\$ 38,976,948</u>	<u>\$ 776,103,032</u>
Reconciliation to government-wide Statement of Net Assets				
Adjustment to consolidate internal service activities	(11,701,982)	(3,019,162)	(333,048)	(15,054,192)
Total Net Assets - Business Type	<u>\$ (19,400,862)</u>	<u>\$ 741,805,802</u>	<u>\$ 38,643,900</u>	<u>\$ 761,048,840</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, 2011

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:					
Charges for Services	\$ 46,095,193	\$ 142,657,723	\$ 10,850,957	\$ 199,603,873	\$ 60,492,049
Federal Grants and Contributions			6,769,831	6,769,831	
Miscellaneous	2,347,031	1,334,089	59,169	3,740,289	205,294
Total operating revenues	<u>48,442,224</u>	<u>143,991,812</u>	<u>17,679,957</u>	<u>210,113,993</u>	<u>60,697,343</u>
Operating expenses:					
Personal Services	15,279,650	30,853,721	7,532,201	53,665,572	15,047,390
Contractual Services	17,253,119	45,930,563	7,806,638	70,990,320	13,550,246
Commodities	4,834,172	6,441,946	2,425,378	13,701,496	15,129,439
Cost of Goods Sold			242,352	242,352	
Benefits and Claims					12,856,640
Depreciation	6,500,066	27,769,408	2,406,390	36,675,864	4,121,110
Total operating expenses	<u>43,867,007</u>	<u>110,995,638</u>	<u>20,412,959</u>	<u>175,275,604</u>	<u>60,704,825</u>
Operating income (loss)	<u>4,575,217</u>	<u>32,996,174</u>	<u>(2,733,002)</u>	<u>34,838,389</u>	<u>(7,482)</u>
Nonoperating revenues (expenses):					
Other Agencies		796,871		796,871	
Investment Income	39,326	274,945	843,310	1,157,581	118,623
Gain (loss) on Sale of Property/Equipment	450,990	340,288	(135,695)	655,583	(133,446)
Federal Grants and Contributions	109,785	80,776		190,561	
Interest Expense	(549,955)	(18,210,499)	(182,551)	(18,943,005)	(317)
Amortization of Issuance Costs	(19,499)	(308,377)	(7,315)	(335,191)	(7,792)
Other Non-operating Income (Expense)		(971,218)		(971,218)	
Total nonoperating revenues (expenses)	<u>30,647</u>	<u>(17,997,214)</u>	<u>517,749</u>	<u>(17,448,818)</u>	<u>(22,932)</u>
Income (loss) before capital contributions and transfers	<u>4,605,864</u>	<u>14,998,960</u>	<u>(2,215,253)</u>	<u>17,389,571</u>	<u>(30,414)</u>
Capital Contributions	1,499	9,975,709		9,977,208	223,678
Transfers In			558,299	558,299	1,534,566
Transfers Out		(1,600,000)	(578,299)	(2,178,299)	(8,274,181)
Changes in net assets	<u>4,607,363</u>	<u>23,374,669</u>	<u>(2,235,253)</u>	<u>25,746,779</u>	<u>(6,546,351)</u>
Total net assets, beginning 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>
Total net assets, end of year	<u>\$ (7,698,880)</u>	<u>\$ 744,824,964</u>	<u>\$ 38,976,948</u>	<u>\$ 776,103,032</u>	<u>\$ (10,585,913)</u>
Reconciliation to government-wide Statement of Activities					
Changes in net assets	<u>4,607,363</u>	<u>23,374,669</u>	<u>(2,235,253)</u>	<u>25,746,779</u>	
Adjustment to consolidate internal service activities	<u>(1,315,978)</u>	<u>103,382</u>	<u>11,744</u>	<u>(1,200,852)</u>	
Changes in net assets - Business-type activities	<u>\$ 3,291,385</u>	<u>\$ 23,478,051</u>	<u>\$ (2,223,509)</u>	<u>\$ 24,545,927</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, 2011**

	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	\$ 45,882,083	\$ 144,017,497	\$ 11,015,976	\$ 200,915,556	\$ 60,569,773
Cash Payments to Suppliers for Goods and Services	(22,264,109)	(54,728,158)	(10,261,129)	(87,253,396)	(28,923,323)
Cash Payments to Employees for Services	(15,285,691)	(30,844,984)	(7,513,137)	(53,643,812)	(14,995,374)
Subsidy from Federal Grant			7,212,959	7,212,959	
Other Operating Revenues	2,347,031		1,589	2,348,620	171,275
Cash Payments to Claimants					(7,596,413)
Net Cash Provided (Used) by Operating Activities	<u>10,679,314</u>	<u>58,444,355</u>	<u>456,258</u>	<u>69,579,927</u>	<u>9,225,938</u>
Cash Flows from Noncapital Financing Activities:					
Interfund Transfers	1,499	(1,600,000)	(20,000)	(1,618,501)	223,116
Advances from Other Funds			535,276	535,276	(7,701,002)
Subsidy from Federal Grant	79,491	113,574		193,065	
Interest Paid on Advances			(26,601)	(26,601)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>80,990</u>	<u>(1,486,426)</u>	<u>488,675</u>	<u>(916,761)</u>	<u>(7,477,886)</u>
Cash Flows from Capital and Related Financing Activities:					
Bond Issuance		30,967,027		30,967,027	11,235,000
Acquisition and Construction of Capital Assets	(5,811,257)	(39,930,894)	(192,046)	(45,934,197)	(1,438,986)
Transfers from Other Funds					1,300,000
Principal Paid on Capital Debt	(1,472,096)	(20,147,455)	(2,959)	(21,622,510)	(589,124)
Interest Paid on Capital Debt	(551,697)	(17,660,899)	(164,907)	(18,377,503)	(318)
Fiscal Agent Fees Paid on Capital Debt		(855,221)		(855,221)	(141,175)
Landfill Closure Costs	(121,035)			(121,035)	
Proceeds from Sale of Assets/Equipment	550,658	344,634		895,292	415,872
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,405,427)</u>	<u>(47,282,808)</u>	<u>(359,912)</u>	<u>(55,048,147)</u>	<u>10,781,269</u>
Cash Flows from Investing Activities:					
Interest on Investments	42,803	1,543,451	626,625	2,212,879	405,905
Proceeds from Sale of Investments					21,500,000
Purchase of Investments					(22,674,874)
Net Cash Provided (Used) by Investing Activities	<u>42,803</u>	<u>1,543,451</u>	<u>626,625</u>	<u>2,212,879</u>	<u>(768,969)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>3,397,680</u>	<u>11,218,572</u>	<u>1,211,646</u>	<u>15,827,898</u>	<u>11,760,352</u>
Cash and Cash Equivalents - July 1	<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>
Cash and Cash Equivalents - June 30	<u>\$ 15,023,349</u>	<u>\$ 86,995,850</u>	<u>\$ 7,819,796</u>	<u>\$ 109,838,995</u>	<u>\$ 22,348,744</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, 2011**

	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)	\$ 4,575,217	\$ 32,996,174	\$ (2,733,002)	\$ 34,838,389	\$ (7,482)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	6,500,066	27,769,407	2,406,390	36,675,863	4,121,110
Provision for Landfill Closure	828,162			828,162	
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable	(208,872)	(121,004)	331	(329,545)	43,651
Inventory		(112,575)	(3,312)	(115,887)	(193,824)
Due from Other Agencies			416,659	416,659	25,313
Decrease in Other Assets		(990,590)		(990,590)	
Increase (Decrease) in Liabilities:					
Accounts Payable	(1,004,574)	(85,586)	263,640	(826,520)	215,447
Accrued Payroll Liabilities	38,765	146,538	10,312	195,615	52,016
Accrued Compensated Absences	2,324	(199,133)	41,507	(155,302)	
Accrued Other Post-Employment Benefits	(47,130)	61,334	(32,754)	(18,550)	
Unearned Revenue			71,385	71,385	
Customer/Refundable Deposits	(4,238)	335,218	48,925	379,905	(137)
Claims and Judgments Payable					5,260,227
Remediation Obligation					(284,411)
Due to Other Agencies	(406)	(1,355,428)	(48,133)	(1,403,967)	(5,972)
Other Operating Liabilities			14,310	14,310	
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,679,314</u>	<u>\$ 58,444,355</u>	<u>\$ 456,258</u>	<u>\$ 69,579,927</u>	<u>\$ 9,225,938</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets		6,815,698		6,815,698	(7,967,765)
Total Noncash Investing, Capital, and Financing Activities:	<u>\$</u>	<u>\$ 6,815,698</u>	<u>\$</u>	<u>\$ 6,815,698</u>	<u>\$ (7,967,765)</u>

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, 2011

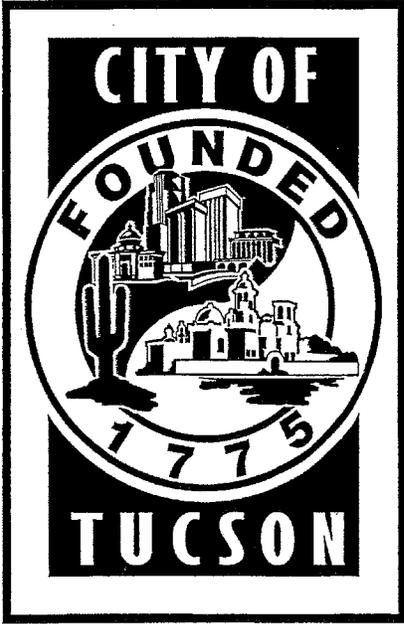
	Pension Trust	Agency
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 6,484,650	\$ 6,601,123
Accounts Receivable, Net	14,423	8,078,201
Employer Contributions Receivable	767,596	
Employee Contributions Receivable	254,608	
Interest Receivable		3,136
Interest & Dividends Receivable	1,583,253	
Due from Brokers	17,699,066	
Short Term Investments	7,229,764	
Securities Lending Collateral	37,410,180	
U.S. Treasuries, Agencies & Other Governmental Bonds	94,866,767	
Corporate Bonds & Other Fixed Income Instruments	47,865,057	
Common Stocks	276,930,546	
International Fixed Income	16,033,171	
International Equity	89,114,754	
Real Estate	34,906,326	
Infrastructure	35,113,987	
Other Capital Assets, Net	62,978	
Total assets	666,337,126	\$ 14,682,460
<u>LIABILITIES</u>		
Accounts Payable	5,246,053	1,626,039
Accrued Payroll Liabilities	9,523	
Due to Other Agencies		13,056,421
Due to Securities Borrowers	37,410,180	
Due to Brokers	23,958,721	
Refundable Deposits	837	
Total liabilities	66,625,314	\$ 14,682,460
<u>NET ASSETS</u>		
Held in trust	\$ 599,711,812	

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, 2011

	Pension Trust
Additions:	
Employer Contributions	\$ 23,432,916
Employee Contributions	11,335,216
Contributions from Other Sources	50,000
Other Plans	700,009
Net Increase (Decrease) in Fair Value of Investment	106,114,437
Interest, Dividends and Other Income	11,950,299
Securities Lending Income	124,158
Less: Investment Activity Expense	(3,871,641)
Less: Securities Lending Expense	(35,027)
Miscellaneous Additions	45,681
Total additions	149,846,048
 Deductions:	
Payments to Participants	58,247,882
Refunds and Transfers to Other Plans	5,279,233
Administrative Expense	728,642
Total deductions	64,255,757
 Changes in net assets	 85,590,291
 Net assets, beginning of year	 514,121,521
 Net assets, end of year	 \$ 599,711,812

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, 2011

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.

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, 2011

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, 2011

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 City of 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, 2011

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

F. Budgetary Information

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of expenditures based on a factor of increases in population and inflation. 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. The City is under the State approved expenditure limitation.

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

1. On or before the first Monday in June of each year, the City Manager submits to the Mayor and Council a proposed biennial budget for the fiscal year commencing the following July 1. The budget includes proposed operating and capital expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

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, Fiduciary Fund 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, 2011.

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. Estimated fair value for real estate investments are established by third party appraisers.

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

Income from pooled investments is allocated to the individual funds based on each fund's monthly average 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, 2011, 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, 2011

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

Fund	Receivables	Allowance for Doubtful Accounts	Net
Governmental Activities:			
General Fund	\$ 31,093,057	\$ 1,848,293	\$ 29,244,764
Mass Transit Fund	583,302		583,302
Internal Service Funds	92,873	22,428	70,445
Non-major Governmental Funds	851,272		851,272
Total Governmental Activities	32,620,504	1,870,721	30,749,783
Business-Type Activities:			
Environmental Services Fund	3,664,530	163,337	3,501,193
Water Utility Fund	23,379,148	216,786	23,162,362
Non-major Business-Type Fund	126,319	57,594	68,725
Total Business-Type Activities	27,169,997	437,717	26,732,280
Fiduciary Funds	8,092,624		8,092,624
Total All Funds	\$ 67,883,125	\$ 2,308,438	\$ 65,574,687

The Water Utility Funds' assets and revenues include \$9,361,662 for water sales delivered, but unbilled at June 30, 2011.

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, 2011, these loans totaled \$4,784,641. Due to the infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

J. Inventories/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, 2011

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 \$3,995,079. 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, 2011, were \$1,122,154/\$1,122,154 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, 2011.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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. 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, 2011

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

The City's goal is to maintain a stabilization fund as a Committed (approved by Mayor and Council) fund balance of no less than ten percent of General Fund revenues. (The City is currently not in conformity with this goal but is striving to achieve within five years.) The stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned/Contingency fund balance is depleted and if the City Manager is able to demonstrate the magnitude of the unforeseen emergency and there are no reasonable budget adjustments available to continue to provide the essential services to the public. In the event the stabilization fund must be used to provide for temporary funding, the City must restore to the minimum limit over a period not to exceed five fiscal years following the fiscal year in which the event occurred. If the depletion of the stabilization fund was a result of an ongoing economic downturn the City's goal is to restore the fund balance within five years of revenue stabilization.

The Chief Financial Officer will approve any Assigned Fund Balance.

A target of a minimum of seven percent of General Fund revenues will be 'Unassigned/contingency', with the intention to provide additional stability to the General Fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the City. Funds in excess of the minimum targets will be retained in the Unassigned General Fund Balance to supplement 'pay as you go' requirements.

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

As of June 30, 2011, the fund balance details by classification are listed on the next page.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

	<u>General Fund</u>	<u>Mass Transit</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Inventory	\$ 1,008,569	\$ 3,334,589	\$	\$ 4,343,158
Prepaid Expenditures		851,415		851,415
Rio Nuevo Long-Term Receivable	1,716,494			1,716,494
Total Nonspendable	<u>2,725,063</u>	<u>4,186,004</u>		<u>6,911,067</u>
Restricted:				
Debt Service			6,147,341	6,147,341
Capital Projects			64,186,980	64,186,980
Donations			2,502,311	2,502,311
Federal Grants			9,339,990	9,339,990
Public Safety	5,477,328			5,477,328
Streets and Highway		3,277,000		3,277,000
Total Restricted	<u>5,477,328</u>	<u>3,277,000</u>	<u>82,176,622</u>	<u>90,930,950</u>
Committed To:				
Streets and Highway	318,550	249,474	2,756,571	3,324,595
Parks and Recreation	1,843,065			1,843,065
Public Housing	72,875			72,875
Public Safety	1,333,105			1,333,105
Economic Development	1,276,938			1,276,938
Stabilization Fund	22,836,507			22,836,507
Other Purposes	481,135		354,276	835,411
Total Committed	<u>28,162,175</u>	<u>249,474</u>	<u>3,110,847</u>	<u>31,522,496</u>
Assigned To:				
Street and Highways			18,613,588	18,613,588
Management Contingencies	12,724,870			12,724,870
Parks and Recreation	145,363			145,363
Other Purposes	394,528	258,500	29,400	682,428
Total Assigned	<u>13,264,761</u>	<u>258,500</u>	<u>18,642,988</u>	<u>32,166,249</u>
Unassigned:				
	11,107,980		(177,479)	10,930,501
Total Fund Balances	<u>\$ 60,737,307</u>	<u>\$ 7,970,978</u>	<u>\$ 103,752,978</u>	<u>\$ 172,461,263</u>

The Mayor and Council established a stabilization fund within the General Fund with a goal of 10% of general fund revenues in January 2011, which is reported in the committed fund balance classification. At the time of the policy adoption it was recognized that it would take several years to reach the goal level. As of June 30, 2011, the stabilization fund is 5.4% of general fund revenues.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

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 \$8,615 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, 2010:

GASB Statement 59, *Financial Instruments Omnibus*, provides a number of clarifying updates to improve the financial reporting requirements that address financial instruments. There were no impacts on the financial statements that resulted from this pronouncement.

GASB Statement 61, *The Financial Reporting Entity: Omnibus*, modifies the existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. No changes were necessary.

Note 3 - PROPERTY TAX:

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 3 - PROPERTY TAX (Continued):

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

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 exceeding \$20,000 paid during the prior fiscal year.

Note 4 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2011, the following funds had deficit fund balances or net assets:

Environmental Services Fund	\$	(7,698,880)
Self Insurance Fund	\$	(25,254,597)
General Services Fund	\$	(2,200,359)
Other Federal Grants Fund	\$	(2,392)

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. The deficit in the Environmental Services Fund has continued to improve due to new volume based rate increases for residential customers and increased landfill service charges. The deficit in the Self Insurance Fund will continue to decrease due to a new rate structure that is based on cost recovery of expected claims and a surcharge to recover past deficits.

The Golf Course Fund continues to receive financial assistance from the General Fund through the use of Interfund Receivables/Payables (See Note 6). As of June 30, 2011, the Golf Course Fund has an interfund payable of \$6.9 million. This resulted in interest charges of \$24,345 for fiscal year 2011. City management continues to research options to improve the financial position of this fund.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2011:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 192,258,817	\$ (34,518,129)	\$ 157,740,688
Investments	665,477,074	(1,732,564)	663,744,510
Total	<u>\$ 857,735,891</u>	<u>\$ (36,250,693)</u>	<u>\$ 821,485,198</u>

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Pooled Cash and Investments	\$ 105,172,751	\$ 13,085,773	\$ 118,258,524
Investments	24,273,958	639,470,552	663,744,510
Cash & Investments Restricted	39,482,164		39,482,164
Total	<u>\$ 168,928,873</u>	<u>\$ 652,556,325</u>	<u>\$ 821,485,198</u>

A. Deposits

Reconciling items in the previous table are made up of outstanding checks, deposits in transit and other miscellaneous items. Bank balances are covered by federal depository insurance or collateral (if applicable) held by the City's agents in the City's name.

B. Investments

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

	Fair Value
U.S. Issues not on Securities Loan:	
U.S. Treasuries, Agencies & Other Governmental Bonds	\$ 187,029,087
Corporate Bonds & Other Fixed Income Instruments	70,330,653
Corporate Stock	252,713,652
Non-U.S. Issues not on Securities Loan:	
International Bonds	15,503,578
International Stock	86,439,257
Sub-Total	612,016,227
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Treasuries, Agencies & Other Governmental Bonds	1,328,876
Corporate Bonds & Other Fixed Income Instruments	7,519,604
U.S. Stock	24,216,894
International Bonds	529,593
International Stock	2,675,497
Sub-Total	36,270,464
Securities Lending Short-Term Collateral Investment Pool	37,410,180
Money Market Funds/Short-Term Investments	102,018,707
Real Estate Funds	34,906,326
Infrastructure Funds	35,113,987
Sub-Total	209,449,200
Total Deposits and Investments	\$ 857,735,891

C. Credit Risk

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

The City has the following investment policies governing the City 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, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The City's investment pool account had the following credit risk structure as of June 30, 2011:

Investment Type	Credit Rating (1)	Fair Value	Percent of Grand Total
Money Market Funds:			
Wells Fargo Treasury Plus MM	AAA	\$ 10,000	
Wells Fargo Government MM Fund	AAA	86,021,640	
		86,031,640	46.90%
Commercial Paper:			
Various Issues	P-1	29,985,200	16.35%
Federal Agency:			
<i><u>Federal Home Loan Mortgage Corp</u></i>			
FHLMC Structured Note	AAA	4,995,100	2.72%
<i><u>Federal Home Loan Bank</u></i>			
FHLB Coupon Notes	AAA	32,441,924	17.69%
<i><u>Federal Farm Credit Bank</u></i>			
FFCB Coupon Notes	AAA	9,979,600	5.44%
<i><u>Federal National Mortgage Association</u></i>			
FNMA Structured & Coupon Notes	AAA	19,993,050	10.90%
Grand Total		\$ 183,426,514	100%

(1) Per Moody's Credit Rating Organization

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, 2011, these funds consisted of: a U.S. Treasury Note with a fair market value of \$24,437,742, a U.S. Agency Bond with a fair market value of \$1,700,094 and various other operational accounts totaling \$4,878,629. The City of Tucson banking policy for these cash accounts are consistent with the investment pool account policy described above.

The TSRS pension 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 & Poors 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, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2011:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Grand Total
Cash and Cash Equivalents:				
Cash & Short Term Investment Fund	2	AAA	\$ 7,034,864	
U.S. Treasury - Less than 1 Year	1	AAA	119,900	
Sub Total	<u>3</u>		<u>7,154,764</u>	4.31%
U.S. Treasury Notes & Bonds:	4	AAA	2,272,083	1.37%
U.S. Agency & Other Governmental Obligations:				
U.S. Agency Bonds	57	AAA	75,139,682	
Municipal Bonds	18	AA3	17,455,002	
Sub Total	<u>75</u>		<u>92,594,684</u>	55.81%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	4	B3	854,778	
Fixed Income Swaps & Options	50	A1	(249,077) (2)	
Banks & Finance	24	A2	19,289,066	
Transportation	2	A3	2,615,630	
Utilities	6	A3	6,216,106	
Other Corporate Issues	16	BAA1	18,180,842	
Convertible Securities	2	BAA3	780,650	
Futures Contracts	8	N/R	177,062	
Sub Total	<u>112</u>		<u>47,865,057</u>	28.85%
International Bonds:	54	A2	16,033,171	9.66%
Grand Total	<u>248</u>		<u>\$ 165,919,759</u>	<u>100%</u>

Footnotes:

(1) Per Moody's Credit Rating Organization

(2) 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 Governmental Accounting Standards Board (GASB) in Statement 40, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. For fixed income securities, there is an inverse relationship between the change in interest rates and their fair value. For example, in a rising interest rate environment the value of fixed income securities will tend to fall by varying degrees depending on the length of their maturities. In general, the value of fixed income securities with a longer duration will tend to decrease more than shorter duration securities in a rising interest rate environment.

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

- 1) 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, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The City's investment pool account had the following maturity structure as of June 30, 2011:

<u>Investment Type/Maturity</u>	<u>Maturity Date</u>	<u>Next Call Date (1)</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Money Market Funds:				
Wells Fargo Treasury Plus MM			\$ 10,000	
Wells Fargo Government MM Fund			<u>86,021,640</u>	
			86,031,640	46.90%
<u>Less Than 1 Year</u>				
Commercial Paper:				
Dexia Delaware LLC	08/22/11		4,998,250	
ING America Insurance	08/23/11		4,998,250	
PB Financial INC	08/23/11		4,998,250	
BG Energy Finance INC	09/08/11		4,997,200	
Nationwide Building	09/19/11		4,996,800	
Suncorp-Metwy LTD	09/27/11		4,996,450	
Federal Agency:				
FHLB Coupon Note	12/28/11	B	<u>5,020,500</u>	
			35,005,700	19.08%
<u>Between 1 to 2 Years</u>				
Federal Agency:				
FHLB Coupon Note	11/28/12	B	5,085,900	
FHLB Coupon Note	04/29/13	07/29/11	<u>5,003,100</u>	
			10,089,000	5.50%
<u>Between 2 to 3 Years</u>				
Federal Agency:				
FHLB Coupon Note	09/27/13	06/27/12	4,993,050	
FNMA Coupon Note	09/30/13	09/30/11	5,010,200	
FFCB Coupon Note	10/18/13	11/18/11	5,009,800	
FHLB Coupon Note	12/09/13	C	2,368,824	
FHLB Coupon Note	03/20/14	09/20/11	5,000,000	
FFCB Coupon Note	06/27/14	06/27/12	4,969,800	
FHLB Coupon Note	06/27/14	12/27/11	4,970,550	
FHLMC Structured Note	06/30/14	09/30/11	4,995,100	
FNMA Coupon Note	06/30/14	12/30/11	4,995,050	
FNMA Structured Nots	06/30/14	12/30/11	<u>9,987,800</u>	
			52,300,174	28.51%
Grand Total			<u>\$ 183,426,514</u>	<u>100%</u>

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

C=Continuous - Callable anytime after initial call date

The TSRS pension 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The TSRS fund had the following maturity structure as of June 30, 2011:

Investment Type	Investment Maturities (in Years)				Total Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Cash & Short Term Investment Fund	\$ 7,034,864	\$	\$	\$	\$ 7,034,864
U.S. Treasury Issues	119,900	1,631,492	640,591		2,391,983
U.S. Agency & Other Governmental Obligations		16,398,736	7,482,385	68,713,563	92,594,684
Corporate & Other Fixed Income Instruments	202,703	21,085,552	16,705,381	9,871,421	47,865,057
International Bonds	3,175,328	7,449,377	3,237,716	2,170,750	16,033,171
Total	\$ 10,532,795	\$ 46,565,157	\$ 28,066,073	\$ 80,755,734	\$ 165,919,759
Average Modified Duration:					
Internal Account		6.08 yrs			
External Account		6.88 yrs			

E. Foreign Currency Risk

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2011:

Currency	Fair Value (1)	Percent of Total
Australian Dollar	\$ 6,132	0.001%
Brazil Real	14,703	0.002%
British Pound Sterling	8,536,651	1.429%
Canadian Dollar	149,809	0.025%
Chinese Yuan Renminbi	2,116,766	0.354%
Euro Currency Unit	38,991,252	6.528%
Hong Kong Dollar	1,427,313	0.239%
Japanese Yen	7,117,697	1.192%
Mexican New Peso	97,783	0.016%
New Taiwan Dollar	(2,004) (2)	0.000%
Norwegian Krone	270,952	0.045%
Singapore Dollar	1,043,964	0.175%
South Korean Won	2,699,316	0.452%
Swedish Krona	554,062	0.093%
Swiss Franc	4,870,122	0.815%
U.S. Dollar	529,404,235	88.633%
TOTAL	\$ 597,298,753	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.

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, 2011, the carrying amount and fair value of securities on loan was \$36,270,464. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 5 - DEPOSITS AND INVESTMENTS (continued):

The lender cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2011, 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 System's external fixed income manager as of June 30, 2011. 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.

Investment Derivative Instrument	Notional Amount	Changes in Fair Value	Fair Value	Principal Risk
Credit Default Swaps	\$ 15,759,900	\$ (122,599)	\$ (213,718)	Credit
Foreign Forward Currencies	(1)	\$ (57,874)	\$ (836,525)	Foreign Currency
Exchange Traded Futures	(1)	\$ 319,830	\$ 58,596,646	Interest Rate / Foreign Currency
Interest Rate Swaps	(1)	\$ (394,707)	\$ (195,171)	Interest Rate
Exchange Traded Options	\$ (27,400,000)	\$ 5,960	\$ (25,385)	Interest Rate
OTC Swaptions	\$ (31,700,000)	\$ 70,223	\$ (125,741)	Interest Rate

Footnotes:

(1) Notional amount is denominated in various foreign currencies

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, 2011

Note 6 - INTERFUND BALANCES AND TRANSFERS:

Interfund receivables/payables represent cash transfers between funds as of June 30, 2011. These are necessary to cover short term timing differences between cash outflows and inflows or cash flow issues for specific funds. In most cases, funds receive interest revenue or expense depending on average cash balance throughout the fiscal year. 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	\$ 39,136,973	\$ 7,882,444
Mass Transit Fund		6,648,255
Other Non-major Governmental Funds	<u>7,882,445</u>	<u>21,990,051</u>
Total Governmental Funds	47,019,418	36,520,750
Internal Service Funds:		
Self Insurance		3,618,125
Enterprise Funds:		
Golf Course Fund		<u>6,880,543</u>
Total All Funds	<u>\$ 47,019,418</u>	<u>\$ 47,019,418</u>

The Due from/to Other Agencies balances at June 30, 2011 are listed below. These represent receivables/payables to federal, state, or local governmental agencies. Fiduciary Fund Due from/to are not shown on the government-wide financial Statement of Net Assets.

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 19,420,687	\$ 816,451
Mass Transit Fund	7,942,648	232,310
Other Non-major Governmental Funds	<u>16,016,535</u>	<u>3,434</u>
Total Governmental Funds	43,379,870	1,052,195
Internal Service Funds:		
General Services	5,004	
Fleet Services	<u>18,468</u>	
Total Internal Service Funds	23,472	
Enterprise Funds:		
Water Utility	79,941	116,687
Environmental Services	13,265	
Other Non-major Enterprise Funds	<u>341,976</u>	
Total Enterprise Funds	435,182	116,687
Fiduciary Funds:		
Sewer User Fee Fund		12,902,489
HIDTA Fiduciary Fund		<u>5,122,428</u>
Total Fiduciary Funds		18,024,917
Total All Funds	<u>\$ 43,838,524</u>	<u>\$ 19,193,799</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 \$8,574,181 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, 2011, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 1,612,253	46,002,181
Mass Transit Fund	41,977,344	
Other Non-major Governmental Funds	<u>5,895,183</u>	<u>3,385,715</u>
Total Governmental Funds	49,484,780	49,387,896
Internal Service Funds:		
Risk Management	234,566	11,450
General Services	305,000	
Fleet Services	<u>995,000</u>	
Total Internal Service Funds	1,534,566	11,450
Enterprise Funds:		
Water Utility		<u>1,600,000</u>
Other Non-major Enterprise Funds	<u>558,299</u>	<u>578,299</u>
Total Enterprise Funds	558,299	2,178,299
Total All Funds	<u>\$ 51,577,645</u>	<u>\$ 51,577,645</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 7 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 680,644,112	\$ 10,921,202	\$ (734,687)	\$ 690,830,627
Construction-in-Progress	340,110,444	115,108,214	(82,330,971)	372,887,687
Capital Assets being Depreciated:				
Buildings and Improvements	472,233,596	47,535,996	(1,060,189)	518,709,403
Equipment	265,207,559	10,799,635	(3,106,612)	272,900,582
Infrastructure	785,626,263	35,623,735		821,249,998
Totals at Historical Cost	<u>2,543,821,974</u>	<u>219,988,782</u>	<u>(87,232,459)</u>	<u>2,676,578,297</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	184,311,012	17,844,733	(171,374)	201,984,371
Equipment	157,945,463	21,826,577	(2,185,695)	177,586,345
Infrastructure	407,049,289	20,657,124		427,706,413
Total Accumulated Depreciation	<u>749,305,764</u>	<u>60,328,434</u>	<u>(2,357,069)</u>	<u>807,277,129</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,794,516,210</u>	<u>\$ 159,660,348</u>	<u>\$ (84,875,390)</u>	<u>\$ 1,869,301,168</u>

Depreciation expense was charged to governmental purposes as follows:

Elected and Official	\$ 82,677
Support Services	9,542,946
Neighborhood Services	13,629,427
Environment and Development	35,863,702
Non-Departmental	1,209,682
Total Depreciation Expense	<u>\$ 60,328,434</u>

Business-Type Activities:

Non-depreciated Assets				
Land	\$ 65,958,375	\$ 2,368,054	\$ (135,695)	\$ 68,190,734
Construction-in-Progress	108,986,090	69,831,704	(84,693,657)	94,124,137
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	189,845,885	4,754,822	(2,151,180)	192,449,527
Equipment	78,124,572	8,843,544	(7,948,396)	79,019,720
Distribution and Collection Systems	1,176,529,460	80,052,607	(17,071,784)	1,239,510,283
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,672,758,688</u>	<u>165,850,731</u>	<u>(112,000,712)</u>	<u>1,726,608,707</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	91,249,058	7,231,970	(815,229)	97,665,799
Equipment	46,721,723	8,141,014	(5,275,002)	49,587,735
Distribution and Collective Systems	315,768,965	21,302,880		337,071,845
Goodwill	1,168,623	18,715 (1)		1,187,338
Total Accumulated Depreciation	<u>454,908,369</u>	<u>36,694,579</u>	<u>(6,090,231)</u>	<u>485,512,717</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,217,850,319</u>	<u>\$ 129,156,152</u>	<u>\$ (105,910,481)</u>	<u>\$ 1,241,095,990</u>

(1) Depreciation Reconciliation (see page 23, Depreciation): \$36,694,579 - 18,715 = \$36,675,604

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

The following is a summary of changes in long-term debt as of June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 238,315,610		(15,955,000)	\$ 222,360,610	\$ 13,479,600
Street & Highway Revenue Bonds	123,550,000	10,730,000	(11,745,000)	122,535,000	12,255,000
Certificates of Participation	190,771,000	66,565,000	(9,685,000)	247,651,000	10,180,000
Special Assessment Bonds	3,626,000		(574,000)	3,052,000	583,000
Clean Renewable Energy Bonds	7,011,600	11,235,000	(584,300)	17,662,300	1,204,300
Deferred Amount:					
on Premiums	17,234,869	1,575,158	(2,007,076)	16,802,951	
on Discounts	(356,852)	(252,090)	24,491	(584,451)	
on Refundings	(8,977,304)		1,229,715	(7,747,589)	
Total Bonds and Notes Payable	<u>571,174,923</u>	<u>89,853,068</u>	<u>(39,296,170)</u>	<u>621,731,821</u>	<u>37,701,900</u>
Other Liabilities:					
Capital Leases	5,687,600		(2,811,676)	2,875,924	1,215,048
Other Post Employment Benefits	1,120,724	10,915,179	(6,537,861)	5,498,042	
Compensated Absences	37,549,860	14,619,976	(16,959,024)	35,210,812	17,114,628
Remediation	1,675,632		(284,411)	1,391,221	211,200
Claims and Judgments	40,065,287	12,856,640	(7,596,413)	45,325,514	9,887,881
Total Other Liabilities	<u>86,099,103</u>	<u>38,391,795</u>	<u>(34,189,385)</u>	<u>90,301,513</u>	<u>28,428,757</u>
Governmental Activities Long Term Liabilities	<u>\$ 657,274,026</u>	<u>\$ 128,244,863</u>	<u>\$ (73,485,555)</u>	<u>\$ 712,033,334</u>	<u>\$ 66,130,657</u>
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 483,682,203	32,338,651	(20,168,639)	\$ 495,852,215	\$ 21,530,759
Certificate of Participation	14,529,000	95,000	(95,000)	14,529,000	100,000
Deferred Amount:					
on Premiums	11,423,377	2,213,175	(980,091)	12,656,461	
on Refundings	(11,251,415)		1,039,917	(10,211,498)	
Total Bonds and Notes Payable	<u>498,383,165</u>	<u>34,646,826</u>	<u>(20,203,813)</u>	<u>512,826,178</u>	<u>21,630,759</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	37,222,517	908,028	(200,901)	37,929,644	1,103,057
Unearned Revenue	53,237,580	3,385,316		56,622,896	
Remediation	6,585,000	185,531	(185,531)	6,585,000	
Capital Leases	2,738,197	200,000	(1,676,655)	1,261,542	744,357
Other Post Employment Benefits	261,761	61,334	(79,884)	243,211	
Compensation Absences	6,158,467	410,577	(565,881)	6,003,163	2,766,560
Central Arizona Project Loan (1)	2,230,711		(1,087,092)	1,143,619	1,143,619
Total Other Liabilities	<u>108,434,233</u>	<u>5,150,786</u>	<u>(3,795,944)</u>	<u>109,789,075</u>	<u>5,757,593</u>
Business-type Activities Long Term Liabilities	<u>\$ 606,817,398</u>	<u>\$ 39,797,612</u>	<u>\$ (23,999,757)</u>	<u>\$ 622,615,253</u>	<u>\$ 27,388,352</u>

(1) Current portion is shown in Liabilities Payable from Restricted Assets on Statement of Net Assets, Proprietary Funds

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011.

Years ending June 30,	Governmental Activites	Business-Type Activites
2012	\$ 23,697,506	\$ 1,540,333
2013	23,212,004	1,330,406
2014	24,465,013	865,861
2015	25,435,562	986,909
2016	23,419,243	1,422,624
2017-2021	117,487,173	7,733,643
2022-2026	99,177,121	6,236,978
2027-2031	<u>31,988,092</u>	<u>3,216,950</u>
Total Minimum Lease Payments	368,881,713	23,333,704
Less: Amount Representing Interest (interest rates range from 2.00% to 12.00%)	<u>118,354,789</u>	<u>7,543,162</u>
Present Value of Net Minimum Lease Payments	<u>\$ 250,526,924</u>	<u>\$ 15,790,542</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$78,227,419), improvements other than buildings (\$26,800,000), equipment (\$23,884,716), 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 \$5,372,303. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2011, were as follows:

Years ending June 30,	
2012	4,852,217
2013	235,240
2014	265,725
2015	231,798
2016	246,252
2017-2021	1,129,601
2022-2026	1,272,135
2027-2031	1,415,428
2032-2036	1,570,926
2037-2041	1,777,359
2042-2046	2,010,919
2047-2051	2,275,170
2052-2054	<u>1,506,204</u>
Total Minimum Future Lease Payments	<u>\$ 18,788,974</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011 bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2011
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	5,600,000
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	25,700,000
1994 Series D (1998)	6.25	2014	11,010,000	2,760,000
2000 Series A (2000)	6.00-7.25	2013	18,840,000	1,500,000
2000 Series B (2001)	4.625-5.75	2016	26,680,000	3,500,000
2002 Refunding	5.00	2012	25,035,000	4,090,000
2003 Refunding	3.00-5.00	2020	22,465,000	14,855,000
2000 Series C (2003)	3.00-4.00	2021	29,840,000	15,250,000
2000 Series D (2004)	4.00-5.00	2014	15,000,000	3,500,000
2005 Series Refunding	3.50-5.00	2020	34,240,000	33,880,000
2005-B Series Refunding	4.00-4.50	2021	21,725,000	5,720,000
2000-E Series (2005)	3.50-3.75	2016	25,815,000	11,500,000
2006 Series Refunding	4.00-5.00	2021	50,525,000	50,525,000
2007 Series Refunding	5.00	2019	19,190,000	18,850,000
2000-F Series (2007)	4.00-5.00	2023	13,325,000	13,325,000
Total			<u>\$ 462,561,000</u>	<u>\$ 222,360,610</u>

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2011
1994 Series A (1995)	7.00	2012	\$ 10,900,000	\$ 2,000,000
1994 Series B (1996)	7.50	2012	10,025,000	1,250,000
1994 Series C (1997)	7.00	2012	5,000,000	500,000
1994 Series D (1998)	4.70-6.60	2013	14,675,000	2,500,000
1994 Series E (2000)	6.75-7.00	2013	19,400,000	4,000,000
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	4,210,000
2003 Series A Refunding	3.25-5.00	2016	15,055,000	14,910,000
2003 Series B (2003)	3.375-3.50	2015	5,000,000	4,500,000
2000 Series C (2004)	4.125-5.00	2018	8,500,000	8,000,000
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
2011 Refunding	5.00	2021	10,730,000	10,730,000
Total			<u>\$ 212,135,000</u>	<u>\$ 122,535,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011
2000 Series B (2002)	4.125-5.125	2012	\$ 18,900,000	\$ 500,000
1994 Series D (2000)	7.25	2013	23,740,000	1,525,000
1993 Refunding	5.50	2014	35,360,000	4,845,000
2000 Series A (2001)	5.0-7.5	2014	37,800,000	1,500,000
2000 Series D (2004)	4.0-4.25	2014	18,765,000	1,500,000
2001A Refunding	5.00	2016	40,850,000	22,285,000
1994 Series A (1996)	6.0-8.0	2018	33,000,000	1,750,000
2002 Refunding	5.50	2018	57,820,000	43,065,000
2003 Refunding	5.00	2018	12,000,000	12,000,000
2009 Refunding	5.00	2019	2,815,000	2,815,000
2007 Refunding	5.00	2021	31,460,000	31,075,000
2005 Refunding	5.00	2022	55,110,000	45,525,000
2006 Refunding	3.50-4.25	2024	85,460,000	82,615,000
2005 Series A (2005)	3.5-4.45	2025	31,665,000	28,335,000
2005 Series C (2008)	4.00-5.00	2026	20,425,000	20,425,000
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
Water System Revenue Obligations 2011	5.00	2032	30,965,000	30,965,000
2005 Series B (2007)	4.375-5.00	2032	35,765,000	35,765,000
1998A Water Infrastructure Finance Authority (WIFA)	3.425	2017	6,000,000	2,414,864
2000 Water Infrastructure Finance Authority (WIF1)	4.125	2020	5,120,000	2,912,759
2000 Water Infrastructure Finance Authority (WIF2)	4.125	2020	7,780,000	4,517,133
2001 Water Infrastructure Finance Authority (WIF3)	3.430	2021	8,800,000	5,330,854
2003 Water Infrastructure Finance Authority (WIF4)	3.48	2022	8,300,000	5,439,525
2000 Water Infrastructure Finance Authority (WIF5)	3.75	2023	3,000,000	2,093,563
2004 Water Infrastructure Finance Authority (WIF6)	3.255	2023	2,500,000	1,752,591
2005 Water Infrastructure Finance Authority (WIF7)	3.113	2024	2,997,000	2,231,310
2006 Water Infrastructure Finance Authority (WIF8)	3.424	2026	2,500,000	2,022,955
2007 Water Infrastructure Finance Authority (WIF9)	3.210	2026	2,000,000	1,611,576
2007 Water Infrastructure Finance Authority (WIF10)	3.208	2026	6,500,000	5,237,761
2007 Water Infrastructure Finance Authority (WIF11)	3.552	2027	17,800,000	15,159,125
2007 Water Infrastructure Finance Authority (WIF12)	3.600	2028	1,000,000	891,177
2007 Water Infrastructure Finance Authority (WIF13)	3.375	2028	2,500,000	2,331,466
2010 Water Infrastructure Finance Authority (WIF14)	2.928	2028	2,750,000	1,270,556
2011 Water Infrastructure Finance Authority (WIF15)	3.096	2031	16,000,000	
			<u>\$ 744,407,000</u>	<u>\$ 495,852,215</u>

* WIFA loans not fully drawn down during FY 2011. The balance of the loans will be recognized in FY 2012.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 10 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2011 is \$3,052,000 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 \$2,001,981 in the Special Assessment Bond & Interest Fund at June 30, 2011 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

In fiscal year 2011, the City entered into a lease agreement with Banc of America to issue the City CREBS to install additional solar panels on various City buildings. The bonds were issued under the Build America Bond program, with interest subsidized by the US Treasury. The bonds will mature on January 1, 2026.

E. Annual Principal and Interest Requirements

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

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	13,479,600	13,541,949	12,255,000	6,174,478	583,000	142,025
2013	15,496,010	12,560,276	12,050,000	5,436,050	463,000	115,553
2014	18,565,000	9,396,336	12,170,000	4,819,863	429,000	92,606
2015	19,975,000	8,400,674	12,750,000	4,223,800	438,000	70,064
2016	23,705,000	7,438,787	13,345,000	3,609,000	447,000	47,072
2017-2021	126,390,000	12,996,438	59,965,000	8,354,700	692,000	34,411
2022-2023	4,750,000	319,063				
	<u>\$ 222,360,610</u>	<u>\$ 64,334,460</u>	<u>\$ 122,535,000</u>	<u>\$ 32,617,891</u>	<u>\$ 3,052,000</u>	<u>\$ 501,730</u>

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewal Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	1,204,300	800,369	21,530,759	22,914,395
2013	1,279,300	593,134	22,478,613	21,839,993
2014	1,289,300	553,516	23,936,182	20,765,161
2015	1,309,300	513,188	27,583,634	19,639,644
2016	1,319,300	471,866	29,071,141	18,360,283
2017-2021	7,410,800	1,712,662	166,335,415	70,771,820
2022-2026	3,850,000	553,800	133,664,054	35,419,752
2027-2031			63,707,417	10,976,249
2032-2036			7,545,000	377,250
	<u>\$ 17,662,300</u>	<u>\$ 5,198,535</u>	<u>\$ 495,852,215</u>	<u>\$ 221,064,547</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 \$48,815,000 and General Obligation debt of \$26,867,000.

On June 21, 2011, the City issued \$10,730,000 Senior Lien Street and Highway User Revenue Refunding Bonds to partially refund debt maturing on July 1, 2011 of the 1994-A through 1994-C and 2000-C Senior Lien; the 1994-D/E and 2000-B Junior Lien; and 2003 and 2003-A Refunding Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5% with a final maturity due July 1, 2021. Debt service payments are scheduled semi-annually at amounts that range from \$536,500 to \$11,266,500. The economic loss resulting from this refunding is \$196,133 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$12,091,263 and the cash flows to service the new debt of \$16,109,903 is \$4,018,640.

On June 21, 2011, the City issued \$10,495,000 Refunding Certificate of Participation (COP), Series 2011, to partially refund debt maturing on July 1, 2011 for several series of COPs and Taxable COPs and to pay costs relating to the issuance of the COPs. The interest rates range from 3% to 5% with a final maturity due July 1, 2025. Debt service payments are scheduled semi-annually at amounts that range from \$560,575 to \$1,843,175. The economic loss resulting from this refunding is \$195,477 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$9,996,551 and the cash flows to service the new debt of \$15,738,997 is \$4,424,423.

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, 2011. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2011. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

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

Landfill Site	Landfill Capacity Used as of 6/30/2011	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/11	Estimated Closure/ Postclosure Cost to be Recognized in Future Years	Estimated Remaining Life in Years
Los Reales	86 %	\$ 32,437,000	\$ 27,986,644	\$ 4,450,356	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>\$ 42,380,000</u>	<u>\$ 37,929,644</u>	<u>\$ 4,450,356</u>	

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 12 – LANDFILLS (continued):

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 (\$1,870,742) to address the closure/post-closure liability and (\$1,806,000) towards the construction of new landfill cells.

The June 30, 2011, liability for closure and post-closure costs is \$37,929,644 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

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, 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, 2011, the City had 7 covered officials. Covered payroll for the year then ended was \$184,000 (out of the total City payroll of \$215,196,903). 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

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 1,241 participants as of June 30, 2011. 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.

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 2011 the rate of contribution for employees hired after June 30, 2006 was 9.428%.

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 18.57% and for employees hired after June 30, 2006 the contribution rate is 14.14%.

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, 2011, the required employer contribution rates were 27.26% and 27.92%, respectively, for Police and Fire. The health insurance premium portion of the contribution rate was actuarially set at .57% 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 2011 the City's portion of the retiree medical insurance was \$7,166,255. The costs associated with the life insurance premiums are expended as the insurance premium is paid. For fiscal year 2011 the City's cost for retiree life insurance was \$320,582.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

The City's annual OPEB cost plan is financed on a pay-as-you-go basis. The City's annual ARC, employer contributions, OPEB adjustments, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 were as follows:

Fiscal Year ended, June 30	Annual OPEB cost (ARC)	Employer contributions	Interest on Net OPEB	ARC Adjustment	Net OPEB Increase/(Decrease) Net OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Liability)
2011	\$7,556,000	\$7,486,837	\$252,301	(\$186,889)	\$134,574	98.2%	\$5,741,253
2010	\$7,797,000	\$6,414,515	\$187,897	(\$139,183)	\$1,431,199	81.8%	\$5,606,679
2009	\$8,077,000	\$5,926,410	\$90,069	(\$66,718)	\$2,173,941	73.2%	\$4,175,480

C. Funding Status

The following tables provide the funded status of the plans as of the most recent valuation date, June 30, 2009, along with the actuarial assumptions and methods used in those valuations. The purpose of the valuation is to measure the funding progress of the plan and to establish contribution rates for the 2010-2011 fiscal year.

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

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age / Projected Unit Credit (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	Jnfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
TSRS						
2011	\$ 624,665	\$ 928,609	\$ 279,815	67.3 %	\$ 121,631	249.9 %
2010	641,819	904,480	262,662	71.0	141,459	185.7
2009	665,298	859,485	194,187	77.4	149,925	129.6
Police						
2010	344,029	543,147	199,118	63.3	60,140	331.1
2009	347,308	522,026	174,718	66.5	64,821	269.5
2008	335,867	502,997	167,130	66.8	66,950	249.6
Fire						
2010	217,496	345,979	128,483	62.9	38,256	335.9
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
OPEB (City)						
2011	0	136,277	136,277	0.0	232,052	58.7
2010	0	128,041	128,041	0.0	243,864	52.5
2009	0	131,809	131,809	0.0	257,456	51.2

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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

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	2011	\$ 36,846	100 %	\$ 0
	2010	34,825	100	0
	2009	28,757	100	0
Police	2011	18,246	100	0
	2010	n/a	100	0
	2009	19,122	100	0
Fire	2011	11,200	100	0
	2010	n/a	100	0
	2009	11,744	100	0
OPEB (City)	2011	7,556	98.2	5,741
	2010	7,797	81.8	5,607
	2009	8,077	73.4	4,175

Actuarial Information

	TSRS	APSPRS		OPEB
		Police	Fire	
Actuarial Valuation Date	June 30, 2011	June 30, 2010	June 30, 2010	June 30, 2011
Actuarial Cost Method	Individual Entry Age	Projected Unit Credit	Projected Unit Credit	Individual Entry Age
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed	Level Dollar, 30 Years, Open
Remaining Amortization Period	Open 15 Years from June 30, 2009	26 years for underfunded actuarial accrued liability, 20 years for overfunded	26 years for underfunded actuarial accrued liability, 20 years for overfunded	30 years for unfunded actuarial accrued liability
Asset Valuation Method	4-Year Smoothed Market	7-Year Smoothed Market	7-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%	5.50%	5.50%	N/A
Cost-of-Living Adjustment	As approved by TSRS Board	None	None	N/A

* Projected salary increases include inflation.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011, and 2010, are as follows:

	2011	2010	
Beginning of fiscal year liability	\$ 40,065,287	\$ 31,117,560	
Current year claims and changes in estimates	12,856,640	18,612,602	
Claim Payments	(7,596,413)	(9,664,875)	
Balance at fiscal year end	\$ 45,325,514	\$ 40,065,287	

Note 15 – PLEDGED REVENUES:

The City has pledged future utility customer revenues, net of specified operating expenses, to repay \$744,407,000 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 2011 annual principal and interest payments on the bonds are expected to require less than 59% of net revenues. The total principal and interest remaining to be paid on the bonds is \$716,916,762. Principal and interest paid for the current year and total customer net revenues were \$42,277,680 and \$73,165,737 respectively.

The City has pledged future Highway User Tax (HURF) Revenues distributed from the State to repay \$212,135,000 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 2011 annual principal and interest payments on the bonds required 15% of HURF revenues. The total principal and interest remaining to be paid on the bonds is \$155,152,891. Principal and interest paid for the current year and total HURF revenues were \$5,941,298 and \$40,018,318, respectively.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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 \$13,104,561.

C. Construction and Other Commitments

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

D. Federal and State Grants

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

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies. 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 \$23,204,634 at June 30, 2011.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

F. Financing of Posadas Sentinel Low-income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (Posadas), whereby the City leased various properties to Posadas for 75 years. Under the terms of the lease, Posadas will develop and operate the properties solely as low-income residential housing facilities. Posadas is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as notes receivable. The note balance, with accrued interest at 7.5% thereon, was \$20,098,846 at June 30, 2011.

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 \$3,428,019 at June 30, 2011.

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

H. Financing of Silverbell Homes Low-income Housing

On November 15, 2005 and as amended on September 6, 2006, the City entered into a capital lease with Silverbell Homes Limited Partnership (Silverbell Homes), whereby the City leased various parcels to Silverbell Homes for a period of 89 years. Under the terms of the lease Silverbell Homes will develop and operate the properties solely as low-income residential housing facilities. Silverbell Homes financed this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest, was \$1,804,121 at June 30, 2011.

Eligibility of Silverbell Homes 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.

I. Financing of Martin Luther King Low-income Housing

On September 22, 2009, the City amended a ground lease for 89 years with MLK I, LLC (MLK) to include only an above ground condominium unit for development of low-income residential housing units. MLK financed this development through Low-Income Housing Tax Credit Exchange funds and State Housing Funds from the State of Arizona, Federal Home Loan Bank funds from Alliance Bank, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance was \$7,688,262 at June 30, 2011.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

Eligibility of MLK for the tax credit exchange funds 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, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

J. Starr Pass Resort Developments Lease

On May 11, 2005, the City entered into a sublease agreement with Starr Pass Resort Developments LLC. The City acquired, among other property, an interest in the real property and the improvements to a parking garage structure located on the Starr Pass grounds. The City issued Certificates of Participation for \$2,640,000 to pay ground rent to Starr Pass Resort Developments. Under the terms of the lease, Starr Pass will develop and operate the properties. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City is \$2,100,000 at June 30, 2011.

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 \$2,235,000 at June 30, 2011.

K. 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, 2011, the City intended to honor \$115,390,064 of outstanding encumbrances in the new year.

General Fund	\$	8,316,878
Mass Transit		21,836,137
Nonmajor Government Funds		85,237,049
Total	\$	<u>115,390,064</u>

L. Rio Nuevo Multipurpose Facilities District

In February 2011, a Tucson resident and taxpayer filed suit to set aside a development agreement executed in 2006. The District counter and cross-claimed for rescission of the development agreement and named the City as a party to the suit. The District's claim against the City was dismissed for failure to state a claim upon which relief could be granted. However, the District has served the City with a notice of claim of indemnification from the City in the amount of \$4,920,000 in the event the development agreement is rescinded and the District has to pay the cost to put the developer back into its original position. The District subsequently filed a motion asking the Court to vacate the dismissal, and the Court thereafter granted that motion. The City's position remains that it has no liability to the District arising out of this litigation or the underlying development agreement.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

On September 30, 2011, the District filed a claim against the City alleging \$47,000,000 in damages and asserting that title to certain properties owned by the City should be conveyed to the District. The District thereafter also filed 2 related complaints in Superior Court, but has not yet served the City with those complaints. The claim and complaints generally contend that District funds expended over the past 8 years, all of which were approved by the District Board (the governing body of the District, and an entity separate from the City), were improvident expenditures and that the City should be liable to reimburse or otherwise compensate the District, which is now overseen by a "new" board because of changes made to state law in 2009. The City and District are currently participating in mediation in an attempt to resolve outstanding matters between the 2 entities.

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 – COMPONENT UNITS

For FY 2010, the City had four limited liability partnerships treated as discretely presented component units. Based on a review of GASB requirements, it was determined that these partnerships no longer met the financial accountable requirements, therefore, they were removed from the entity-wide statements for fiscal year 2011.

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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 207,568,270	\$ 218,893,270	\$ 225,486,157	\$ 6,592,887
Licenses and Permits	22,090,270	22,170,270	22,243,472	73,202
Fines and Forfeitures	17,527,590	13,919,400	13,752,551	(166,849)
Use of Money and Property	880,060	1,113,060	1,343,628	230,568
Other Agencies	112,658,940	111,722,890	114,430,126	2,707,236
Charges for Services	45,227,160	41,803,970	43,027,311	1,223,341
Miscellaneous	1,263,170	1,115,910	296,923	(818,987)
Total revenues	<u>407,215,460</u>	<u>410,738,770</u>	<u>420,580,168</u>	<u>9,841,398</u>
Expenditures:				
Current -				
Elected and Official	21,989,340	21,404,916	19,587,569	1,817,347
Support Services	40,221,730	38,779,349	36,842,673	1,936,676
Neighborhood Services	281,095,960	277,268,460	264,381,762	12,886,698
Environment and Development	9,296,640	9,244,070	8,566,581	677,489
Non-Departmental	23,115,530	22,692,720	18,275,250	4,417,470
Capital Outlay	1,313,200	1,677,680	1,105,960	571,720
Capital Projects	330,000	1,302,771	1,121,399	181,372
Debt service -				
Principal	12,515,900	12,515,900	3,207,878	9,308,022
Interest	11,826,930	11,826,930	9,680,874	2,146,056
Fiscal Agent Fees			21,550	(21,550)
Issuance Costs of Debt	614,320	614,320	1,589,146	(974,826)
Total expenditures	<u>402,319,550</u>	<u>397,327,116</u>	<u>364,380,642</u>	<u>32,946,474</u>
Excess (deficiency) of revenues over expenditures	<u>4,895,910</u>	<u>13,411,654</u>	<u>56,199,526</u>	<u>42,787,872</u>
Other financing sources (uses):				
Capital Leases	34,321,090	9,448,440	11,900,595	2,452,155
Premium on Debt Issuance			28,750	28,750
Transfers In	1,600,000	1,600,000	1,612,253	12,253
Refunded Bond Escrow Agent			(9,901,551)	(9,901,551)
Discount on Debt Issuance			(252,090)	(252,090)
Transfers Out	(40,817,000)	(45,617,000)	(46,002,181)	(385,181)
Total other financing sources (uses)	<u>(4,895,910)</u>	<u>(34,568,560)</u>	<u>(42,614,224)</u>	<u>(8,045,664)</u>
Change in fund balances		<u>(21,156,906)</u>	<u>13,585,302</u>	<u>34,742,208</u>
Fund balances, July 1, 2010			47,152,005	47,152,005
Fund balances (deficits), June 30, 2011	<u>\$</u>	<u>\$ (21,156,906)</u>	<u>\$ 60,737,307</u>	<u>\$ 81,894,213</u>

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, 2011

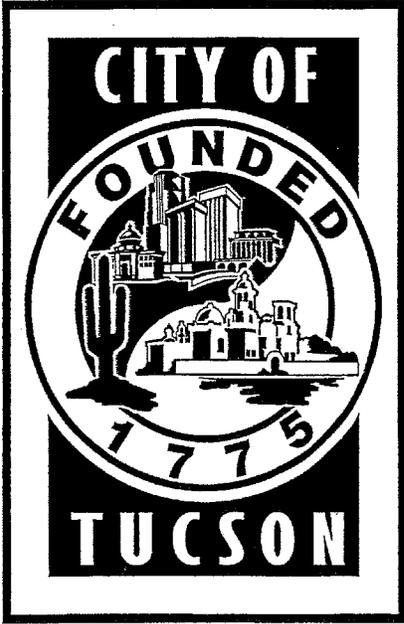
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of Money and Property	\$ 225,000	\$ 225,000	\$ 193,337	\$ (31,663)
Federal Grants and Contributions	44,642,300	44,642,300	24,038,066	(20,604,234)
Other Agencies	11,716,330	11,716,330	9,262,782	(2,453,548)
Charges for Services	12,352,000	12,352,000	11,273,379	(1,078,621)
Miscellaneous	755,000	755,000	1,233,746	478,746
Total revenues	69,690,630	69,690,630	46,001,310	(23,689,320)
Expenditures:				
Current -				
Environment and Development	68,230,230	67,882,430	66,587,170	1,295,260
Capital Outlay	3,220,700	4,702,375	3,391,483	1,310,892
Capital Projects	33,489,700	32,320,176	13,710,825	18,609,351
Total expenditures	104,940,630	104,904,981	83,689,478	21,215,503
Excess (deficiency) of revenues over expenditures	(35,250,000)	(35,214,351)	(37,688,168)	(2,473,817)
Other financing sources (uses):				
Transfers In		35,250,000	41,977,344	6,727,344
Total other financing sources (uses)		35,250,000	41,977,344	6,727,344
Change in fund balances	(35,250,000)	35,649	4,289,176	4,253,527
Fund balances, July 1, 2010			3,681,802	3,681,802
Fund balances (deficits), June 30, 2011	\$ (35,250,000)	\$ 35,649	\$ 7,970,978	\$ 7,935,329

See accompanying notes to this schedule.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Pooled Cash and Investments	\$ 44,953,028	\$ 4,481,820	\$ 3,109,425	\$ 52,544,273
Cash/Investments with Fiscal Agents	756,567	24,569,181		25,325,748
Cash & Investments with Fiscal Agent - Restricted	44,239,072			44,239,072
Accounts Receivable, Net	851,272			851,272
Special Assessments Receivable		2,193,957		2,193,957
Notes & Loans Receivable	17,248,330			17,248,330
Due from Other Agencies	16,016,535			16,016,535
Interfund Receivable	7,882,445	670		7,883,115
Grants & Entitlements Receivable	12,640,135			12,640,135
Interest Receivable	23,351		1,410	24,761
Long Term Investments	1,700,094			1,700,094
Other Assets	3,008			3,008
Total assets	<u>\$ 146,313,837</u>	<u>\$ 31,245,628</u>	<u>\$ 3,110,835</u>	<u>\$ 180,670,300</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 8,629,261	\$ 625	\$ 34,204	\$ 8,664,090
Accrued Payroll Liabilities	903,578			903,578
Accrued Interest Payable	1,285			1,285
Interfund Payable	21,999,326			21,999,326
Due to Other Agencies	3,434			3,434
Refundable Deposits	1,015,078	35,731		1,050,809
Bonds & Interest Payable, including Special Assessments		24,569,181		24,569,181
Deferred Revenue	17,532,775	2,192,844		19,725,619
Total liabilities	<u>50,084,737</u>	<u>26,798,381</u>	<u>34,204</u>	<u>76,917,322</u>
Fund balances:				
Nonspendable				
Restricted	74,652,744	4,447,247	3,076,631	82,176,622
Committed	3,110,847			3,110,847
Assigned	18,642,988			18,642,988
Unassigned	(177,479)			(177,479)
Total fund balances	<u>96,229,100</u>	<u>4,447,247</u>	<u>3,076,631</u>	<u>103,752,978</u>
Total liabilities and fund balances	<u>\$ 146,313,837</u>	<u>\$ 31,245,628</u>	<u>\$ 3,110,835</u>	<u>\$ 180,670,300</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	<u>ParkWise</u>	<u>Convention Center Fund</u>	<u>Capital Improvements Fund</u>	<u>HURF Fund</u>
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 235,456	\$ 928,649		\$ 10,953,265
Cash/Investments with Fiscal Agents				182,162
Cash/Investments with Fiscal Agents-Restricted			44,239,072	
Accounts Receivable, Net	8,609	68,050		475,454
Notes & Loans Receivable				
Due from Other Agencies			2,982,609	3,144,608
Interfund Receivable				7,882,445
Grants & Entitlements Receivable				
Interest Receivable			9,042	6,201
Long-term Investments	1,700,094			
Other Assets				
Total assets	<u>\$ 1,944,159</u>	<u>\$ 996,699</u>	<u>\$ 47,230,723</u>	<u>\$ 22,644,135</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 381,865	\$ 51,250	\$ 3,894,882	\$ 683,994
Accrued Payroll Liabilities	17,733	57,808	1,308	570,378
Accrued Interest Payable	1,285			
Interfund Payable	9,275		6,923,631	
Due to Other Agencies				
Refundable Deposits	11,386	858,241		19,604
Deferred Revenue				
Total liabilities	<u>421,544</u>	<u>967,299</u>	<u>10,819,821</u>	<u>1,273,976</u>
Fund balances:				
Nonspendable				
Restricted	1,700,094		36,410,902	
Committed				2,756,571
Assigned		29,400		18,613,588
Unassigned	(177,479)			
Total fund balances	<u>1,522,615</u>	<u>29,400</u>	<u>36,410,902</u>	<u>21,370,159</u>
Total liabilities and fund balances	<u>\$ 1,944,159</u>	<u>\$ 996,699</u>	<u>\$ 47,230,723</u>	<u>\$ 22,644,135</u>

Civic Contribution Fund	Community Development Block Grants Fund	Development Fee Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	Public Housing HOME Program Fund
\$ 2,859,204	\$ 50,000 109,133	\$ 24,614,572		\$ 5,311,882	
	5,051,161		55	242,806	28,544
			227,041		12,197,169
885	1,455,355	7,223	813,659	69,411	1,572,404
			3,008		
<u>\$ 2,860,089</u>	<u>\$ 6,665,649</u>	<u>\$ 24,621,795</u>	<u>\$ 1,043,763</u>	<u>\$ 5,624,099</u>	<u>\$ 13,798,117</u>
\$ 3,502	\$ 291,549 46,116	\$ 17,170	\$ 349,522 3,791	\$ 114,837 74,751	\$ 111,666 12,171
	709,059		595,607		1,453,584
	2,675				
	280		21	101,998	23,527
	1,606,101				12,197,169
<u>3,502</u>	<u>2,655,780</u>	<u>17,170</u>	<u>948,941</u>	<u>291,586</u>	<u>13,798,117</u>
2,502,311 354,276	4,009,869	24,604,625	94,822	5,332,513	
<u>2,856,587</u>	<u>4,009,869</u>	<u>24,604,625</u>	<u>94,822</u>	<u>5,332,513</u>	
<u>\$ 2,860,089</u>	<u>\$ 6,665,649</u>	<u>\$ 24,621,795</u>	<u>\$ 1,043,763</u>	<u>\$ 5,624,099</u>	<u>\$ 13,798,117</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011
(Concluded)

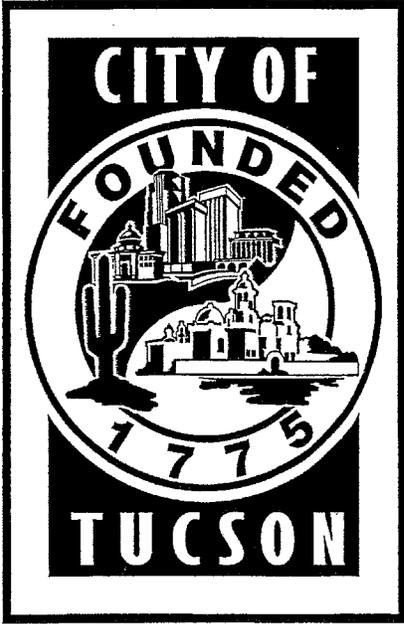
	Other Federal Grants Fund	Non-Federal Grants Fund	Regional Transportation Authority Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments				\$ 44,953,028
Cash/Investments with Fiscal Agents	465,272			756,567
Cash/Investments with Fiscal Agents-Restricted				44,239,072
Accounts Receivable, Net	1,800		25,954	851,272
Notes & Loans Receivable				17,248,330
Due from Other Agencies			9,662,277	16,016,535
Interfund Receivable				7,882,445
Grants & Entitlements Receivable	6,292,229	2,437,077		12,640,135
Interest Receivable				23,351
Long-term Investments				1,700,094
Other Assets				3,008
Total assets	\$ 6,759,301	\$ 2,437,077	\$ 9,688,231	\$ 146,313,837
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 338,349	\$ 306,733	\$ 2,083,942	\$ 8,629,261
Accrued Payroll Liabilities	78,733	40,789		903,578
Accrued Interest Payable				1,285
Interfund Payable	3,485,667	1,218,214	7,604,289	21,999,326
Due to Other Agencies	759			3,434
Refundable Deposits		21		1,015,078
Deferred Revenue	2,858,185	871,320		17,532,775
Total liabilities	6,761,693	2,437,077	9,688,231	50,084,737
Fund balances:				
Nonspendable				-
Restricted	(2,392)			74,652,744
Committed				3,110,847
Assigned				18,642,988
Unassigned				(177,479)
Total fund balances	(2,392)			96,229,100
Total liabilities and fund balances	\$ 6,759,301	\$ 2,437,077	\$ 9,688,231	\$ 146,313,837

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2011

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 2,036,179	\$ 1,102,292	\$ 1,343,349	\$ 4,481,820
Cash/Investments with Fiscal Agents	78,354	21,679,289	2,811,538	24,569,181
Special Assessments Receivable	2,193,957			2,193,957
Interest Receivable	670			670
Total assets	<u>\$ 4,309,160</u>	<u>\$ 22,781,581</u>	<u>\$ 4,154,887</u>	<u>\$ 31,245,628</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 250	\$ 375	\$	\$ 625
Refundable Deposits	35,731			35,731
Bonds & Interest Payable, including Special Assessments	78,354	21,679,289	2,811,538	24,569,181
Deferred Revenue	2,192,844			2,192,844
Total liabilities	<u>2,307,179</u>	<u>21,679,664</u>	<u>2,811,538</u>	<u>26,798,381</u>
Fund balances:				
Restricted	2,001,981	1,101,917	1,343,349	4,447,247
Total fund balances	<u>2,001,981</u>	<u>1,101,917</u>	<u>1,343,349</u>	<u>4,447,247</u>
Total liabilities and fund balances	<u>\$ 4,309,160</u>	<u>\$ 22,781,581</u>	<u>\$ 4,154,887</u>	<u>\$ 31,245,628</u>

**CITY OF TUCSON, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2011**

		<u>2000 General Obligation Fund</u>
<u>ASSETS</u>		
Pooled Cash and Investments	\$	3,109,425
Interest Receivable		1,410
Total assets	\$	<u>3,110,835</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts Payable	\$	34,204
Total liabilities		<u>34,204</u>
Fund balances:		
Restricted		<u>3,076,631</u>
Total fund balances		<u>3,076,631</u>
 Total liabilities and fund balances	 \$	 <u>3,110,835</u>



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, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>2000 General Obligation Fund</u>
Revenues:			
Taxes	\$	\$ 24,276,588	\$
Licenses and Permits	236,950		
Fines and Forfeitures	896,811	6,737	
Developer Fees	4,923,737		
Use of Money and Property	1,253,482	6,735	15,264
Federal Grants and Contributions	74,392,987		
Other Agencies	97,252,712	7,284,647	
Charges for Services	6,186,859		
Special Assessments		598,613	
Contributions from Outside Sources	259,238		
Miscellaneous	1,796,676		211,463
Total revenues	<u>187,199,452</u>	<u>32,173,320</u>	<u>226,727</u>
Expenditures:			
Current -			
Elected and Official	1,951,541		
Support Services	439,812		
Neighborhood Services	63,853,690		344,110
Environment and Development	35,484,906		286
Non-Departmental	3,915,202		
Capital Outlay	10,576,724		
Capital Projects	102,824,440		3,270,283
Debt service -			
Principal	985,590	16,529,000	
Interest	686,270	17,561,046	
Fiscal Agent Fees		9,700	
Issuance Costs of Debt		185,145	
Total expenditures	<u>220,718,175</u>	<u>34,284,891</u>	<u>3,614,679</u>
Excess (deficiency) of revenues over expenditures	<u>(33,518,723)</u>	<u>(2,111,571)</u>	<u>(3,387,952)</u>
Other financing sources (uses):			
Bond Issuance		10,730,000	
Capital Leases	54,664,405		
Premium on Debt Issuance		1,546,408	
Transfers In	5,895,183		
Refunded Bond Escrow Agent		(12,091,263)	
Transfers Out	(3,385,715)		
Total other financing sources (uses)	<u>57,173,873</u>	<u>185,145</u>	
Change in fund balances	<u>23,655,150</u>	<u>(1,926,426)</u>	<u>(3,387,952)</u>
Fund balances, beginning of year	72,573,950	6,373,673	6,464,583
Fund balances, end of year	<u>\$ 96,229,100</u>	<u>\$ 4,447,247</u>	<u>\$ 3,076,631</u>

Total
Non-Major
Governmental
Funds

\$ 24,276,588
236,950
903,548
4,923,737
1,275,481
74,392,987
104,537,359
6,186,859
598,613
259,238
2,008,139
219,599,499

1,951,541
439,812
64,197,800
35,485,192
3,915,202
10,576,724
106,094,723

17,514,590
18,247,316
9,700
185,145
258,617,745

(39,018,246)

10,730,000
54,664,405
1,546,408
5,895,183
(12,091,263)
(3,385,715)
57,359,018

18,340,772

85,412,206

\$ 103,752,978

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>ParkWise</u>	<u>Convention Center Fund</u>	<u>Capital Improvements Fund</u>
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	896,811		
Developer Fees			
Use of Money and Property	250,304	48,832	18,896
Federal Grants and Contributions			420
Other Agencies			6,710,737
Charges for Services	2,422,532	3,347,176	
Contributions from Outside Sources			
Miscellaneous		18,693	
Total revenues	<u>3,569,647</u>	<u>3,414,701</u>	<u>6,730,053</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			299,375
Neighborhood Services			103,630
Environment and Development	1,998,397	5,414,664	277,187
Non-Departmental		3,789,139	25,483
Capital Outlay	5,378		2,470,702
Capital Projects			40,120,791
Debt service -			
Principal	6,163		
Interest	462,626		92,034
Total expenditures	<u>2,472,564</u>	<u>9,203,803</u>	<u>43,389,202</u>
Excess (deficiency) of revenues over expenditures	<u>1,097,083</u>	<u>(5,789,102)</u>	<u>(36,659,149)</u>
Other financing sources (uses):			
Capital Leases			54,664,405
Transfers In		5,789,102	
Transfers Out	367,819		(449,786)
Total other financing sources (uses)	<u>367,819</u>	<u>5,789,102</u>	<u>54,214,619</u>
Change in fund balances	<u>1,464,902</u>	<u> </u>	<u>17,555,470</u>
Fund balances, beginning of year	57,713	29,400	18,855,432
Fund balances (deficits), end of year	<u>\$ 1,522,615</u>	<u>\$ 29,400</u>	<u>\$ 36,410,902</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
\$ 236,950	\$	\$	\$	\$	\$
451,111	8,615	253,106	4,923,737		
32,739,402		8,231,616	70,126	5,413,444	36,641,548
417,151	259,238				
989,802					788,181
<u>34,834,416</u>	<u>267,853</u>	<u>8,484,722</u>	<u>4,993,863</u>	<u>5,413,444</u>	<u>37,429,729</u>
	2,072				
	10,628				
361,770	149,109	6,716,914	17,030	5,385,235	36,395,032
26,665,351	22,526		52		
100,580					
16,441	10,440	20,300			21,105
1,597,940	66,838	2,557,517	2,254,292	28,209	
979,427					
48,220					83,390
<u>29,769,729</u>	<u>261,613</u>	<u>9,294,731</u>	<u>2,271,374</u>	<u>5,413,444</u>	<u>36,499,527</u>
<u>5,064,687</u>	<u>6,240</u>	<u>(810,009)</u>	<u>2,722,489</u>		<u>930,202</u>
			106,081		
			<u>106,081</u>		
<u>5,064,687</u>	<u>6,240</u>	<u>(810,009)</u>	<u>2,828,570</u>		<u>930,202</u>
16,305,472	2,850,347	4,819,878	21,776,055	94,822	4,402,311
<u>\$ 21,370,159</u>	<u>\$ 2,856,587</u>	<u>\$ 4,009,869</u>	<u>\$ 24,604,625</u>	<u>\$ 94,822</u>	<u>\$ 5,332,513</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, 2011
(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		10,479	
Federal Grants and Contributions	3,159,062	20,946,897	
Other Agencies			4,331,966
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>3,159,062</u>	<u>20,957,376</u>	<u>4,331,966</u>
Expenditures:			
Current -			
Elected and Official		1,862,664	86,805
Support Services		129,809	
Neighborhood Services	3,088,400	7,546,395	4,090,175
Environment and Development		655,456	
Non-Departmental			
Capital Outlay		1,534,172	98,998
Capital Projects	70,662	9,310,044	55,988
Debt service -			
Principal			
Interest			
Total expenditures	<u>3,159,062</u>	<u>21,038,540</u>	<u>4,331,966</u>
Excess (deficiency) of revenues over expenditures		<u>(81,164)</u>	
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out		(3,303,748)	
Total other financing sources (uses)		<u>(3,303,748)</u>	
Change in fund balances		<u>(3,384,912)</u>	
Fund balances, beginning of year		3,382,520	
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ (2,392)</u>	<u>\$</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund
Revenues:			
Taxes	\$	\$ 24,276,588	\$
Fines and Forfeitures	6,737		
Use of Money and Property	6,735		
Other Agencies			7,284,647
Special Assessments	598,613		
Total revenues	<u>612,085</u>	<u>24,276,588</u>	<u>7,284,647</u>
Expenditures:			
Debt service -			
Principal	574,000	15,955,000	
Interest	171,169	11,448,579	5,941,298
Fiscal Agent Fees	4,250	5,450	
Issuance Costs of Debt			185,145
Total expenditures	<u>749,419</u>	<u>27,409,029</u>	<u>6,126,443</u>
Excess (deficiency) of revenues over expenditures	<u>(137,334)</u>	<u>(3,132,441)</u>	<u>1,158,204</u>
Other financing sources (uses):			
Bond Issuance			10,730,000
Premium on Debt Issuance			1,546,408
Refunded Bond Escrow Agent			(12,091,263)
Total other financing sources (uses)			<u>185,145</u>
Change in fund balances	<u>(137,334)</u>	<u>(3,132,441)</u>	<u>1,343,349</u>
Fund balances, beginning of year	2,139,315	4,234,358	
Fund balances, end of year	<u>\$ 2,001,981</u>	<u>\$ 1,101,917</u>	<u>\$ 1,343,349</u>

Totals

\$ 24,276,588
6,737
6,735
7,284,647
598,613
32,173,320

16,529,000
17,561,046
9,700
185,145
34,284,891

(2,111,571)

10,730,000
1,546,408
(12,091,263)
185,145

(1,926,426)

6,373,673

\$ 4,447,247

**CITY OF TUCSON, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2011**

	2000 General Obligation Fund
Revenues:	
Use of Money and Property	\$ 15,264
Miscellaneous	211,463
Total revenues	226,727
 Expenditures:	
Current -	
Neighborhood Services	344,110
Environment and Development	286
Capital Projects	3,270,283
Total expenditures	3,614,679
Change in fund balances	(3,387,952)
Fund balances, beginning of year	6,464,583
Fund balances, end of year	\$ 3,076,631

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2011

	Golf Course Fund	Public Housing (AMP) Funds	Totals
<u>ASSETS</u>			
Current assets:			
Pooled Cash and Investments	\$ 44,450	\$ 7,613,064	\$ 7,657,514
Cash & Investments with Fiscal Agent - Restricted		162,282	162,282
Accounts Receivable, Net		68,725	68,725
Due from Other Agencies		341,976	341,976
Interest Receivable		2,287	2,287
Inventories	169,898	295,603	465,501
Total current assets	<u>214,348</u>	<u>8,483,937</u>	<u>8,698,285</u>
Noncurrent assets:			
Long Term Accounts Receivable		56,817,941	56,817,941
Deferred Charges	65,831		65,831
Land & Construction in Progress	3,411,006	8,583,574	11,994,580
Other Capital Assets, Net	15,082,721	16,468,347	31,551,068
Total noncurrent assets	<u>18,559,558</u>	<u>81,869,862</u>	<u>100,429,420</u>
Total assets	<u>18,773,906</u>	<u>90,353,799</u>	<u>109,127,705</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	\$ 148,903	\$ 770,806	\$ 919,709
Accrued Payroll Liabilities	117,647	114,987	232,634
Accrued Interest Payable	2,097	1,996	4,093
Interfund Payable	6,880,543		6,880,543
Refundable Deposits	364	985,268	985,632
Current Portion of Contracts Payable	6,174		6,174
Current Portion of Compensated Absences	107,258	128,450	235,708
Unearned Revenue	139,353		139,353
Total current liabilities	<u>7,402,339</u>	<u>2,001,507</u>	<u>9,403,846</u>
Noncurrent liabilities:			
Unearned Revenue		56,622,896	56,622,896
Contracts Payable	3,674,313	200,000	3,874,313
Compensated Absences	103,320	136,034	239,354
Other Post-employment Benefits	10,348		10,348
Total non-current liabilities	<u>3,787,981</u>	<u>56,958,930</u>	<u>60,746,911</u>
Total liabilities	<u>11,190,320</u>	<u>58,960,437</u>	<u>70,150,757</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	14,879,071	24,851,921	39,730,992
Restricted for Grants and Entitlements		6,541,441	6,541,441
Unrestricted	(7,295,485)		(7,295,485)
Total net assets	<u>\$ 7,583,586</u>	<u>\$ 31,393,362</u>	<u>\$ 38,976,948</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, 2011

	Golf Course Fund	Public Housing (AMP) Funds	Totals
Operating revenues:			
Charges for Services	\$ 7,013,733	\$ 3,837,224	\$ 10,850,957
Federal Grants and Contributions		6,769,831	6,769,831
Miscellaneous	1,589	57,580	59,169
Total operating revenues	<u>7,015,322</u>	<u>10,664,635</u>	<u>17,679,957</u>
Operating expenses:			
Personal Services	3,843,763	3,688,438	7,532,201
Contractual Services	1,770,166	6,036,472	7,806,638
Commodities	1,710,134	715,244	2,425,378
Cost of Goods Sold	242,352		242,352
Depreciation	708,223	1,698,167	2,406,390
Total operating expenses	<u>8,274,638</u>	<u>12,138,321</u>	<u>20,412,959</u>
Operating loss	<u>(1,259,316)</u>	<u>(1,473,686)</u>	<u>(2,733,002)</u>
Nonoperating revenues (expenses):			
Investment Income		843,310	843,310
Gain (loss) on Sale of Property/ Equipment		(135,695)	(135,695)
Interest Expense	(182,551)		(182,551)
Amortization of Issuance Costs	(7,315)		(7,315)
Total nonoperating revenues (expenses)	<u>(189,866)</u>	<u>707,615</u>	<u>517,749</u>
Income (loss) before capital contributions and transfers	<u>(1,449,182)</u>	<u>(766,071)</u>	<u>(2,215,253)</u>
Transfers In		558,299	558,299
Transfers Out		(578,299)	(578,299)
Change in net assets	<u>(1,449,182)</u>	<u>(786,071)</u>	<u>(2,235,253)</u>
Total net assets, beginning of year	9,032,768	32,179,433	41,212,201
Total net assets, end of year	<u>\$ 7,583,586</u>	<u>\$ 31,393,362</u>	<u>\$ 38,976,948</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Golf Course Fund	Public Housing (AMP) Funds	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,028,044	\$ 3,987,932	\$ 11,015,976
Cash Payments to Suppliers for Goods and Services	(3,703,709)	(6,557,420)	(10,261,129)
Cash Payments to Employees for Services	(3,881,708)	(3,631,429)	(7,513,137)
Subsidy from Federal Grant		7,212,959	7,212,959
Other Operating Revenues	1,589		1,589
Net Cash Provided (Used) by Operating Activities	<u>(555,784)</u>	<u>1,012,042</u>	<u>456,258</u>
Cash Flows from Noncapital Financing Activities:			
Interfund Transfers		(20,000)	(20,000)
Advances from Other Funds	535,276		535,276
Interest Paid on Advances	(26,601)		(26,601)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>508,675</u>	<u>(20,000)</u>	<u>488,675</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets		(192,046)	(192,046)
Principal Paid on Capital Debt	(2,959)		(2,959)
Interest Paid on Capital Debt	(164,907)		(164,907)
Proceeds from Sale of Assets/Equipment			0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(167,866)</u>	<u>(192,046)</u>	<u>(359,912)</u>
Cash Flows from Investing Activities:			
Interest on Investments		626,625	626,625
Net Cash Provided (Used) by Investing Activities	<u></u>	<u>626,625</u>	<u>626,625</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(214,975)</u>	<u>1,426,621</u>	<u>1,211,646</u>
Cash and Cash Equivalents - July 1	<u>259,425</u>	<u>6,348,725</u>	<u>6,608,150</u>
Cash and Cash Equivalents - June 30	<u>\$ 44,450</u>	<u>\$ 7,775,346</u>	<u>\$ 7,819,796</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,259,316)	\$ (1,473,686)	\$ (2,733,002)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	708,223	1,698,167	2,406,390
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable		331	331
Due from Other Agencies		416,659	416,659
Inventory	26,576	(29,888)	(3,312)
Increase (Decrease) in Liabilities:			
Accounts Payable	40,462	223,178	263,640
Accrued Payroll Liabilities	(480)	10,792	10,312
Accrued Compensated Absences	(4,710)	46,217	41,507
Accrued Other Post-Employment Benefits	(32,754)		(32,754)
Unearned Revenue		71,385	71,385
Customer/Refundable Deposits		48,925	48,925
Due to Other Agencies	(48,095)	(38)	(48,133)
Other Operating Liabilities	14,310		14,310
Net Cash Provided (Used) by Operating Activities	<u>\$ (555,784)</u>	<u>\$ 1,012,042</u>	<u>\$ 456,258</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2011

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 4,272,394	\$ 235,000	\$ 4,883,449	\$ 9,390,843
Cash & Investments with Fiscal Agent - Restricted		1,863,878	11,094,023	12,957,901
Accounts Receivable, Net	67,445		3,000	70,445
Due from Other Agencies	18,468		5,004	23,472
Interest Receivable	835	93,750	1,364	95,949
Inventories	1,095,573			1,095,573
Other Assets		294,268		294,268
Total current assets	5,454,715	2,486,896	15,986,840	23,928,451
Noncurrent assets:				
Other Assets - Restricted		22,573,864		22,573,864
Deferred Charges			222,993	222,993
Land & Construction in Progress	73,740	30,242	392,403	496,385
Other Capital Assets, Net	12,452,814	111,598	209,231	12,773,643
Total noncurrent assets	12,526,554	22,715,704	824,627	36,066,885
Total assets	17,981,269	25,202,600	16,811,467	59,995,336
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	\$ 929,286	\$ 78,582	\$ 1,059,815	\$ 2,067,683
Accrued Payroll Liabilities	177,936	34,125	289,711	501,772
Accrued Interest Payable		1,588		1,588
Interfund Payable		3,618,125		3,618,125
Refundable Deposits		8,042		8,042
Current Portion of Bonds Payable			1,204,300	1,204,300
Current Portion of Contracts Payable	5,004			5,004
Claims Payable		9,887,881		9,887,881
Remediation Obligations		211,200		211,200
Total current liabilities	1,112,226	13,839,543	2,553,826	17,505,595
Noncurrent liabilities:				
Bonds Payable			16,458,000	16,458,000
Claims Payable		35,437,633		35,437,633
Remediation Obligations		1,180,021		1,180,021
Total non-current liabilities		36,617,654	16,458,000	53,075,654
Total liabilities	1,112,226	50,457,197	19,011,826	70,581,249
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	12,521,550	141,840	(16,837,673)	(4,174,283)
Restricted for Capital			11,094,023	11,094,023
Restricted for Self Insurance Mandates		24,437,742		24,437,742
Unrestricted	4,347,493	(49,834,179)	3,543,291	(41,943,395)
Total net assets	\$ 16,869,043	\$ (25,254,597)	\$ (2,200,359)	\$ (10,585,913)

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, 2011

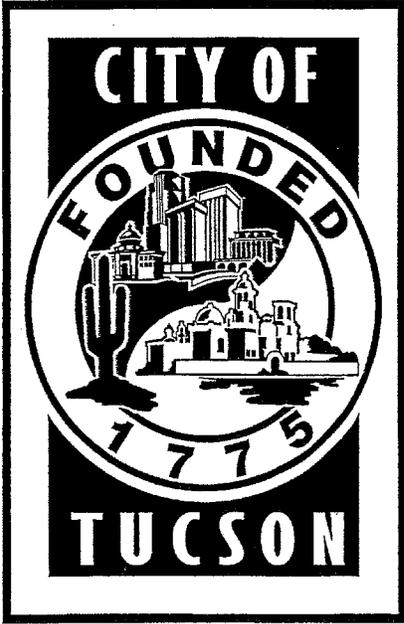
	Fleet Services	Self Insurance Fund	General Services Fund	Totals
Operating revenues:				
Charges for Services	\$ 23,338,719	\$ 19,360,855	\$ 17,792,475	\$ 60,492,049
Miscellaneous	171,275		34,019	205,294
Total operating revenues	<u>23,509,994</u>	<u>19,360,855</u>	<u>17,826,494</u>	<u>60,697,343</u>
Operating expenses:				
Personal Services	5,531,549	991,579	8,524,262	15,047,390
Contractual Services	4,222,211	2,997,556	6,330,479	13,550,246
Commodities	13,215,916	61,562	1,851,961	15,129,439
Benefits and Claims		12,856,640		12,856,640
Depreciation	4,068,410	12,563	40,137	4,121,110
Total operating expenses	<u>27,038,086</u>	<u>16,919,900</u>	<u>16,746,839</u>	<u>60,704,825</u>
Operating income (loss)	<u>(3,528,092)</u>	<u>2,440,955</u>	<u>1,079,655</u>	<u>(7,482)</u>
Nonoperating revenues (expenses):				
Investment Income	7,848	96,471	14,304	118,623
Gain (loss) on Sale of Property/ Equipment	(133,446)			(133,446)
Interest Expense	(317)			(317)
Amortization of Issuance Costs			(7,792)	(7,792)
Total nonoperating revenues (expenses)	<u>(125,915)</u>	<u>96,471</u>	<u>6,512</u>	<u>(22,932)</u>
Income (loss) before capital contributions and transfers	<u>(3,654,007)</u>	<u>2,537,426</u>	<u>1,086,167</u>	<u>(30,414)</u>
Capital Contributions	223,678			223,678
Transfers In	995,000	234,566	305,000	1,534,566
Transfers Out	(8,263,537)	(10,644)		(8,274,181)
Change in net assets	<u>(10,698,866)</u>	<u>2,761,348</u>	<u>1,391,167</u>	<u>(6,546,351)</u>
Total net assets, beginning of year	27,567,909	(28,015,945)	(3,591,526)	(4,039,562)
Total net assets, end of year	<u>\$ 16,869,043</u>	<u>\$ (25,254,597)</u>	<u>\$ (2,200,359)</u>	<u>\$ (10,585,913)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Fleet Services	Self Insurance Fund	General Services Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 23,299,985	\$ 19,360,855	\$ 17,908,933	\$ 60,569,773
Cash Payments to Suppliers for Goods and Services	(17,585,041)	(3,442,140)	(7,896,142)	(28,923,323)
Cash Payments to Employees for Services	(5,526,251)	(986,289)	(8,482,834)	(14,995,374)
Other Operating Revenues	171,275			171,275
Cash Payments to Claimants		(7,596,413)		(7,596,413)
Net Cash Provided (Used) by Operating Activities	<u>359,968</u>	<u>7,336,013</u>	<u>1,529,957</u>	<u>9,225,938</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Transfers	(11,450)	234,566		223,116
Advances from Other Funds		(7,701,002)		(7,701,002)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(11,450)</u>	<u>(7,466,436)</u>		<u>(7,477,886)</u>
Cash Flows from Capital and Related Financing Activities:				
Bond Issuance			11,235,000	11,235,000
Acquisition and Construction of Capital Assets	(1,009,137)		(429,849)	(1,438,986)
Transfers from Other Funds	995,000		305,000	1,300,000
Principal Paid on Capital Debt	(4,824)		(584,300)	(589,124)
Interest Paid on Capital Debt	(318)			(318)
Fiscal Agent Fees Paid on Capital Debt			(141,175)	(141,175)
Proceeds from Sale of Assets/Equipment	415,872			415,872
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>396,593</u>		<u>10,384,676</u>	<u>10,781,269</u>
Cash Flows from Investing Activities:				
Interest on Investments	7,872	382,992	15,041	405,905
Proceeds from Sale of Investments		21,500,000		21,500,000
Purchase of Investments		(22,674,874)		(22,674,874)
Net Cash Provided (Used) by Investing Activities	<u>7,872</u>	<u>(791,882)</u>	<u>15,041</u>	<u>(768,969)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>752,983</u>	<u>(922,305)</u>	<u>11,929,674</u>	<u>11,760,352</u>
Cash and Cash Equivalents - July 1	<u>3,519,411</u>	<u>3,021,183</u>	<u>4,047,798</u>	<u>10,588,392</u>
Cash and Cash Equivalents - June 30	<u>\$ 4,272,394</u>	<u>\$ 2,098,878</u>	<u>\$ 15,977,472</u>	<u>\$ 22,348,744</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(3,528,092)	2,440,955	1,079,655	(7,482)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	4,068,410	12,563	40,137	4,121,110
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	(38,789)		82,440	43,651
Inventory	(193,824)			(193,824)
Due from Other Agencies	192	25,121		25,313
Increase (Decrease) in Liabilities:				
Accounts Payable	47,494	(119,389)	287,342	215,447
Accrued Payroll Liabilities	5,298	5,290	41,428	52,016
Customer/Refundable Deposits	(137)			(137)
Claims and Judgments Payable		5,260,227		5,260,227
Remediation Obligation		(284,411)		(284,411)
Due to Other Agencies	(584)	(4,343)	(1,045)	(5,972)
Net Cash Provided (Used) by Operating Activities	<u>\$ 359,968</u>	<u>\$ 7,336,013</u>	<u>\$ 1,529,957</u>	<u>\$ 9,225,938</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	223,678	60,644		284,322
Capital Asset Transfers Out	(8,252,087)			(8,252,087)
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ (8,028,409)</u>	<u>\$ 60,644</u>	<u>\$</u>	<u>\$ (7,967,765)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Sewer User Fee Fund				
Assets				
Pooled Cash and Investments	\$ 1,598,329	\$ 111,210,900	\$ 107,988,078	\$ 4,821,151
Accounts Receivable, Net	7,917,029	122,735,295	122,574,123	8,078,201
Interest Receivable	2,465	18,619	17,948	3,136
Total assets	\$ 9,517,823	\$ 233,964,814	\$ 230,580,149	\$ 12,902,488
Liabilities				
Due to Other Agencies	9,517,823	351,710,480	348,325,815	12,902,488
Total liabilities	\$ 9,517,823	\$ 351,710,480	\$ 348,325,815	\$ 12,902,488
Employee Prepaid Insurance Fund				
Assets				
Pooled Cash and Investments	\$ 71,879	\$ 58,625,608	\$ 57,071,448	\$ 1,626,039
Due From Other Agencies	1,669,890		1,669,890	
Total assets	\$ 1,741,769	\$ 58,625,608	\$ 58,741,338	\$ 1,626,039
Liabilities				
Accounts Payable	1,204,544	60,358,010	59,936,515	1,626,039
Due to Other Agencies	537,225		537,225	
Total liabilities	\$ 1,741,769	\$ 60,358,010	\$ 60,473,740	\$ 1,626,039
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Pooled Cash and Investments	\$	\$ 5,276,361	\$ 5,122,428	\$ 153,933
Total assets	\$	\$ 5,276,361	\$ 5,122,428	\$ 153,933
Liabilities				
Due to Other Agencies		5,276,361	5,122,428	153,933
Total liabilities	\$	\$ 5,276,361	\$ 5,122,428	\$ 153,933
Totals				
Assets				
Pooled Cash and Investments	\$ 1,670,208	\$ 175,112,869	\$ 170,181,954	\$ 6,601,123
Accounts Receivable, Net	7,917,029	122,735,295	122,574,123	8,078,201
Due From Other Agencies	1,669,890		1,669,890	
Interest Receivable	2,465	18,619	17,948	3,136
Total assets	\$ 11,259,592	\$ 297,866,783	\$ 294,443,915	\$ 14,682,460
Liabilities				
Accounts Payable	1,204,544	60,358,010	59,936,515	1,626,039
Due to Other Agencies	10,055,048	356,986,841	353,985,468	13,056,421
Total liabilities	\$ 11,259,592	\$ 417,344,851	\$ 413,921,983	\$ 14,682,460



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, 2011

	ParkWise		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures		896,811	896,811
Developer Fees			
Use of Money and Property	256,100	250,304	(5,796)
Federal Grants and Contributions			
Other Agencies			
Charges for Services	3,164,560	2,422,532	(742,028)
Contributions from Outside Sources			
Miscellaneous	597,000		(597,000)
Total revenues	<u>4,017,660</u>	<u>3,569,647</u>	<u>(448,013)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	2,509,860	1,998,397	511,463
Non-Departmental			
Capital Outlay	137,000	5,378	131,622
Capital Projects			
Debt service -			
Principal	603,160	6,163	596,997
Interest	749,960	462,626	287,334
Issuance Costs of Debt	17,680		17,680
Total expenditures	<u>4,017,660</u>	<u>2,472,564</u>	<u>1,545,096</u>
Excess (deficiency) of revenues over expenditures		<u>1,097,083</u>	<u>1,097,083</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out		367,819	367,819
Total other financing sources (uses)		<u>367,819</u>	<u>367,819</u>
Change in fund balances		<u>1,464,902</u>	<u>1,464,902</u>
Fund balances, July 1, 2010		57,713	57,713
Fund balances (deficits), June 30, 2011	<u>\$</u>	<u>\$ 1,522,615</u>	<u>\$ 1,522,615</u>

Convention Center Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
47,000	48,832	1,832
3,813,650	3,347,176	(466,474)
	18,693	18,693
<u>3,860,650</u>	<u>3,414,701</u>	<u>(445,949)</u>
5,912,850	5,414,664	498,186
3,778,340	3,789,139	(10,799)
<u>9,691,190</u>	<u>9,203,803</u>	<u>487,387</u>
<u>(5,830,540)</u>	<u>(5,789,102)</u>	<u>41,438</u>
5,567,000	5,789,102	222,102
<u>5,567,000</u>	<u>5,789,102</u>	<u>222,102</u>
<u>(263,540)</u>		<u>263,540</u>
	29,400	29,400
<u>\$ (263,540)</u>	<u>\$ 29,400</u>	<u>\$ 292,940</u>

Capital Improvements Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	18,896	18,896
	420	420
19,152,600	6,710,737	(12,441,863)
<u>19,152,600</u>	<u>6,730,053</u>	<u>(12,422,547)</u>
1,409,000	299,375	1,109,625
	103,630	(103,630)
177,500	277,187	(99,687)
	25,483	(25,483)
4,423,000	2,470,702	1,952,298
68,913,303	40,120,791	28,792,512
332,000	92,034	239,966
<u>75,254,803</u>	<u>43,389,202</u>	<u>31,865,601</u>
<u>(56,102,203)</u>	<u>(36,659,149)</u>	<u>19,443,054</u>
59,104,030	54,664,405	(4,439,625)
	(449,786)	(449,786)
<u>59,104,030</u>	<u>54,214,619</u>	<u>(4,889,411)</u>
<u>3,001,827</u>	<u>17,555,470</u>	<u>14,553,643</u>
	18,855,432	18,855,432
<u>\$ 3,001,827</u>	<u>\$ 36,410,902</u>	<u>\$ 33,409,075</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, 2011
(Continued)

	H.U.R.F. Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$ 188,150	\$ 236,950	\$ 48,800
Fines and Forfeitures			
Developer Fees			
Use of Money and Property	60,000	451,111	391,111
Federal Grants and Contributions			
Other Agencies	34,915,080	32,739,402	(2,175,678)
Charges for Services	238,000	417,151	179,151
Contributions from Outside Sources			
Miscellaneous	10,486,080	989,802	(9,496,278)
Total revenues	<u>45,887,310</u>	<u>34,834,416</u>	<u>(11,052,894)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	84,857	361,770	(276,913)
Environment and Development	29,311,140	26,665,351	2,645,789
Non-Departmental	100,580	100,580	
Capital Outlay	16,480	16,441	39
Capital Projects	3,855,679	1,597,940	2,257,739
Debt service -			
Principal	903,320	979,427	(76,107)
Interest	36,690	48,220	(11,530)
Issuance Costs of Debt			
Total expenditures	<u>34,308,746</u>	<u>29,769,729</u>	<u>4,539,017</u>
Excess (deficiency) of revenues over expenditures	<u>11,578,564</u>	<u>5,064,687</u>	<u>(6,513,877)</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out	(10,523,400)		10,523,400
Total other financing sources (uses)	<u>(10,523,400)</u>		<u>10,523,400</u>
Change in fund balances	<u>1,055,164</u>	<u>5,064,687</u>	<u>4,009,523</u>
Fund balances, July 1, 2010		16,305,472	16,305,472
Fund balances (deficits), June 30, 2011	<u>\$ 1,055,164</u>	<u>\$ 21,370,159</u>	<u>\$ 20,314,995</u>

Civic Contribution Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	8,615	8,615
366,720	259,238	(107,482)
<u>366,720</u>	<u>267,853</u>	<u>(98,867)</u>
10,627	2,072	(2,072)
378,520	10,628	(1)
	149,109	229,411
	22,526	(22,526)
67,958	10,440	(10,440)
	66,838	1,120
<u>457,105</u>	<u>261,613</u>	<u>195,492</u>
<u>(90,385)</u>	<u>6,240</u>	<u>96,625</u>
<u>(90,385)</u>	<u>6,240</u>	<u>96,625</u>
	2,850,347	2,850,347
<u>\$ (90,385)</u>	<u>\$ 2,856,587</u>	<u>\$ 2,946,972</u>

Community Development Block Grants Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
14,534,920	253,106	253,106
	8,231,616	(6,303,304)
<u>14,534,920</u>	<u>8,484,722</u>	<u>(6,050,198)</u>
7,490,860	6,716,914	773,946
30,000	20,300	9,700
7,147,850	2,557,517	4,590,333
<u>14,668,710</u>	<u>9,294,731</u>	<u>5,373,979</u>
<u>(133,790)</u>	<u>(810,009)</u>	<u>(676,219)</u>
<u>(133,790)</u>	<u>(810,009)</u>	<u>(676,219)</u>
	4,819,878	4,819,878
<u>\$ (133,790)</u>	<u>\$ 4,009,869</u>	<u>\$ 4,143,659</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, 2011
(Continued)

	Development Fee Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees	6,645,700	4,923,737	(1,721,963)
Use of Money and Property		70,126	70,126
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>6,645,700</u>	<u>4,993,863</u>	<u>(1,651,837)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	69,500	17,030	52,470
Environment and Development		52	(52)
Non-Departmental			
Capital Outlay			
Capital Projects	8,170,885	2,254,292	5,916,593
Debt service -			
Principal			
Interest			
Issuance Costs of Debt			
Total expenditures	<u>8,240,385</u>	<u>2,271,374</u>	<u>5,969,011</u>
Excess (deficiency) of revenues over expenditures	<u>(1,594,685)</u>	<u>2,722,489</u>	<u>4,317,174</u>
Other financing sources (uses):			
Capital Leases			
Transfers In		106,081	106,081
Transfers Out			
Total other financing sources (uses)		<u>106,081</u>	<u>106,081</u>
Change in fund balances	<u>(1,594,685)</u>	<u>2,828,570</u>	<u>4,423,255</u>
Fund balances, July 1, 2010		21,776,055	21,776,055
Fund balances (deficits), June 30, 2011	<u>\$ (1,594,685)</u>	<u>\$ 24,604,625</u>	<u>\$ 26,199,310</u>

Miscellaneous Housing Grant Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
7,510,350	5,413,444	(2,096,906)
<u>7,510,350</u>	<u>5,413,444</u>	<u>(2,096,906)</u>
6,283,154	5,385,235	897,919
57,500	28,209	29,291
<u>6,340,654</u>	<u>5,413,444</u>	<u>927,210</u>
<u>1,169,696</u>		<u>(1,169,696)</u>
<u>1,169,696</u>		<u>(1,169,696)</u>
	94,822	94,822
<u>\$ 1,169,696</u>	<u>\$ 94,822</u>	<u>\$ (1,074,874)</u>

Public Housing Section 8 Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
35,620,870	36,641,548	1,020,678
<u>34,600</u>	<u>788,181</u>	<u>753,581</u>
<u>35,655,470</u>	<u>37,429,729</u>	<u>1,774,259</u>
36,173,000	36,395,032	(222,032)
	21,105	(21,105)
83,390	83,390	
<u>36,256,390</u>	<u>36,499,527</u>	<u>(243,137)</u>
<u>(600,920)</u>	<u>930,202</u>	<u>1,531,122</u>
<u>(600,920)</u>	<u>930,202</u>	<u>1,531,122</u>
	4,402,311	4,402,311
<u>\$ (600,920)</u>	<u>\$ 5,332,513</u>	<u>\$ 5,933,433</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, 2011
(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	5,307,980	3,159,062	(2,148,918)
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	5,307,980	3,159,062	(2,148,918)
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	5,254,356	3,088,400	2,165,956
Environment and Development			
Non-Departmental			
Capital Outlay			
Capital Projects	75,000	70,662	4,338
Debt service -			
Principal			
Interest			
Issuance Costs of Debt			
Total expenditures	5,329,356	3,159,062	2,170,294
Excess (deficiency) of revenues over expenditures	(21,376)		21,376
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	(21,376)		21,376
Fund balances, July 1, 2010			
Fund balances (deficits), June 30, 2011	\$ (21,376)	\$	\$ 21,376

Other Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	10,479	10,479
54,836,000	20,946,897	(33,889,103)
<u>54,836,000</u>	<u>20,957,376</u>	<u>(33,878,624)</u>
3,154,510	1,862,664	1,291,846
270,100	129,809	140,291
19,415,400	7,546,395	11,869,005
1,367,230	655,456	711,774
1,360,660	1,534,172	(173,512)
29,292,906	9,310,044	19,982,862
<u>54,860,806</u>	<u>21,038,540</u>	<u>33,822,266</u>
<u>(24,806)</u>	<u>(81,164)</u>	<u>(56,358)</u>
	<u>(3,303,748)</u>	<u>(3,303,748)</u>
	<u>(3,303,748)</u>	<u>(3,303,748)</u>
<u>(24,806)</u>	<u>(3,384,912)</u>	<u>(3,360,106)</u>
	3,382,520	3,382,520
<u>\$ (24,806)</u>	<u>\$ (2,392)</u>	<u>\$ 22,414</u>

Non-Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
8,352,600	4,331,966	(4,020,634)
<u>8,352,600</u>	<u>4,331,966</u>	<u>(4,020,634)</u>
306,250	86,805	219,445
5,333,645	4,090,175	1,243,470
1,010,715	98,998	911,717
126,582	55,988	70,594
<u>6,777,192</u>	<u>4,331,966</u>	<u>2,445,226</u>
<u>1,575,408</u>		<u>(1,575,408)</u>
<u>1,575,408</u>		<u>(1,575,408)</u>
<u>\$ 1,575,408</u>	<u>\$</u>	<u>\$ (1,575,408)</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, 2011
(Concluded)

	Regional Transportation Authority Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		142,013	142,013
Federal Grants and Contributions			
Other Agencies	89,158,200	53,470,607	(35,687,593)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>89,158,200</u>	<u>53,612,620</u>	<u>(35,545,580)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	1,485,000	451,273	1,033,727
Non-Departmental			
Capital Outlay	2,643,550	6,399,188	(3,755,638)
Capital Projects	81,981,586	46,762,159	35,219,427
Debt service -			
Principal			
Interest			
Issuance Costs of Debt			
Total expenditures	<u>86,110,136</u>	<u>53,612,620</u>	<u>32,497,516</u>
Excess (deficiency) of revenues over expenditures	<u>3,048,064</u>		<u>(3,048,064)</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>3,048,064</u>		<u>(3,048,064)</u>
Fund balances, July 1, 2010			
Fund balances (deficits), June 30, 2011	<u>\$ 3,048,064</u>	<u>\$</u>	<u>\$ (3,048,064)</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 188,150	\$ 236,950	\$ 48,800
	896,811	896,811
6,645,700	4,923,737	(1,721,963)
363,100	1,253,482	890,382
117,810,120	74,392,987	(43,417,133)
151,578,480	97,252,712	(54,325,768)
7,216,210	6,186,859	(1,029,351)
366,720	259,238	(107,482)
11,117,680	1,796,676	(9,321,004)
<u>295,286,160</u>	<u>187,199,452</u>	<u>(108,086,708)</u>
3,460,760	1,951,541	1,509,219
1,689,727	439,812	1,249,915
80,483,292	63,853,690	16,629,602
40,763,580	35,484,906	5,278,674
3,878,920	3,915,202	(36,282)
9,621,405	10,576,724	(955,319)
199,689,249	102,824,440	96,864,809
1,506,480	985,590	520,890
1,202,040	686,270	515,770
17,680		17,680
<u>342,313,133</u>	<u>220,718,175</u>	<u>121,594,958</u>
<u>(47,026,973)</u>	<u>(33,518,723)</u>	<u>13,508,250</u>
59,104,030	54,664,405	(4,439,625)
5,567,000	5,895,183	328,183
<u>(10,523,400)</u>	<u>(3,385,715)</u>	<u>7,137,685</u>
<u>54,147,630</u>	<u>57,173,873</u>	<u>3,026,243</u>
<u>7,120,657</u>	<u>23,655,150</u>	<u>16,534,493</u>
	72,573,950	72,573,950
<u>\$ 7,120,657</u>	<u>\$ 96,229,100</u>	<u>\$ 89,108,443</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, 2011

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures		6,737	6,737
Use of Money and Property		6,735	6,735
Other Agencies			
Special Assessments	744,370	598,613	(145,757)
Total revenues	744,370	612,085	(132,285)
Expenditures:			
Debt service -			
Principal	573,300	574,000	(700)
Interest	171,070	171,169	(99)
Fiscal Agent Fees		4,250	(4,250)
Issuance Costs of Debt			
Total expenditures	744,370	749,419	(5,049)
Excess (deficiency) of revenues over expenditures		(137,334)	(137,334)
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Transfers In			
Refunded Bond Escrow Agent			
Total other financing sources (uses)			
Change in fund balances		(137,334)	(137,334)
Fund balances, July 1, 2010		2,139,315	2,139,315
Fund balances (deficits), June 30, 2011	\$	\$ 2,001,981	\$ 2,001,981

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, 2011
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 24,506,210	\$ 24,276,588	\$ (229,622)
Fines and Forfeitures		6,737	6,737
Use of Money and Property		6,735	6,735
Other Agencies	7,020,700	7,284,647	263,947
Special Assessments	744,370	598,613	(145,757)
Total revenues	<u>32,271,280</u>	<u>32,173,320</u>	<u>(97,960)</u>
Expenditures:			
Debt service -			
Principal	28,273,300	16,529,000	11,744,300
Interest	17,418,750	17,561,046	(142,296)
Fiscal Agent Fees		9,700	(9,700)
Issuance Costs of Debt		185,145	(185,145)
Total expenditures	<u>45,692,050</u>	<u>34,284,891</u>	<u>11,407,159</u>
Excess (deficiency) of revenues over expenditures	<u>(13,420,770)</u>	<u>(2,111,571)</u>	<u>11,309,199</u>
Other financing sources (uses):			
Bond Issuance		10,730,000	10,730,000
Premium on Debt Issuance		1,546,408	1,546,408
Transfers In	10,523,400		(10,523,400)
Refunded Bond Escrow Agent		(12,091,263)	(12,091,263)
Total other financing sources (uses)	<u>10,523,400</u>	<u>185,145</u>	<u>(10,338,255)</u>
Change in fund balances	<u>(2,897,370)</u>	<u>(1,926,426)</u>	<u>970,944</u>
Fund balances, July 1, 2010		6,373,673	6,373,673
Fund balances (deficits), June 30, 2011	<u>\$ (2,897,370)</u>	<u>\$ 4,447,247</u>	<u>\$ 7,344,617</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, 2011

	2000 General Obligation Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$ 15,264	\$ 15,264
Miscellaneous	2,180,100	211,463	(1,968,637)
Total revenues	<u>2,180,100</u>	<u>226,727</u>	<u>(1,953,373)</u>
Expenditures:			
Current -			
Neighborhood Services	20,000	344,110	(324,110)
Environment and Development		286	(286)
Capital Projects	6,254,295	3,270,283	2,984,012
Total expenditures	<u>6,274,295</u>	<u>3,614,679</u>	<u>2,659,616</u>
Excess (deficiency) of revenues over expenditures	<u>(4,094,195)</u>	<u>(3,387,952)</u>	<u>706,243</u>
Other financing sources (uses):			
Bond Issuance	3,551,500		(3,551,500)
Total other financing sources (uses)	<u>3,551,500</u>		<u>(3,551,500)</u>
Change in fund balances	<u>(542,695)</u>	<u>(3,387,952)</u>	<u>(2,845,257)</u>
Fund balances, July 1, 2010		6,464,583	6,464,583
Fund balances (deficits), June 30, 2011	<u>\$ (542,695)</u>	<u>\$ 3,076,631</u>	<u>\$ 3,619,326</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, 2011

	Environmental Services		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 45,091,700	\$ 46,095,193	\$ 1,003,493
Miscellaneous	1,461,930	2,347,031	885,101
Total operating revenues	<u>46,553,630</u>	<u>48,442,224</u>	<u>1,888,594</u>
Operating expenses:			
Personal Services	15,911,690	15,279,650	632,040
Contractual Services	19,624,534	17,253,119	2,371,415
Commodities	5,533,680	4,834,172	699,508
Depreciation/Amortization	6,500,066	6,500,066	(6,500,066)
Total operating expenses	<u>41,069,904</u>	<u>43,867,007</u>	<u>(2,797,103)</u>
Operating Income (Loss)	<u>5,483,726</u>	<u>4,575,217</u>	<u>(908,509)</u>
Nonoperating revenues (expenses):			
Investment Income	14,000	39,326	25,326
Gain (Loss) on Sale of Property/Equipment	348,500	450,990	102,490
Federal Grants and Contributions	595,130	109,785	(485,345)
Interest Expense	(569,500)	(549,955)	19,545
Amortization of Cost Issuance	(19,499)	(19,499)	(19,499)
Total nonoperating revenues (expenses)	<u>388,130</u>	<u>30,647</u>	<u>(357,483)</u>
Income (Loss) before capital contributions and transfers	<u>5,871,856</u>	<u>4,605,864</u>	<u>(1,265,992)</u>
Capital Contribution		<u>1,499</u>	<u>1,499</u>
Changes in net assets	<u>\$ 5,871,856</u>	<u>4,607,363</u>	<u>\$ (1,264,493)</u>
Total net assets, beginning of year		(12,306,243)	
Total net assets, end of year		<u>\$ (7,698,880)</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, 2011

	Golf Course Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 6,839,110	\$ 7,013,733	\$ 174,623
Miscellaneous Revenue		1,589	1,589
Total operating revenues	<u>6,839,110</u>	<u>7,015,322</u>	<u>176,212</u>
Operating expenses:			
Personal Services	3,881,500	3,843,763	37,737
Contractual Services	1,805,340	1,770,166	35,174
Commodities	1,919,160	1,710,134	209,026
Cost of Goods Sold		242,352	(242,352)
Depreciation		708,223	(708,223)
Total operating expenses	<u>7,606,000</u>	<u>8,274,638</u>	<u>(668,638)</u>
Operating income (loss)	<u>(766,890)</u>	<u>(1,259,316)</u>	<u>(492,426)</u>
Nonoperating revenues (expenses):			
Interest Expense	(225,000)	(182,551)	42,449
Amortization of Cost Issuance		(7,315)	(7,315)
Other Nonoperating Income (Expenses)	(7,500)		7,500
Total nonoperating revenues (expenses)	<u>(232,500)</u>	<u>(189,866)</u>	<u>42,634</u>
Income (loss) before capital contributions and transfers	<u>(999,390)</u>	<u>(1,449,182)</u>	<u>(449,792)</u>
Changes in net assets	<u>\$ (999,390)</u>	<u>(1,449,182)</u>	<u>\$ (449,792)</u>
Total net assets, beginning of year		9,032,768	
Total net assets, end of year		<u>\$ 7,583,586</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, 2011

	Public Housing Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 5,681,710	\$ 3,837,224	\$ (1,844,486)
Federal Grants and Contributions	5,876,510	6,769,831	893,321
Miscellaneous		57,580	57,580
Total operating revenues	<u>11,558,220</u>	<u>10,664,635</u>	<u>(893,585)</u>
Operating expenses:			
Personal Services	3,955,282	3,688,438	266,844
Contractual Services	8,372,948	6,036,472	2,336,476
Commodities	621,100	715,244	(94,144)
Depreciation/Amortization		1,698,167	(1,698,167)
Total operating expenses	<u>12,949,330</u>	<u>12,138,321</u>	<u>811,009</u>
Operating Income (Loss)	<u>(1,391,110)</u>	<u>(1,473,686)</u>	<u>(82,576)</u>
Nonoperating revenues (expenses):			
Investment Income	772,900	843,310	70,410
Gain (Loss) on Sale of Property/Equipment	857,810	(135,695)	(993,505)
Interest Expense			
Total nonoperating revenues (expenses)	<u>1,630,710</u>	<u>707,615</u>	<u>(923,095)</u>
Income (Loss) before capital contributions and transfers	<u>239,600</u>	<u>(766,071)</u>	<u>(1,005,671)</u>
Transfers In		558,299	558,299
Transfers Out		(578,299)	(578,299)
Changes in net assets	<u>\$ 239,600</u>	<u>(786,071)</u>	<u>\$ (1,025,671)</u>
Total net assets, beginning of year		32,179,433	
Total net assets, end of year		<u>\$ 31,393,362</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, 2011

	Water Utility Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 152,152,060	\$ 142,657,723	\$ (9,494,337)
Miscellaneous	(4,405,750)	1,334,089	(5,739,839)
Total operating revenues	<u>147,746,310</u>	<u>143,991,812</u>	<u>(15,234,176)</u>
Operating expenses:			
Personal Services	33,674,510	30,853,721	(2,820,789)
Contractual Services	51,611,320	45,930,563	(5,680,757)
Commodities	10,086,700	6,441,946	(3,644,754)
Depreciation/Amortization	20,210,610	27,769,408	7,558,798
Total operating expenses	<u>115,583,140</u>	<u>110,995,638</u>	<u>(4,587,502)</u>
Operating Income (Loss)	<u>32,163,170</u>	<u>32,996,174</u>	<u>(833,004)</u>
Nonoperating revenues (expenses):			
Investment Income	431,000	274,945	(156,055)
Gain (Loss) on Sale of Property/Equipment	200,000	340,288	140,288
Federal Grants and Contributions	895,000	80,776	(814,224)
Non-Grant Contributions		796,871	796,871
Interest Expense	(22,034,990)	(18,210,499)	3,824,491
Amortization of Cost Issuance		(308,377)	(308,377)
Other Nonoperating Income (Expenses)	(120,000)	(971,218)	(851,218)
Total nonoperating revenues (expenses)	<u>(20,628,990)</u>	<u>(17,997,214)</u>	<u>2,631,776</u>
Income (Loss) before capital contributions and transfers	<u>11,534,180</u>	<u>14,998,960</u>	<u>3,464,780</u>
Capital Contributions	4,037,000	9,975,709	5,938,709
Transfers Out		<u>(1,600,000)</u>	<u>(1,600,000)</u>
Changes in net assets	<u>\$ 15,571,180</u>	<u>\$ 23,374,669</u>	<u>\$ 7,803,489</u>
Total net assets, beginning of year		721,450,295	
Total net assets, end of year		<u>\$ 744,824,964</u>	

**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2011**

Revenues:

Sale of Water:		
Potable Water Sales	\$	121,287,415
Reclaimed Water Sales		9,673,843
Central Arizona Project Surcharge		2,148,789
Connection Fees		1,854,988
Environmental and Sewer Billing Services		2,903,352
TCE Clean Up Reimbursement		981,678
Plan Review and Inspection Fees		422,227
Other		4,800,560

Non-Operating Income:

Impact Fees	\$ 3,160,011	
Investment Earnings - Operating Fund	97,388	
Investment Earnings - Debt Service	1,451	
Federal Non-Grant Contributions (BABS)	796,871	
Proceeds from Sale of Property/Equipment	344,634	
Total Non-Operating Income	<u>4,400,355</u>	
Total Revenues		<u>148,473,207</u>

Operation and Maintenance Expenses:

Director's Office		4,257,230
Business Services		4,055,802
Customer Services		6,400,816
Water Operations		17,076,104
Planning and Engineering		7,119,878
Quality Management		9,596,705
Power - Potable System		13,533,569
Power - Reclaimed System		1,526,412
CAP Water Purchases:		
Commodity	13,104,561	
Capital Charges	<u>2,162,580</u>	
Total CAP Water Purchases		15,267,141
General Expenses		3,177,655
Capitalized Operation and Maintenance Expense		<u>(6,703,842)</u>
Total Operation and Maintenance Expense		<u>75,307,470</u>

Net Revenue Available After Operations (2)	\$	<u>73,165,737</u>
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**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2011**

Bond Debt Service:

Senior Liens

Interest	\$ 20,919,848
Principal	16,500,000
Total Debt Service for Water Revenue Bonds	37,419,848

Junior Liens (Water Infrastructure Finance Authority)

Interest	1,210,377
Principal	3,647,455
Total Debt Service for Water Infrastructure Finance Authority	4,857,832

Combined Senior and Junior Liens

Interest	22,130,225
Principal	20,147,455
Total Debt Service	42,277,680

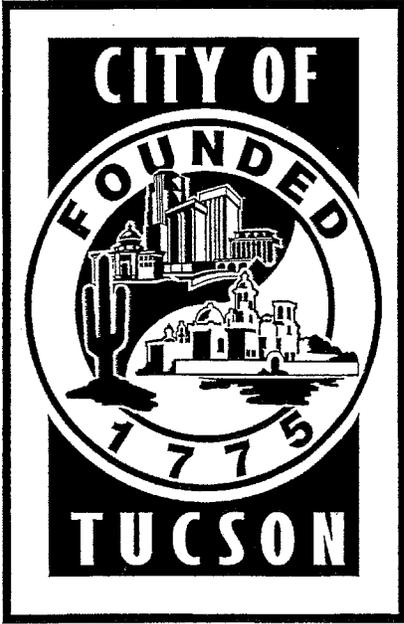
Net Revenue Available After Operations

Bond Debt Service for Senior Liens	\$ 35,745,889
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Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	\$ 30,888,057
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- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financials statements on pages 22 and 25 are presented on a GAAP basis.
- (2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement of \$41,822,075. 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, 2011, maximum future annual debt service coverage of senior lien debt is **175%**.
- 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, 2011, the debt coverage on Senior Lien Annual Debt Service Requirement was **196%**.
- 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, 2011, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is **736%**
- 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, 2011, is **173%**. The maximum future debt service coverage is **151%**.



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.

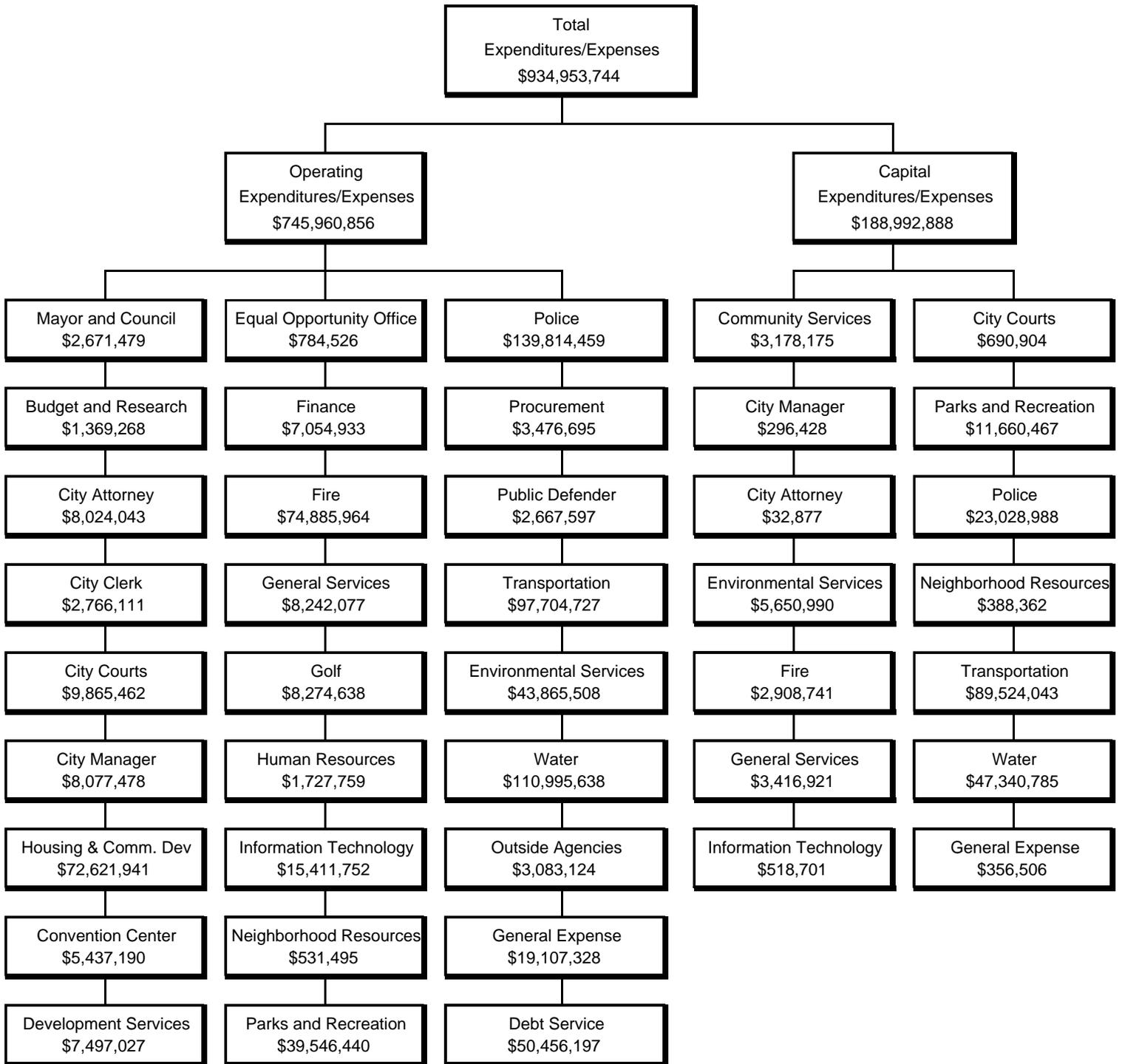
Contents

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Financial Trends	118
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	124
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	127
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	132
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	135
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.

City of Tucson
Expenditures/Expenses by Department
Fiscal Year 2011

TABLE I



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

TABLE II

	Fiscal Year									
	2002	2003(1)	2004(2)	2005	2006(3)	2007(4)	2008	2009	2010	2011
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	1,244,170,566
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	159,017,958
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)	24,382,059
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	1,427,570,583
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	752,837,699
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	35,160,494
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)	(26,949,353)
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	761,048,840
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	1,997,008,265
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	194,178,452
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)	(2,567,294)
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	2,188,619,423

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 Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE III

	Fiscal Year									
	2002	2003	2004	2005(1)	2006	2007	2008	2009	2010	2011
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	22,071,179
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	42,164,837
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	340,720,803
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	146,488,882
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	27,175,033
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	27,880,687
Fiscal Agent Fees and Other	-	-	32,158	46,301	74,613	43,875	41,025	327,635	801,342	1,803,136
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	608,304,557
Business-type Activities										
Public Housing AMP (2)							11,184,715	11,006,286	12,370,229	12,138,321
Environmental Services				39,464,082	42,987,747	46,037,471	53,420,043	44,676,920	48,824,879	45,752,439
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	8,452,760
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	130,382,350
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	196,725,870
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	805,030,427
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	7,969,980
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	5,024,093
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	12,111,479
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	11,273,379
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	70,395,491
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	119,655,515
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	95,761,089
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	322,191,026
Business-type Activities:										
Charge for Services:										
Public Housing AMP (2)							7,415,970	3,454,415	3,575,243	3,894,804
Environmental Services (1)				35,506,968	39,809,587	42,960,815	42,533,898	43,888,522	40,998,260	48,442,224
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	143,991,812
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	7,015,322
Operating Grants and Contributions	1,000							6,761,845	7,762,635	6,769,831
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	10,963,141
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	221,077,134
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	543,268,160

	Fiscal Year									
	2002	2003	2004	2005(1)	2006	2007	2008	2009	2010	2011
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)	(286,113,531)
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	24,351,264
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)	(261,762,267)
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	36,313,914
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	175,207,546
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	25,291,168
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	12,524,705
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	86,091
Liquor Taxes	746,000	731,000	713,674	740,742	721,117	731,380	670,480	702,523	732,622	760,615
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	110,567,181
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	718,308
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	1,966,010
Transfers				(3,971,822)	59,894	(410,991)	(783,799)	(1,031,319)	(5,094,077)	1,618,501
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	365,054,039
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	1,813,164
Miscellaneous	114,000	211,000								
Transfers				3,971,822	(59,894)	410,991	783,799	1,031,319	5,094,077	(1,618,501)
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	194,663
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	365,248,702
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	78,940,508
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	24,545,927
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	103,486,435

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 Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE IV

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010(1)	2011
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	2,725,063
Restricted									4,288,438	5,477,328
Committed									5,412,146	28,162,175
Assigned									11,523,823	13,264,761
Unassigned									22,836,507	11,107,980
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	60,737,307
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	5,014,035	4,186,004
Nonspendable									68,556,717	85,453,622
Restricted									3,284,544	3,360,321
Committed									13,779,239	18,901,488
Assigned									(1,540,527)	(177,479)
Unassigned										
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	111,723,956

Notes: (1) 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 Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE V

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	12,034,959
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	25,291,168
Local Use Taxes			4,266,605	4,949,414	5,406,243	6,839,887	7,949,205	8,770,451	6,688,928	6,361,392
Business Privilege Taxes (2)	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	168,139,915
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	8,865,662
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	4,793,061
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	225,486,157
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	19,718,347
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	40,564,009
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	50,284,825
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	3,862,945
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	114,430,126

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

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

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

TABLE VI

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	249,762,745
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	22,480,422
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	14,656,099
Developer Fees					8,585,307	6,985,561	5,936,592	6,782,474	3,617,096	4,923,737
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	2,812,446
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	98,431,053
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	228,230,267
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	60,487,549
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	598,613
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	3,798,046
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	686,180,977
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	21,539,110
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	37,282,485
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	328,579,562
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	110,638,943
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	22,190,452
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	15,074,167
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	120,926,947
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	20,722,468
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	27,928,190
Fiscal Agent Fees	251,000	1,213,000	32,158	46,301	74,613	43,875	41,025	49,197	209,780	31,250
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	1,774,291
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	706,687,865
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)	(20,506,888)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	10,730,000
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	66,565,000
Premium on Issuance of Debt		-	408,845	8,054,895	1,095,521	5,263,499		1,757,629	1,686,456	1,575,158
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	49,484,780
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)	(21,992,814)
Discount on Issuance of Debt			(143,281)					(275,753)		(252,090)
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)	(49,387,896)
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)	56,722,138
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)	36,215,250
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%	8.5%

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

CITY OF TUCSON
Taxable Sales by Category
Last Ten Fiscal Years

TABLE VII

Activity	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	2,119,852,518
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	267,402,622
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	46,369,408
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	913,183,499
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	81,730,112
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	971,487,214
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	707,955,711
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	4,793,591,280
Use Tax		145,338,032	184,561,040	266,189,312	303,859,500	397,460,235	447,307,576	412,501,242	325,202,306
Other	977,380	2,549,510	3,313,707	2,306,455	3,300,469	4,847,409	3,334,482	2,332,375	2,324,982
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	10,229,099,652
City's Tax Rate	2%	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 Ten 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%
2011	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 Eight Years Ago (1)

TABLE IX

<u>Business Sector</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2011</u>	
	<u>Tax Paid</u>	<u>% of Total</u>	<u>Tax Paid</u>	<u>% of Total</u>
Utility	\$ 19,377,937	11.1%	\$ 36,037,493	18.2%
Communications	6,930,606	4.0%	5,348,052	2.7%
Publishing & Printing	1,095,575	0.6%	927,388	0.5%
Restaurants	15,011,123	8.6%	18,263,670	9.2%
Amusements	1,049,558	0.6%	1,634,602	0.8%
Rentals	21,705,274	12.4%	19,429,744	9.8%
Contracting	15,361,137	8.8%	14,159,114	7.1%
Retail	94,376,152	54.0%	95,871,826	48.4%
Use Tax (3)		0.0%	6,504,046	3.3%
Other Activities	14,238	0.0%	46,500	0.0%
Total (2)	\$ <u>174,921,600</u>	<u>100%</u>	\$ <u>198,222,435</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 Ten 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
2011	222,360,610	122,535,000		247,651,000	3,052,000	2,875,924	17,662,300	616,136,834

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
2011	495,852,215		1,261,542	14,529,000	511,642,757	1,127,779,591	3.21%	2,165.50

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.

CITY OF TUCSON
Ratios of Net General Bonded Debt Outstanding
Last Ten 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%	503.51
2008 (3)	269,105,600	13,842,695	255,262,905	26,219,680,375	0.97%	469.27
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
2011	222,360,610	1,101,917	221,258,693	29,724,994,272	0.74%	424.85

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, 2011

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	\$ 417,995,000	43.90%	\$ 183,499,805
Pima Community College District	14,635,000	43.90%	6,424,765
Tucson Unified School District No. 1	339,260,000	77.02%	261,298,052
Flowing Wells Unified School District No. 8	25,680,000	5.10%	1,309,680
Amphitheater Unified School District No. 10	109,870,000	15.99%	17,568,213
Sunnyside Unified School District No. 12	19,790,000	77.51%	15,339,229
Tanque Verde Unified School District No. 13	14,000,000	1.16%	162,400
Vail Unified School District No. 20	51,305,000	39.19%	20,106,430
Sahuarita Unified School District No. 30	51,700,000	0.29%	149,930
Other Debt (1)			
Pima County Capital Leases	24,436,434	43.90%	10,727,595
Pima Community College District Capital Leases	3,855,000	43.90%	1,692,345
Tucson Unified School District No. 1 Capital Leases	7,257,276	77.02%	5,589,554
Flowing Wells Unified School District No. 8 Capital Leases	72,860	5.10%	3,716
Sunnyside Unified School District No. 12 Capital Leases	43,019	77.51%	33,344
Vail Unified School District No. 20 Capital Leases	7,305	39.19%	2,863
Sahuarita Unified School District No. 30 Capital Leases	1,599	0.29%	5
Subtotal, Overlapping Debt			523,907,926
City of Tucson, Arizona Direct Debt			616,136,834
Total Direct and Overlapping Debt			\$ <u><u>1,140,044,760</u></u>

Source: State Report of Indebtedness and Official Statement Dated June 2011, Senior Lien Street & Highway User Revenue Refunding Bonds Series 2011

Notes: (1) Outstanding Other Debt is as of Fiscal Year 2010

CITY OF TUCSON
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary Tax Rate (3)	\$ 0.1403	0.2089	0.2089	0.3531	0.3469	0.3411	0.3296	0.3231	0.3144	0.3289
Secondary Tax Rate	0.9799	0.9113	0.9480	0.8316	0.8895	0.8846	0.8025	0.6370	0.6200	0.6261
Total Property Tax Rate (1)	\$ 1.1202	1.1202	1.1569	1.1847	1.2364	1.2257	1.1321	0.9601	0.9344	0.9550
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	3,914,105,239
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	0
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		0
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	0
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%	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	782,821,048
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	222,360,610
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	560,460,438
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%	71.59%

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

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

(3) Starting in FY 2011, the primary rate includes a rate for Involuntary Tort Judgements authorized under Arizona Administrative Code Regulation 15-12-202.

CITY OF TUCSON
Pledged Revenue Coverage
For the Last Ten 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
2011	148,473,207	75,307,470	73,165,737	20,147,455	22,130,225	16,500,000	20,919,848	1.73	1.96

Fiscal Year	Special Assessments				Highway User Fees (HURF)			
	Special Assessments Collections	Debt Service			HURF Revenues	Debt Service		
		Principal	Interest	Coverage		Principal	Interest	Coverage
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
2011	612,085	574,000	171,169	0.82	40,024,049		5,941,298	6.74

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 of Tucson
Demographic and Economic Statistics,
Last Ten 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%
2011	520,795	35,187,500,000	67,565	9.1%

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

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XVI

Employer	2002		Employer	2011	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	13,408	3.96%	Raytheon Missile Systems	11,850	3.42%
Raytheon	10,100	2.98%	University of Arizona	11,635	3.36%
State of Arizona	10,071	2.97%	State of Arizona	8,700	2.51%
Davis-Monthan Air Force Base	8,346	2.46%	Davis-Monthan Air Force Base	8,462	2.44%
Pima County	7,830	2.31%	Wal-Mart Stores, Inc.	7,140	2.06%
Tucson Unified School District	7,604	2.25%	Pima County	6,630	1.91%
City of Tucson	5,000	1.48%	U.S. Army Intelligence Center & Fort Huachuca	6,300	1.82%
Carondelet Health Services	3,596	1.06%	Tucson Unified School District No. 1	5,547	1.60%
TMC Healthcare	2,500	0.74%	Tohono O'Odham Nation	5,400	1.56%
Phelps Dodge Corp	2,445	0.72%	City of Tucson	4,896	1.41%
Total	70,900	20.94%	Total	76,560	22.10%

Source: City of Tucson Senior Lien Street and Highway User Revenue refunding Bonds Series 2010
 Arizona Workforce Web Site (CES/NAICS)

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

TABLE XVII

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Elected and Official	254.74	228.25	235.75	215.00	234.50	223.50	253.50	250.00	247.50	214.50
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	3,167.80
Environment and Development	811.00	795.00	799.00	1,098.50	578.00	564.50	577.50	563.50	456.00	450.00
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	644.50
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	241.00
Utility Services-Water	590.00	590.00	589.00	576.00	571.00	573.00	578.00	580.00	568.00	556.00
Golf	169.00	153.75	154.75	154.75	154.75	154.75	154.75	154.75	154.75	145.25
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	5,419.05

Source: Adopted Budget - Volume I

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

TABLE XVIII

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police Facilities	7	8	8	8	8	8	8	9	9	13
Fire Stations	18	18	18	20	20	20	21	21	21	21
Parks & Recreation										
Recreation/Regional Centers	16	17	17	19	18	18	18	18	18	18
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	127	127	127	125	136	136	142	142	142	142
Playfields	195	195	195	182	231	231	231	231	231	231
Swimming Pools	26	26	26	27	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	1,384
Collectors (Miles)	101	101	101	101	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287	287	287	287	287
Interstate (Miles)	80	80	80	80	80	80	80	80	80	80
Transit										
Buses (Active Fleet)	194	194	189	189	189	196	203	230	241	240
Water										
Operable Wells	207	212	216	223	212	212	216	216	214	214
Miles of Water Mains	4,275	4,275	4,300	4,480	4,561	4,617	4,437	4,683	4,454	4,454

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XIX

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Building Permits - New Construction	45,750	33,452	33,320	49,164	32,915	27,818	24,438	20,982	31,742	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	299,191
Calls for Service per Capita	0.66	0.67	0.72	0.67	0.62	0.64	0.62	0.60	0.54	0.57
Part I Crimes (% Cleared) (1)	13.64%	13.90%	13.72%	14.04%	16.30%	16.97%	19.39%	18.41%	20.43%	17.04%
Part II Crimes (% Cleared) (1)	86.22%	87.24%	87.93%	71.60%	89.05%	86.07%	94.14%	94.27%	97.90%	100.00%
Fire										
Emergency Responses	67,183	67,151	68,487	69,667	71,843	76,567	79,940	79,380	77,800	79,721
Inspections	2,645	2,828	2,991	3,200	2,801	2,644	3,028	7,825	8,712	8,301
Parks & Recreation										
KIDCO Registration	6,525	5,325	4,640	7,824	8,273	6,851	4,423	2,967	2,947	3,710
Class Enrollment-Other than KIDCO	26,641	23,670	30,023	35,153	35,703	19,681	10,531	19,865	7,412	18,304
Facility Rental	11,510	11,620	12,200	12,194	13,095	14,197	14,215	14,021	13,032	11,509
Zoo Visitors	412,680	385,933	376,535	434,252	439,380	467,108	504,528	529,010	514,269	524,701
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	435,864
Tons of Material Recycled	Not Available	43,655	46,489	47,608	46,034	46,918	46,096	44,480	44,622	43,534
Water										
Average Total Monthly Connections										
Potable	199,613	204,701	211,466	215,785	220,571	225,048	224,129	228,157	224,562	224,562
Reclaimed	576	670	763	868	950	993	1,086	1,053	1,061	1,061
New Connections										
Potable	5,077	5,493	6,177	4,069	4,846	3,880	2,295	1,064	1,064	1,064
Reclaimed	88	113	89	99	48	55	15	17	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	43,668
Reclaimed	4,990	4,638	5,197	5,003	5,998	5,848	6,617	7,151	6,913	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	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%	67%
Traffic Signal Expenditure per Repair	\$73.35	\$77.24	\$81.31	\$85.59	\$89.56	\$95.00	\$250.00	\$486.00	\$516.00	\$567.00
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	\$5.78
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	\$0.74

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]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available financial resources in governmental funds. After fiscal year 2010, this terminology is no longer used. See Assigned Fund Balance.

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

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 balance can be divided into the following components: nonspendable, restricted, committed, assigned and unassigned.

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

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

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

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

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

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

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

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]

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

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

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

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

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

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.

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

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

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

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

