

City of Tucson, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year July 1, 2011 - June 30, 2012



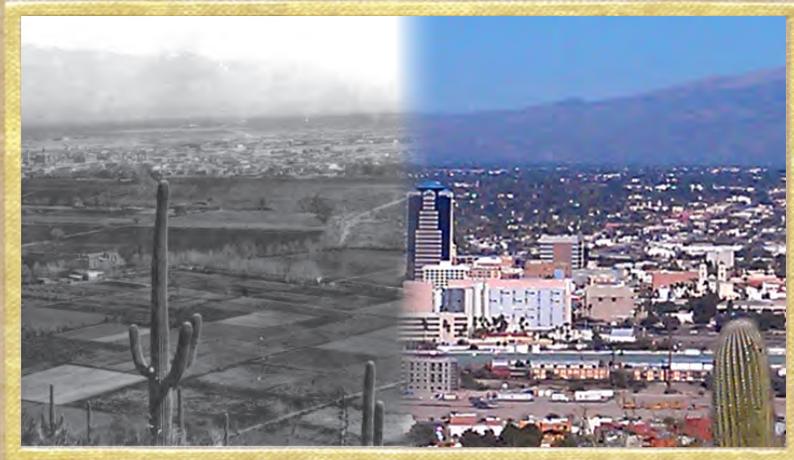
City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012



Prepared by: The Department of Finance,
Accounting Division



City of Tucson, Arizona



INTRODUCTION

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2012

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	v
City of Tucson Officials	xi
City of Tucson Organizational Chart	xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
 FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
 Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	15
Statement of Activities	16
 <u>Fund Financial Statements</u>	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Funds:	
Statement of Net Assets	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
Statement of Cash Flows	24
Fiduciary Funds:	
Statement of Fiduciary Net Assets	26
Statement of Changes in Fiduciary Net Assets	27
 <u>Notes to Basic Financial Statements</u>	
Note 1 - Summary of Significant Accounting Policies	29
Note 2 - Property Tax	38
Note 3 - Individual Fund Disclosures	39
Note 4 - Deposits and Investments	39
Note 5 - Interfund Balances and Transfers	48
Note 6 - Capital Assets	50
Note 7 - Changes in Long-term Debt and Liabilities	51
Note 8 - Lease Obligations	52
Note 9 - Bond Issues	53
Note 10 - Advance Refunding/Defeasance of Debt	56
Note 11 - Landfills	56
Note 12 - Pensions and Other Postemployment Benefits	57
Note 13 - Self Insurance Program	61
Note 14 - Pledged Revenues	61
Note 15 - Contingencies and Commitments	62
Note 16 - Remediation Liability	65

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2012

	Page
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
<u>Schedule of Revenues, Expenditures, and Changes in Fund Balance</u>	
General Fund	67
Mass Transit Special Revenue Fund	68
Note to Required Supplementary Information	69
 <i>COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</i>	
<u>Combining Statements</u>	
Nonmajor Governmental Funds:	
Balance Sheet	71
Statement of Revenues, Expenditures, and Changes in Fund Balances	78
Nonmajor Enterprise Funds:	
Statement of Net Assets	88
Statement of Revenues, Expenses, and Changes in Fund Net Assets	89
Statement of Cash Flows	90
Internal Service Funds:	
Statement of Net Assets	91
Statement of Revenues, Expenses, and Changes in Fund Net Assets	92
Statement of Cash Flows	93
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities - All Agency Funds	94
 <u>Schedule of Revenues, Expenditures, and Changes in Fund Balance</u>	
Budget and Actual - Nonmajor Governmental Funds:	
Parkwise	96
Convention Center Fund	97
H.U.R.F. Fund	97
Civic Contribution Fund	98
Community Development Block Grants Fund	99
Miscellaneous Housing Grant Funds	99
Public Housing Section 8 Fund	100
Public Housing HOME Program Fund	101
Other Federal Grants Fund	101
Non-Federal Grants Fund	102
Special Assessment Bond and Interest Debt Service Fund	104
General Obligation Bond and Interest Debt Service Fund	105
Street and Highway Bond and Interest Debt Service Fund	105
Capital Improvements Fund	108
2000 General Obligation Fund	109
Development Fee Fund	109
Regional Transportation Authority Fund	110
 <u>Schedule of Revenues, Expenditures, and Changes in Fund Balance</u>	
Budget and Actual - Enterprise Funds:	
Environmental Services Fund	112
Golf Course Fund	113
Public Housing Fund	114
Water Utility Fund	115
Revenues, Expenses and Flow of Funds Per Ordinance No. 6347:	
Water Utility Fund	116

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2012

STATISTICAL SECTION (UNAUDITED)	Table	Page
Expenditures/Expenses by Department	I	120
Net Assets by Component	II	121
Changes in Net Assets	III	122
Fund Balances, Governmental Funds	IV	124
Tax and Other Agency Revenues, General Fund	V	125
Changes in Fund Balances, Governmental Funds	VI	126
Taxable Sales by Category	VII	128
Business Privilege Taxes	VIII	129
Principal Business Privilege Tax Remitters by Activity	IX	130
Ratios of Outstanding Debt by Type	X	131
Ratios of Net General Bonded Debt Outstanding	XI	132
Direct and Overlapping Governmental Activities Debt	XII	133
Legal Debt Margin Information	XIII	134
Pledged Revenue Coverage	XIV	135
Demographic and Economic Statistics	XV	136
Principal Employers	XVI	137
Adopted Budget Full-time-Equivalent City Employees by Function	XVII	138
Capital Asset Statistics by Function	XVIII	139
Operating Indicators by Function	XIX	140
 GLOSSARY		 141





CITY OF TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

January 22, 2013

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, 2012, 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 CliftonLarsonAllen LLP 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. CliftonLarsonAllen LLP 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 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 must either use the State's expenditure limitation or follow an alternative expenditure limitation option which must be voter-approved. 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, Operations and Development, Support Services, Non-departmental, and Fiduciary Fund. The budget office and the City Manager or designee can authorize transfers within program categories and Mayor and Council authorize 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

Tucson's economic recovery continues to be slow and ranks in the mid to lower levels when comparing employment, unemployment, output, and housing prices with other cities in the Mountain region. Employment in Tucson remained flat while most of the new jobs created were in the Metro Phoenix area. The employment sectors that did increase were Construction, and Leisure and Hospitality. Tucson's unemployment rate of 7.2% ranks positively in the Mountain region and below the Arizona rate of 8.2%.

Although Tucson has ranked at the lower end of gross metropolitan product output, which is the market value of goods and services produced in the Mountain region, it has shown a very slow increase over the first two quarters of 2012. Retail sales are another positive indicator showing a 7.3% increase over a year ago.

The housing market is also showing positive signs. Housing prices are moving up depending on the measure used. Multiple Listing Service data shows metro Tucson with a 15% increase over the last six months and Tucson continues to compare favorably with other metropolitan areas across the country. Progress in being made in reducing inventories and foreclosures are receding.

The improving economy is having a positive impact on the general fund's major revenue sources. The City's sales tax revenue, which represents 42% of general fund revenues, increased 5.1% or \$8.6 million over fiscal year 2011. State shared sales tax revenue, which represents about 10% of general fund revenues, leveled off in fiscal year 2012 and showed a slight increase over fiscal year 2011.

Long-Term Planning

The long-term outlook for the Tucson economy is very positive. Personal incomes are projected to increase in the 3.7% to 5.3% range, population increase projections are 5% to 8%, employment projections increases are in the 1% to 2% range, and projected retail sales increases are in the 3% to 4% range. With a positive outlook for the economy, fiscal year 2013 is the first budget since fiscal year 2009 that does not include cuts in City services or employee services.

Based on moderate revenue growth, City sales tax and state shared sales tax are projected to increase 3% and 2%, respectively, for fiscal year 2013 compared to fiscal year 2012. State shared income tax revenues, which are based on the 2010 tax year, will increase by \$9 million from fiscal year 2012.

Though revenues are rising, the City still has not recovered the revenue levels of fiscal year 2007. With that, there are many potential challenges that the City may face in the coming fiscal years: (1) increasing employee benefits costs and pension contributions; (2) federal grants for public safety personnel that expire in fiscal year 2015, leaving the general fund to pick up the costs; (3) increasing operation and maintenance costs for Pima County Wireless Integrated Network and operation of the Modern Streetcar; (4) providing adequate funding for aging infrastructure and unmet capital needs; and (5) building and maintaining adequate fund balance resources.

A draft of the City's General Plan, Plan Tucson, has been provided to the Mayor and Council for their review. This Plan will provide long term guidance and direction for the City over the next 10 years. Upon adoption by voters in November 2013, this Plan will replace the City's existing General Plan which has been in place since 2001.

The Plan Tucson document is organized around three focus areas: (1) the Social and Economic Environment; (2) the Natural Environment; and (3) the Built Environment. Each focus area includes set goals which are broad statements describing what the City of Tucson strives for, as well as a set of elements and policies which provide a framework to guide future direction of the City with an understanding that how the City has grown and developed in the past will not necessarily work in the future.

A key emphasis in the updated Plan is the integrative nature of the elements that shape Tucson's quality of life and its future. While City departments and offices generally focus on specific functions, such as housing, water, and transportation, effective community building requires constant consideration of how these functions relate to each other, can strengthen each other, or may conflict with each other. For example, to acknowledge the particular interrelationship of land use, transportation, and urban design, these three elements are presented together in one section within the Plan.

New in this updated Plan is a concept map illustrating opportunities areas for future development that will aid in the advancement of Plan Tucson goals and policies not only for the built environment, but also for the economic, social, and natural environments. This type of illustrative concept map has been included in the general or comprehensive plans of other communities across the nation; however, is not part of the current General Plan. The illustrative map was prepared taking into account various factors, including public input, areas of stability, and specific plans.

Perhaps one of the most important aspects of the updated Plan is the focus on implementation, which has been a weakness in the current General Plan. It describes the implementation framework for Plan Tucson, showing how it relates to other specific plans, to priority setting by Mayor and Council, and to the annual budget process. Public participation and progress assessment are also important aspects of effective implementation. An Action Plan is proposed as a new document that will be a companion document to the City's Operating and Capital Budgets highlighting the significant programs, projects, and initiatives that are being pursued to implement Mayor and Council priorities and Plan Tucson goals and policies on an annual basis.

Major Initiatives

The City of Tucson has a renewed focus on economic development, including investment in the Streetcar and downtown development, establishing a new economic development program, improvement of transportation corridors to incentivize property revitalization, and the creation of a strong incentive package to grow the local economy and improve City revenues over time. The plan priorities will address recruitment, retention and expansion, international trade, entrepreneurship, investment in key commercial areas, and annexation. The City has laid out opportunities to strengthen its financial position and address long-term concerns and issues.

Annexation is an important component of economic development and is a high priority to increase the City's revenue base and bring new development into City limits. With a large unincorporated area surrounding Tucson, the City misses the opportunity to collect millions of dollars of state shared revenue. The City is focused on delivering the highest levels of service to encourage annexation of residents and businesses.

The \$197 million Sun Link Tucson Modern Streetcar project is under construction and expected to be completed by late spring 2014. The project is funded by the Regional Transportation Authority (RTA) and through federal and other regional funds. Sun Link is a four-mile modern streetcar line connecting major activity centers among the University of Arizona, the 4th Avenue business district, Downtown Tucson and the redevelopment area west of downtown. The Tucson Modern Streetcar will drive economic growth and generate more public-private development while improving transit service and offering a sustainable transit option that will improve our environment and reduce congestion.

In November 2012, City voters passed Proposition 409 which authorized a \$100 million General Obligation bond program for road maintenance. This will establish an annual investment program for our roads and fund a basic City service that we had not been able to fund in recent years.

The City is continuing its strategic approach to address long-term sustainability to enhance core services and manage future revenue growth. Further development and utilization of the Five-Year Financial Model will improve decision making by providing the ability to accurately consider multiple budget scenarios.

Financial Policies

The City has adopted a comprehensive set of financial policies that incorporate a wide range of topics including fiscal planning, budgetary planning, expenditure control, fund balance growth, projecting revenues, and improving 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 established a stabilization fund that represents no less than 10% of general fund revenues 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 2.1% of general fund revenues and the committed fund balance for the stabilization fund is 5.5%. Mayor and Council and City management are working to meet the established goals.

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, 2011. 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 30 consecutive years (fiscal years ended 1982 through 2011). 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.

Claudia Agüero
Guy Kuawu
Cheryl Van De Beuken

Kayci Cagle
Patrick Riesen

Carla Casem
Colin Rinne

Linda Guerrero
David Roels

Matt Hawk
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, 2012

Mayor and Council



HONORABLE
JONATHAN ROTHSCHILD
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

RICHARD MIRANDA
City Manager

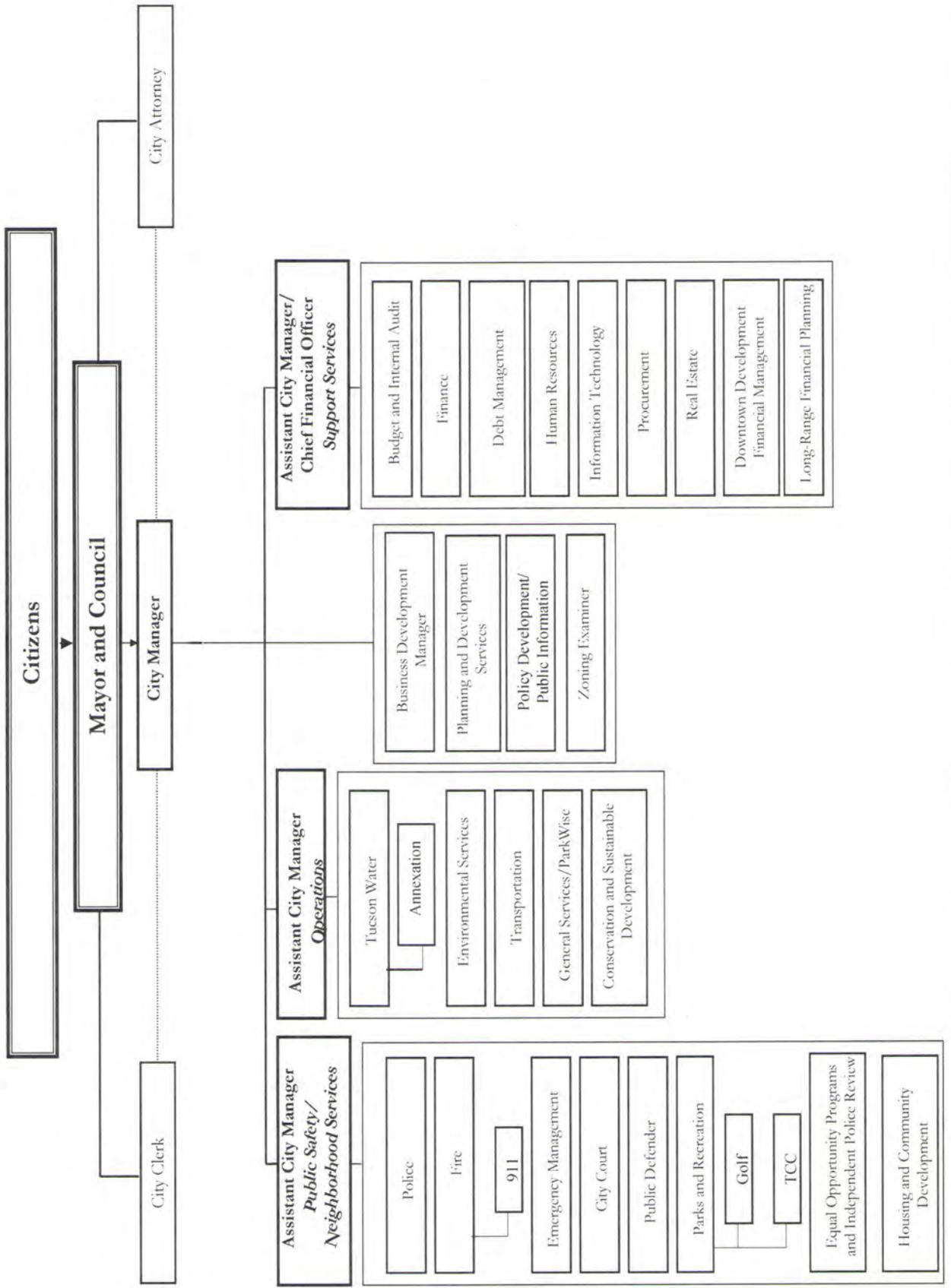
KELLY GOTTSCHALK
Assistant City Manager/
Chief Financial Officer

SILVIA AMPARANO
Deputy Finance Director

MICHAEL MASON
Finance Administrator



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2012**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tuscon
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Christopher P. Moirill

President

Jeffrey R. Emer

Executive Director



City of Tucson, Arizona



FINANCIAL SECTION



Independent Auditor's 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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, 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 January 22, 2013 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 and budgetary comparison information on pages 3 through 13 and 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 basic 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 basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Tucson, Arizona
January 22, 2013

City of Tucson, Arizona



MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

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, 2012. 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

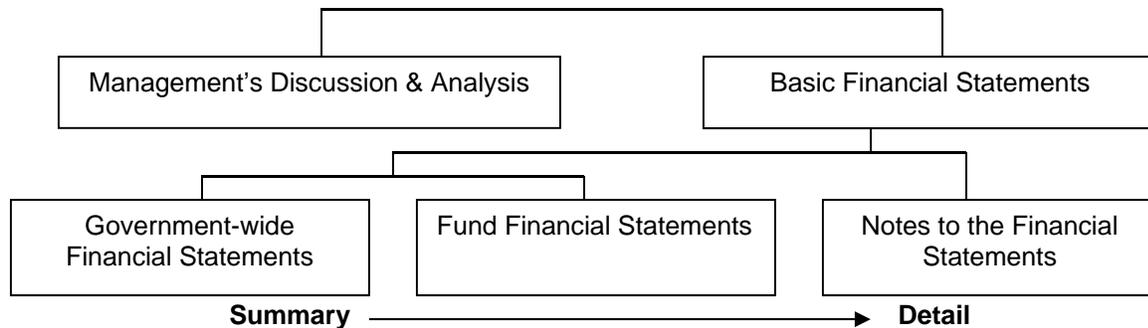
The City's financial position improved over fiscal year 2011. The highlights are explained below:

- The City's assets exceeded its liabilities by \$2.3 billion—reported as net assets. Assets totaled \$3.8 billion and liabilities were \$1.5 billion.
- Total net assets increased by \$108.3 million over last fiscal year. Governmental activities increased \$74.2 million in net assets, while business-type activities increased \$34.1 million. The invested in capital assets, net of related debt increased \$105.8 million and restricted net assets decreased \$40.4 million. For the business-type activities, invested in capital assets, net for related debt increased \$16.4 million and the unrestricted net deficit decreased \$16.6 million.
- The pooled cash and investments for the governmental and business-type activities increased \$10.3 million and \$19.2 million, respectively.
- The City's governmental funds reported a combined fund balance of \$142.2 million, a decrease of \$30.3 million from last fiscal year. The most significant decrease of \$23.4 million occurred in the restricted fund balance category.
- The General Fund reported a fund balance of \$62.4 million, which represents a slight increase from last year. The assigned fund balance increased \$4.8 million and the unassigned fund balance decreased \$2.4 million over last fiscal year. The change to the unassigned fund balance was approved by the Chief Financial Officer in accordance with the City's financial policies. The financial policies were approved by Mayor and Council to meet fiscal year 2013 contingencies.

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, 2012

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 long-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 presents two types of statements that reflect different views of the City. The first two statements represent the government-wide financial statements, which 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 the Required Supplementary Information section 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, and non-major internal service 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.

There are two types of activities 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 enterprise 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 are Environmental Services, Water Utility, Golf Course, Non-Public Housing Asset Management Fund, and Public Housing Asset Management Properties (AMP).

Fund Financial Statements

The fund financial statements provide more detailed information about the City's major and non-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, 2012

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, transportation 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 establishing liabilities for 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 \$2.3 billion. Governmental activities contributed \$74.2 million of the increase, while business-type net assets increased \$34.1 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 \$105.8 million in invested in capital assets, net of related debt and \$40.4 million decrease in restricted net assets. The increase in invested in capital assets, net of related debt is due to a net increase in construction-in-progress assets of \$98.1 million. The decrease in restricted assets is due to spending Certificates of Participation (COPS) and Clean Renewal Energy bond proceeds for capital projects.

The change in net assets for Business-type activities is due to an increase of \$16.4 million in invested in capital assets, net of related debt and a decrease of \$16.6 million in unrestricted deficit. The \$16.4 million increase is due to capital asset activity exceeding debt activity. The \$16.6 million decrease in the unrestricted net deficit is primarily due to the continued improvement in working capital (current assets minus current liabilities) of both Environmental Services and Water Utility funds.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Figure 2 is a comparative summary of the City's net assets for fiscal years 2012 and 2011:

Net Assets						Figure 2
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 333,510,585	\$ 343,531,074	\$ 204,705,963	\$ 181,636,453	\$ 538,216,548	\$ 525,167,527
Capital Assets	1,935,300,654	1,869,301,168	1,280,628,506	1,241,095,990	3,215,929,160	3,110,397,158
Total Assets	2,268,811,239	2,212,832,242	1,485,334,469	1,422,732,443	3,754,145,708	3,635,564,685
Current and Other Liabilities	162,882,528	139,358,982	70,397,764	66,456,702	233,280,292	205,815,684
Long-term Liabilities	604,172,799	645,902,677	619,775,075	595,226,901	1,223,947,874	1,241,129,578
Total Liabilities	767,055,327	785,261,659	690,172,839	661,683,603	1,457,228,166	1,446,945,262
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,350,013,946	1,244,170,566	769,213,845	752,837,699	2,119,227,791	1,997,008,265
Restricted	118,633,469	159,017,958	36,339,552	35,160,494	154,973,021	194,178,452
Unrestricted (Deficit)	33,108,497	24,382,059	(10,391,767)	(26,949,353)	22,716,730	(2,567,294)
Total net assets	\$ 1,501,755,912	\$ 1,427,570,583	\$ 795,161,630	\$ 761,048,840	\$ 2,296,917,542	\$ 2,188,619,423

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

Changes in Net Assets						Figure 3
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 101,354,212	\$ 106,774,422	\$ 213,330,457	\$ 203,344,162	\$ 314,684,669	\$ 310,118,584
Operating Grants and Contributions	118,671,770	119,655,515	6,876,004	6,769,831	125,547,774	126,425,346
Capital Grants and Contributions	122,030,260	95,761,089	11,214,120	10,963,141	133,244,380	106,724,230
Total Program Revenues	342,056,242	322,191,026	231,420,581	221,077,134	573,476,823	543,268,160
General Revenues:						
Taxes:						
Property	39,869,881	36,313,914			39,869,881	36,313,914
Business Privilege	182,474,594	175,207,546			182,474,594	175,207,546
Public Utility	22,175,162	25,291,168			22,175,162	25,291,168
Transient Occupancy	12,411,247	12,524,705			12,411,247	12,524,705
Occupational	84,690	86,091			84,690	86,091
Liquor	743,322	760,615			743,322	760,615
Unrestricted Grants and Contributions	105,988,454	110,567,181			105,988,454	110,567,181
Investment Income (Loss)	916,820	718,308	1,739,089	1,813,164	2,655,909	2,531,472
Miscellaneous	3,860,697	1,966,010			3,860,697	1,966,010
Total General Revenues	368,524,867	363,435,538	1,739,089	1,813,164	370,263,956	365,248,702
Total Revenues	710,581,109	685,626,564	233,159,670	222,890,298	943,740,779	908,516,862
Expenses:						
Elected and Official	22,496,102	22,071,179			22,496,102	22,071,179
Support Services	35,731,959	42,164,837			35,731,959	42,164,837
Neighborhood Services	498,387,726	340,720,803			498,387,726	340,720,803
Operations and Development	12,266,031	146,488,882			12,266,031	146,488,882
Non-Departmental	25,984,296	27,175,033			25,984,296	27,175,033
Interest on Long-term Debt	32,242,741	27,880,687			32,242,741	27,880,687
Fiscal Agent and Other	58,676	1,803,136			58,676	1,803,136
Public Housing AMP			11,062,401	12,138,321	11,062,401	12,138,321
Non-PHA Asset Management			1,120,698		1,120,698	
Environmental Services			48,122,885	45,752,439	48,122,885	45,752,439
Golf Course			7,371,311	8,452,760	7,371,311	8,452,760
Water Utility			140,597,834	130,382,350	140,597,834	130,382,350
Total Expenses	627,167,531	608,304,557	208,275,129	196,725,870	835,442,660	805,030,427
Changes in Net Assets before Transfers	83,413,578	77,322,007	24,884,541	26,164,428	108,298,119	103,486,435
Transfers	(9,228,249)	1,618,501	9,228,249	(1,618,501)		
Changes in Net Assets	\$ 74,185,329	\$ 78,940,508	\$ 34,112,790	\$ 24,545,927	\$ 108,298,119	\$ 103,486,435

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

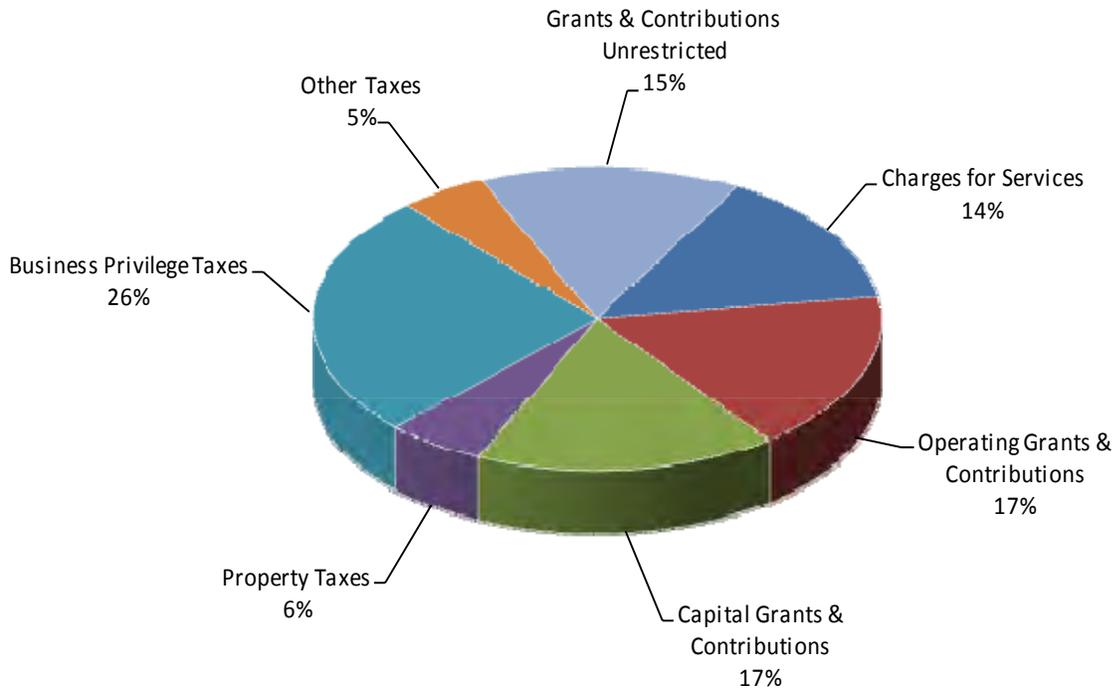
Governmental Activities

Total expenses for governmental activities for fiscal year 2012 were \$627.2 million, which was an \$18.9 million increase from fiscal year 2011. Program revenues, including charges for services and restricted grants or contributions, covered 55% of these costs. General revenues covered the remaining 45% 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 a decrease in charges for services of \$5.4 million which was the result of slower collection rates for paramedic ambulance revenues. The increase in the capital grants and contributions of \$26.3 million was due to the modern streetcar construction project.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2012:

**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2012**



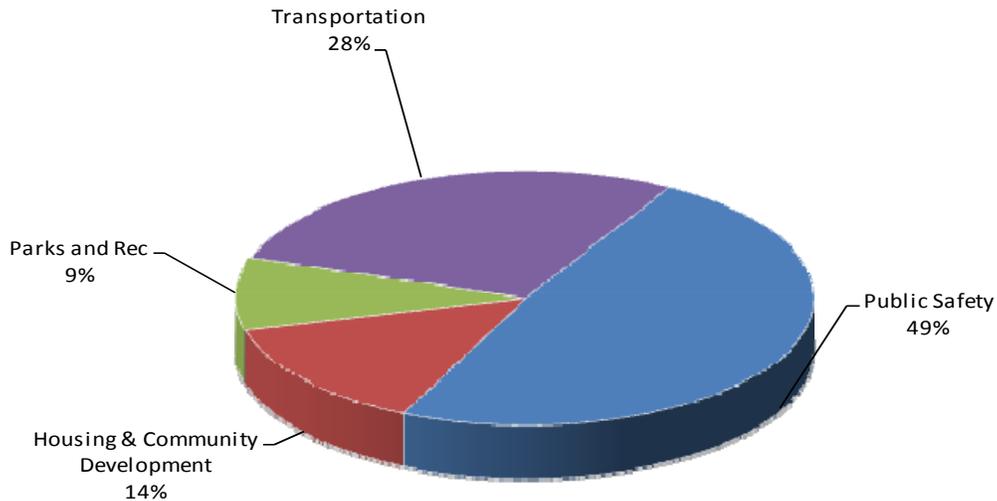
**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2012

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	2012		2011	
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage
Elected and Official	\$ (19,805,419)	7%	\$ (19,244,654)	6%
Support Services	(2,523,432)	1%	(8,081,548)	3%
Neighborhood Services	(206,889,901)	73%	(226,856,643)	79%
Operations and Development	(207,607)	0%	23,210,519	-8%
Non-Departmental	(23,383,513)	8%	(25,457,382)	9%
Interest	(32,242,741)	11%	(27,880,687)	10%
Fiscal Agent Fees and Other	(58,676)	0%	(1,803,136)	1%
Total Net Expense	\$ (285,111,289)	100%	\$ (286,113,531)	100%

For Governmental Activities, the largest user of resources is Neighborhood Services which includes expenses for Public Safety, which includes the Police, Fire, and Courts departments; Parks and Recreation; Housing and Community Development and Transportation departments. The following chart illustrates the break out of expenses within Neighborhood Services:

**Neighborhood Services Expenses by Department
For Fiscal Year ended June 30, 2012**



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Business-type Activities

The Water Utility Fund, the Environmental Service Fund, the Golf Course Fund, the Public Housing AMP Fund and the Non-PHA Asset Management 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 2012 the business-type net assets increased \$34.1 million. Invested in capital assets, net of related debt increased \$16.4 million and unrestricted net assets decreased \$16.6 million. The largest change occurred in the Non-major Enterprise Funds where invested in capital assets, net of related debt increased \$8.9 million. This was the result of establishing a new enterprise fund, the Non-PHA Asset Management Fund. Unrestricted net deficit decreased due to continued increases in the Water Utility and the Environmental Services funds working capital (current assets minus current liabilities). Working capital increased \$5.4 million and \$7 million, respectively, for the Water Utility and Environments Services funds over last fiscal year.

Water Utility Revenues

Total operating revenues increased by \$7.8 million due to an 8.3% rate increase over fiscal year 2011. Other miscellaneous revenues increased due to increased scrap metal sales and increased collection rates for delinquent accounts receivable.

Water Utility Expenses

Total expenses increased by \$10 million in fiscal year 2012 as compared to fiscal year 2011. Increased overtime and other personnel costs accounted for part of the increase. Central Arizona Project costs increased due to a combination of a rate increase and increased water volume orders. The City ordered its full allocation of 142,172 acre feet of water for the first time in fiscal year 2012.

Environmental Services Revenues

Total operating revenues increased \$1.9 million in fiscal year 2012 as compared with fiscal year 2011 due to new volume-based rate increases and a new groundwater remediation fee, which accounted for \$1.2 million of the increase. Landfill service charges increased because of two one-time events that increased the tonnage deposited into the landfills by 63,000 tons.

Environmental Services Expenses

Total expenses decreased by \$2.1 million. This increase is primarily due to increased remediation, vehicle and equipment maintenance, and insurance and waste disposal costs.

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 funds increased slightly. Within the General Fund, the assigned fund balance category increased \$4.8 million to cover required technology improvements and vehicle replacements that will be expensed in fiscal year 2013.

General Fund Revenues

- Total tax revenues, which represent 55% of total revenues, increased \$4.3 million. The City's sales tax increased \$8.6 million or 5% due to a slowly recovering economy. This increase was offset by a \$3.1 million decrease in the public utility tax due to a change in accrual amounts for recording the revenue.
- Other Agency revenues, which include state shared and other intergovernmental agreement revenues, decreased \$3.6 million. The state revenue-sharing revenues, which represent 25.5% of general fund revenues decreased \$4.6 million. This decrease occurred with the state-shared income tax revenue, which is based on 2010 collections when the income tax receipts were lower because of the recession.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

- Charges for Services revenue represent 9% of total revenues and decreased \$4.6 million from last fiscal year. This was due to slower collection rates for paramedic ambulance revenues as compared to last fiscal year.

General Fund Expenditures

- General Fund expenditures increased by \$7.9 million from last fiscal year.
- Expenditures within the Elected and Official function increased \$1.1 million due to conducting the 2012 mayoral primary and general election.
- Support Services expenditures decreased \$4.8 million primarily due to transferring the 911 communication center to the Fire Department, which is in the Neighborhood Services function.
- Neighborhood Services expenditures increased \$6 million due to increased overtime and pension costs in addition to operating the 911 communication center.
- Debt Service expenditures increased \$7.6 million due to paying the scheduled debt service payment instead of having a refunding of principle that took place in fiscal year 2011. This also resulted in lower interest expenditures from last year of \$2.5 million.

Mass Transit Fund Revenues

- Total revenues increased by \$31 million. \$28 million of the increase is in Federal Grants and Contributions for the modern street car project and bus purchases.
- Charges for Services increased \$3 million because of various fare increases during fiscal year 2012.

Mass Transit Fund Expenditures

- Total expenditures increased \$31.8 million. Capital outlay and capital projects, which are primarily federally funded, accounted for \$28 million of the increase. Grant eligible expenditures result in Federal Grants and Contribution revenues.

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 Original and Final revenue budgets did not change. For taxes, actual revenues exceeded budgeted revenues by \$6.3 million. The largest variance is mainly business privilege tax where actual revenues exceeded the budget by \$7.4 million. The budget was based on a 2% increase from last fiscal year compared to an actual 5.1% increase. This was due to having a very conservative estimate for business privilege revenue because of the uncertain recovery rate of the economy.
- Fines and Forfeiture revenues, which are primarily for photo enforcement and other civic traffic violations, did not meet budgeted expectations. This was due to a combination of fewer issued citations and an increase in the use of payment plans.
- The Charges for Services budget variance of \$2.8 million is primarily due to the paramedic services revenue variance of \$2.5 million, which was due to lower than anticipated collections.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

- The decrease between the Original and Final expenditure budget for Support Services and the increase for Neighborhood Services was due to the transfer of the 911 communication center between the two functions. The \$3.8 million decrease in the Debt Service – Interest from the Original Budget was due to transferring budget capacity to another fund to pay a portion of the debt service payment.
- The variance between final budget and actual expenditures in Neighborhood Services of \$2.6 million is due to spending controls on the departments and holding positions vacant longer.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2012 and June 30, 2011:

Capital Assets (net of depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 699,805,347	\$ 690,830,627	\$ 70,760,487	\$ 68,190,734	\$ 770,565,834	\$ 759,021,361
Buildings and Improvements	305,449,488	316,725,032	103,073,272	94,783,728	408,522,760	411,508,760
Equipment	87,884,965	95,314,237	27,082,195	29,431,985	114,967,160	124,746,222
Infrastructure	371,208,819	393,543,585	917,630,941	902,438,438	1,288,839,760	1,295,982,023
Construction in Progress	470,952,035	372,887,687	109,954,643	94,124,137	580,906,678	467,011,824
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 1,935,300,654	\$ 1,869,301,168	\$ 1,280,628,506	\$ 1,241,095,990	\$ 3,215,929,160	\$ 3,110,397,158

Additional information regarding capital assets can be found in Note 6 on page 50.

Governmental Activities

Governmental assets represent 60% of the City's capital assets. Total assets increased by \$66 million which represents a 3.5% increase over the prior year.

- Land represents 36% of capital assets and increased \$9 million compared to last fiscal year. This activity represents land added for right-of-way use and land transferred to a new enterprise fund.
- Building and improvements represent 16% of capital assets. The \$11.3 million decrease represents Housing and Community Development assets transferred to a new enterprise fund and depreciation expense offset by capitalized projects that included Plaza Central Garage and park improvements.
- Equipment represents 5% of capital assets. The \$7.4 million decrease is primarily from the purchase of new buses for the transit fleet offset by \$21.7 million in depreciation expense.
- Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage and represents 19% of capital assets. The City's infrastructure value decreased due to depreciation expense of \$22.3 million.
- Construction-in-progress (CIP) represents 24% of capital assets and increased \$98.1 million. This increase was due to several CIP projects that included the modern street car, crime lab, zoo expansion and several street projects.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Business-type Activities

Business-type Activities assets represent 40% of the City's capital assets. Business-type activities had a net increase of \$39.5 million in capital assets during the fiscal year which represents a 3% increase over prior year.

- Land represents 5% of capital assets and increased due to transfers from Governmental Activities.
- CIP represents 8.6% of capital assets, which increased by a net \$15.8 million. These assets are financed through the issuance of debt.
- Building and improvements represent 8% of capital assets and increased due to transfers from Governmental Activities.
- Infrastructure represents 71.6% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by \$37.3 million.

Long-term Debt and Liabilities

Figure 6 illustrates the City's long-term debt as of June 30, 2012 and June 30, 2011. Additional information regarding long-term debt can be found in Notes 7 through 11 starting on page 51.

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Debt	\$ 209,071,010	\$ 222,360,610	\$	\$	\$ 209,071,010	\$ 222,360,610
Street & Highway Revenue Bonds	110,280,000	122,535,000			110,280,000	122,535,000
Certificates of Participation	238,376,000	247,651,000	14,429,000	14,529,000	252,805,000	262,180,000
Special Assessment Bonds	2,469,000	3,052,000			2,469,000	3,052,000
Clean Renewable Energy Bonds	16,458,000	17,662,300			16,458,000	17,662,300
Water Revenue Bonds			511,581,211	495,852,215	511,581,211	495,852,215
Central Arizona Project Loan				1,143,619		1,143,619
Deferred Amount on Refundings, Premiums and Discounts	6,960,691	8,470,911	8,737,011	2,444,963	15,697,702	10,915,874
Landfill Closure/Post Closure			38,491,239	37,929,644	38,491,239	37,929,644
Unearned Revenue			60,399,172	56,622,896	60,399,172	56,622,896
Remediation	1,090,458	1,391,221	7,185,000	6,585,000	8,275,458	7,976,221
Capital Leases Payable	1,660,877	2,875,924	517,185	1,261,542	2,178,062	4,137,466
Other Post-employment Benefits	5,838,280	5,498,042	1,177,197	243,211	7,015,477	5,741,253
Compensated Absences	31,966,728	35,210,812	5,113,565	6,003,163	37,080,293	41,213,975
Claims and Judgments	46,490,275	45,325,514			46,490,275	45,325,514
Total	\$ 670,661,319	\$ 712,033,334	\$ 647,630,580	\$ 622,615,253	\$ 1,318,291,899	\$ 1,334,648,587

Outstanding debt for the City totaled \$1.3 billion with 51% attributed to governmental activities and the remaining 49% 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, 2012

Governmental Activities

- The City issued two GO debt refundings during fiscal year 2012. The par values for the GO refundings were \$11.7 million for Tax-Exempt, Series 2012A, and \$11.3 million for Federally Taxable/State of Arizona Tax-Exempt, Series 2012B. Together these issues refunded \$22.6 million of bond issues GO Bonds 2000, Series C and GO Refunding Bonds, Series 2003.
- The City issued one Certificates of Participation (COPS) refunding, with a par value of \$24.3 million. COPS Series 2012 refunded the July 1, 2016 through July 1, 2024 debt payments for the COPS 2004-A issue. The defeased debt was \$23.4 million.
- The City paid \$83.9 million for principal payments on bonds and notes payable for the fiscal year.

Business-type Activities

- The City issued \$50.8 million of Water System Revenue Refunding Bonds, Series 2012A and 2012B to refund Tax-Exempt Bonds Series 2002 Refunding; Taxable Water System Revenue Refunding Bonds Series 2001A; and Series 2003; and to pay costs related to the issuance of the bonds.
- The City issued \$15.2 million Junior Lien Water System Revenue Refunding Bonds, Series 2012 to refund several Water Infrastructure Finance Authority (WIFA) loans including WIFA Series 1998A; Jr. WIFA Series 2000; Series 2000A; and Series 2001 WIFA and to pay costs relating to the issuance of the bonds.
- The City issued \$31,555,000 Water System Revenue Obligations, Series 2012 to pay for costs of improvements to storage, treatment and distribution facilities of the water system and related issue costs.
- The City paid \$89.8 million of principal payments on its outstanding bond debt for this fiscal year.

Bond Ratings

Figure 7 provides a 2 year comparison of the City's bond ratings:

Bond Ratings						Figure 7
Type of Bond:	Moody		Standard and Poor's		Fitch	
	2012	2011	2012	2011	2012	2011
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, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Pooled Cash and Investments	\$ 73,094,144	\$ 61,627,619	\$ 134,721,763
Cash & Investments - Restricted		39,030,164	39,030,164
Cash & Investments with Fiscal Agent - Restricted	58,588,141	28,374,896	86,963,037
Taxes Receivable, Net	17,763,379		17,763,379
Accounts Receivable, Net	40,801,106	26,692,159	67,493,265
Special Assessments Receivable	1,666,988		1,666,988
Internal Balances	24,377,948	(24,377,948)	
Due from Other Agencies	32,592,079	337,824	32,929,903
Interest Receivable	89,084	16,601	105,685
Inventories	5,433,072	2,472,698	7,905,770
Other Assets	1,131,158	515,727	1,646,885
Total current assets	<u>255,537,099</u>	<u>134,689,740</u>	<u>390,226,839</u>
Noncurrent assets:			
Long Term Accounts Receivable	21,101,790	601,176	21,702,966
Long Term Notes Receivable	21,910,146	60,402,564	82,312,710
Long Term Investments	2,155,502		2,155,502
Other Assets - Restricted	24,830,840	4,233,268	29,064,108
Deferred Charges	7,975,208	4,779,215	12,754,423
Land & Construction in Progress	1,170,757,382	180,715,130	1,351,472,512
Other Capital Assets, Net	764,543,272	1,047,786,408	1,812,329,680
Water Rights		52,126,968	52,126,968
Total noncurrent assets	<u>2,013,274,140</u>	<u>1,350,644,729</u>	<u>3,363,918,869</u>
Total assets	<u>2,268,811,239</u>	<u>1,485,334,469</u>	<u>3,754,145,708</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	37,023,057	4,055,615	41,078,672
Accrued Payroll Liabilities	11,342,492	1,237,615	12,580,107
Accrued Interest Payable	1,522,747	90,341	1,613,088
Due to Other Agencies	474,542	1,534,039	2,008,581
Refundable Deposits	5,439,979	1,767,198	7,207,177
Liabilities Payable from Restricted Assets	37,306,295	33,677,821	70,984,116
Unearned Revenue	3,284,896	179,630	3,464,526
Current portion of Long Term Liabilities	66,488,520	27,855,505	94,344,025
Total current liabilities	<u>162,882,528</u>	<u>70,397,764</u>	<u>233,280,292</u>
Noncurrent liabilities:			
Long Term Liabilities	604,172,799	619,775,075	1,223,947,874
Total non-current liabilities	<u>604,172,799</u>	<u>619,775,075</u>	<u>1,223,947,874</u>
Total liabilities	<u>767,055,327</u>	<u>690,172,839</u>	<u>1,457,228,166</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,350,013,946	769,213,845	2,119,227,791
Restricted for:			
Restricted for Debt Service	3,060,076	28,096,950	31,157,026
Restricted for Capital	48,031,256	96,821	48,128,077
Restricted for Self-Insurance Mandates	24,830,840		24,830,840
Restricted for Transportation	12,143,352		12,143,352
Restricted for Grants and Entitlements	24,175,120	8,145,781	32,320,901
Restricted for Other Purposes	6,392,825		6,392,825
Unrestricted	33,108,497	(10,391,767)	22,716,730
Total net assets	<u>\$ 1,501,755,912</u>	<u>\$ 795,161,630</u>	<u>\$ 2,296,917,542</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
Elected and Official	\$ 22,496,102	\$ 454,325	\$ 2,236,358	\$
Support Services	35,731,959	31,784,796	1,242,685	181,046
Neighborhood Services	498,387,726	57,116,643	112,531,968	121,849,214
Operations and Development	12,266,031	11,993,965	64,459	
Non-Departmental	25,984,296	4,483	2,596,300	
Interest	32,242,741			
Fiscal Agent Fees and Other	58,676			
Total governmental activities	<u>627,167,531</u>	<u>101,354,212</u>	<u>118,671,770</u>	<u>122,030,260</u>
Business-type activities:				
Public Housing AMP	11,062,401	4,337,148	6,663,829	
Non-PHA Asset Management	1,120,698	728,920	212,175	
Environmental Services	48,122,885	50,327,999		205,262
Golf Course	7,371,311	6,126,611		
Water Utility	140,597,834	151,809,779		11,008,858
Total business-type activities	<u>208,275,129</u>	<u>213,330,457</u>	<u>6,876,004</u>	<u>11,214,120</u>
Total primary government	<u>\$ 835,442,660</u>	<u>\$ 314,684,669</u>	<u>\$ 125,547,774</u>	<u>\$ 133,244,380</u>

General revenues:

Taxes:

Property

Business Privilege

Public Utility

Transient Occupancy

Occupational

Liquor

Unrestricted Grants and Contribution

Investment Income (Loss)

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

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
\$ (19,805,419)	\$	\$ (19,805,419)
(2,523,432)		(2,523,432)
(206,889,901)		(206,889,901)
(207,607)		(207,607)
(23,383,513)		(23,383,513)
(32,242,741)		(32,242,741)
(58,676)		(58,676)
<u>(285,111,289)</u>		<u>(285,111,289)</u>
	(61,424)	(61,424)
	(179,603)	(179,603)
	2,410,376	2,410,376
	(1,244,700)	(1,244,700)
	<u>22,220,803</u>	<u>22,220,803</u>
	<u>23,145,452</u>	<u>23,145,452</u>
<u>\$ (285,111,289)</u>	<u>\$ 23,145,452</u>	<u>\$ (261,965,837)</u>
39,869,881		39,869,881
182,474,594		182,474,594
22,175,162		22,175,162
12,411,247		12,411,247
84,690		84,690
743,322		743,322
105,988,454		105,988,454
916,820	1,739,089	2,655,909
3,860,697		3,860,697
(9,228,249)	9,228,249	
<u>359,296,618</u>	<u>10,967,338</u>	<u>370,263,956</u>
74,185,329	34,112,790	108,298,119
<u>1,427,570,583</u>	<u>761,048,840</u>	<u>2,188,619,423</u>
<u>\$ 1,501,755,912</u>	<u>\$ 795,161,630</u>	<u>\$ 2,296,917,542</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 15,282,466	\$ 259,200	\$ 49,920,928	\$ 65,462,594
Cash & Investments with Fiscal Agents	1,897,973	1,274	37,945,464	39,844,711
Cash & Investments with Fiscal Agent - Restricted			17,016,195	17,016,195
Taxes Receivable, Net	17,763,379			17,763,379
Accounts Receivable, Net	28,459,077	1,147,251	871,184	30,477,512
Special Assessments Receivable			1,666,988	1,666,988
Notes & Loans Receivable	3,290,839		18,619,307	21,910,146
Due from Other Agencies	21,117,329	2,441,721	8,990,162	32,549,212
Interfund Receivable	19,450,746			19,450,746
Grants & Entitlements Receivable		19,169,394	12,224,790	31,394,184
Interest Receivable	7,962		15,995	23,957
Inventories	1,020,185	3,262,887		4,283,072
Long Term Investments			2,155,502	2,155,502
Other Assets		786,768		786,768
Total assets	\$ 108,289,956	\$ 27,068,495	\$ 149,426,515	\$ 284,784,966
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9,166,015	\$ 18,092,462	\$ 6,185,689	\$ 33,444,166
Accrued Payroll Liabilities	10,217,349	170,196	631,295	11,018,840
Accrued Interest Payable			1,476,685	1,476,685
Interfund Payable		989,337	10,892,359	11,881,696
Due to Other Agencies	57,396	398,581	17,379	473,356
Refundable Deposits	4,606,799	45	832,953	5,439,797
Bonds & Interest Payable, including				
Special Assessments	261,889		37,044,406	37,306,295
Deferred Revenue	21,569,289	105,726	19,881,866	41,556,881
Total liabilities	45,878,737	19,756,347	76,962,632	142,597,716
Fund balances:				
Nonspendable	2,736,679	4,049,655		6,786,334
Restricted	4,875,762	2,752,795	59,880,453	67,509,010
Committed	28,074,273	250,498	3,142,812	31,467,583
Assigned	18,056,275	259,200	9,861,655	28,177,130
Unassigned	8,668,230		(421,037)	8,247,193
Total fund balances	62,411,219	7,312,148	72,463,883	142,187,250
Total liabilities and fund balances	\$ 108,289,956	\$ 27,068,495	\$ 149,426,515	\$ 284,784,966

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, 2012

Total Governmental Fund Balances (pg.18)	\$	142,187,250
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:</p>		
Capital Assets Net of Accumulated Depreciation		1,914,063,154
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>		
Deferred Charges		7,770,091
<p>Liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds. These liabilities consist of:</p>		
Bonds and Notes Payable	(328,780,701)	
Capital Leases	(240,036,877)	
Matured Lease Principal	(216,247)	
Compensated Absences	(31,966,728)	
OPEB Liabilities	<u>(5,838,280)</u>	
Total Long-term Liabilities		(606,838,833)
<p>Interest payable on long-term debt is not reported in governmental funds.</p>		
		(46,062)
<p>Deferred revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.</p>		
		38,271,985
<p>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.</p>		
		6,348,327
Net Assets of Governmental Activities (pg. 15)	<u>\$</u>	<u>1,501,755,912</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, 2012

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 229,797,614	\$	\$ 25,471,731	\$ 255,269,345
Licenses and Permits	22,439,454		127,214	22,566,668
Fines and Forfeitures	12,950,886		894,579	13,845,465
Developer Fees			6,435,351	6,435,351
Use of Money and Property	683,232	257,369	1,881,611	2,822,212
Federal Grants and Contributions		52,076,944	78,622,013	130,698,957
Other Agencies	110,843,737	9,763,915	84,929,238	205,536,890
Charges for Services	38,402,962	14,315,113	6,862,809	59,580,884
Special Assessments			523,362	523,362
Contributions from Outside Sources			413,093	413,093
Miscellaneous	818,593	543,532	1,387,376	2,749,501
Total revenues	<u>415,936,478</u>	<u>76,956,873</u>	<u>207,548,377</u>	<u>700,441,728</u>
Expenditures:				
Current -				
Elected and Official	20,688,480		2,057,046	22,745,526
Support Services	32,001,649		809,668	32,811,317
Neighborhood Services	270,353,035	69,872,478	106,474,036	446,699,549
Operations and Development	6,755,902		5,510,129	12,266,031
Non-Departmental	21,519,928		3,902,179	25,422,107
Capital Outlay	1,046,033	11,920,137	3,507,051	16,473,221
Capital Projects	1,067,892	33,650,586	70,429,785	105,148,263
Debt service -				
Principal	10,820,222		27,722,025	38,542,247
Interest	7,224,388		24,247,293	31,471,681
Fiscal Agent Fees	31,950		8,850	40,800
Issuance Costs of Debt	804,251		289,159	1,093,410
Total expenditures	<u>372,313,730</u>	<u>115,443,201</u>	<u>244,957,221</u>	<u>732,714,152</u>
Excess (deficiency) of revenues over expenditures	<u>43,622,748</u>	<u>(38,486,328)</u>	<u>(37,408,844)</u>	<u>(32,272,424)</u>
Other financing sources (uses):				
Bond Issuance			23,060,000	23,060,000
Capital Leases	24,280,000			24,280,000
Premium on Debt Issuance	2,393,977		1,230,241	3,624,218
Refunded Bond Escrow Agent	(26,174,727)		(24,001,082)	(50,175,809)
Transfers In	1,600,000	37,827,498	16,409,271	55,836,769
Transfers Out	(44,048,087)		(10,578,682)	(54,626,769)
Total other financing sources (uses)	<u>(41,948,837)</u>	<u>37,827,498</u>	<u>6,119,748</u>	<u>1,998,409</u>
Changes in fund balances	<u>1,673,911</u>	<u>(658,830)</u>	<u>(31,289,096)</u>	<u>(30,274,015)</u>
Fund balances, beginning of year	60,737,308	7,970,978	103,752,979	172,461,265
Fund balances, end of year	<u>\$ 62,411,219</u>	<u>\$ 7,312,148</u>	<u>\$ 72,463,883</u>	<u>\$ 142,187,250</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, 2012

Net Change in Fund Balances - Total Governmental Funds (pg. 20)		\$ (30,274,015)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:</p>		
Capital Expenditures	121,621,484	
Depreciation Expense	<u>(59,083,458)</u>	62,538,026
<p>Only gains or losses on sale of capital assets are reported in the Statement of Activities, whereas total proceeds are recorded in the governmental funds. The change in net assets differs by the cost of the assets sold.</p>		
Proceeds on the sale of an asset	(716,021)	
Gain on the sale of an asset	660,305	
Loss on the sale of an asset	<u>(4,696)</u>	(60,412)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		8,862,981
<p>Transfer of Assets to Enterprise Funds</p>		
		(10,709,002)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments:</p>		
Debt Proceeds	(47,340,000)	
Repayment of Debt Principal	<u>38,542,247</u>	(8,797,753)
<p>Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Assets.</p>		
Extinguishment of Debt	45,940,000	
Payment of Refunded Bond Escrow	<u>4,235,809</u>	50,175,809
<p>Issuance costs are deferred in the Statement of Assets and amortized over the life of the debt. In the governmental funds, they represent an expenditure. The following amount represents the amount by which issuance costs exceeded amortization expenses.</p>		
Issuance Costs	1,093,410	
Amortization of Issuance Costs	<u>(731,420)</u>	361,990
<p>Accrued interest expense is not recorded in the governmental funds. The following amount represents the amount by which the premium on debt exceeds a discount, accrued interest expense and the amortization of the premium:</p>		
Premium on Issuance of Debt	(3,624,218)	
Accrued Interest Expense	29,401	
Amortization of Premium/Discount on Debt	<u>898,628</u>	(2,696,189)
<p>Governmental funds do not recognize the changes in long-term debt:</p>		
Change in Compensated Absences Liability		3,244,084
Change in OPEB Liability		(340,238)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported within governmental activities.</p>		
		1,880,048
Change in Net Assets of Governmental Activities (pg. 17)		<u>\$ 74,185,329</u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds			Governmental	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Internal Service Funds	
			Total		
ASSETS					
Current assets:					
Pooled Cash and Investments	\$ 21,757,137	\$ 31,355,353	\$ 8,515,129	\$ 61,627,619	\$ 7,631,550
Cash & Investments - Restricted		39,030,164		39,030,164	
Cash & Investments with Fiscal Agent - Restricted	96,821	28,096,950	181,125	28,374,896	1,727,235
Accounts Receivable, Net	3,667,241	22,978,018	46,900	26,692,159	31,200
Due from Other Agencies	50,873	37,674	249,277	337,824	42,867
Interest Receivable	5,963	8,293	2,345	16,601	65,127
Inventories		2,137,819	334,879	2,472,698	1,150,000
Other Assets		515,727		515,727	344,390
Total current assets	<u>25,578,035</u>	<u>124,159,998</u>	<u>9,329,655</u>	<u>159,067,688</u>	<u>10,992,369</u>
Noncurrent assets:					
Long Term Accounts Receivable		354,385	246,791	601,176	
Long Term Notes Receivable			60,402,564	60,402,564	
Other Assets - Restricted		4,233,268		4,233,268	24,830,840
Deferred Charges	304,389	4,416,309	58,517	4,779,215	205,117
Land & Construction in Progress	10,594,287	155,559,466	14,561,377	180,715,130	11,996,904
Other Capital Assets, Net	20,522,470	989,353,098	37,910,840	1,047,786,408	9,240,596
Water Rights		52,126,968		52,126,968	
Total noncurrent assets	<u>31,421,146</u>	<u>1,206,043,494</u>	<u>113,180,089</u>	<u>1,350,644,729</u>	<u>46,273,457</u>
Total assets	<u>56,999,181</u>	<u>1,330,203,492</u>	<u>122,509,744</u>	<u>1,509,712,417</u>	<u>57,265,826</u>
LIABILITIES					
Current liabilities:					
Accounts Payable	1,643,593	1,878,554	533,468	4,055,615	3,362,644
Accrued Payroll Liabilities	308,212	808,214	121,189	1,237,615	323,652
Accrued Interest Payable	87,587		2,754	90,341	
Interfund Payable			7,569,050	7,569,050	
Due to Other Agencies	2,514	1,521,512	10,013	1,534,039	1,186
Refundable Deposits	38,215	1,227,389	501,594	1,767,198	182
Current Portion of Bonds Payable		24,346,733		24,346,733	1,279,300
Current Portion of Contracts Payable	317,185			317,185	
Claims Payable					9,888,981
Remediation Obligations					211,200
Current Portion of Compensated Absences	529,903	1,595,522	193,214	2,318,639	
Liabilities Payable from Restricted Assets		33,677,821		33,677,821	
Unearned Revenue		38,006	141,624	179,630	
Current portion of Long Term Liabilities	872,948			872,948	
Total current liabilities	<u>3,800,157</u>	<u>65,093,751</u>	<u>9,072,906</u>	<u>77,966,814</u>	<u>15,067,145</u>
Noncurrent liabilities:					
Unearned Revenue			60,399,172	60,399,172	
Bonds Payable		495,917,878		495,917,878	15,178,700
Contracts Payable	10,815,000		3,867,611	14,682,611	
Claims Payable					36,601,294
Remediation Obligations					879,258
Compensated Absences	709,990	1,931,695	153,241	2,794,926	
Other Post-employment Benefits	350,002	784,260	42,935	1,177,197	
Long Term Liabilities	44,803,291			44,803,291	
Total non-current liabilities	<u>56,678,283</u>	<u>498,633,833</u>	<u>64,462,959</u>	<u>619,775,075</u>	<u>52,659,252</u>
Total liabilities	<u>60,478,440</u>	<u>563,727,584</u>	<u>73,535,865</u>	<u>697,741,889</u>	<u>67,726,397</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	19,984,572	700,566,150	48,663,123	769,213,845	4,984,617
Restricted for Debt Service		28,096,950		28,096,950	
Restricted for Capital	96,821			96,821	1,727,235
Restricted for Self Insurance Mandates					24,830,840
Restricted for Grants and Entitlements			8,145,781	8,145,781	
Unrestricted	(23,560,652)	37,812,808	(7,835,025)	6,417,131	(42,003,263)
Total net assets	<u>\$ (3,479,259)</u>	<u>\$ 766,475,908</u>	<u>\$ 48,973,879</u>	<u>\$ 811,970,528</u>	<u>\$ (10,460,571)</u>
Reconciliation to government-wide Statement of Net Assets					
Adjustment to consolidate internal service activities	(13,302,275)	(3,039,925)	(466,698)	(16,808,898)	
Total Net Assets - Business Type	<u>\$ (16,781,534)</u>	<u>\$ 763,435,983</u>	<u>\$ 48,507,181</u>	<u>\$ 795,161,630</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, 2012

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:					
Charges for Services	\$ 47,622,860	\$ 150,184,145	\$ 10,643,948	\$ 208,450,953	\$ 62,748,050
Federal Grants and Contributions			6,876,004	6,876,004	
Miscellaneous	2,705,139	1,625,634	548,731	4,879,504	198,690
Total operating revenues	<u>50,327,999</u>	<u>151,809,779</u>	<u>18,068,683</u>	<u>220,206,461</u>	<u>62,946,740</u>
Operating expenses:					
Personal Services	15,556,821	32,362,182	7,215,142	55,134,145	15,317,710
Contractual Services	19,814,553	49,644,524	7,620,143	77,079,220	16,663,433
Commodities	5,432,193	8,035,107	2,314,803	15,782,103	16,929,644
Cost of Goods Sold			226,392	226,392	
Benefits and Claims					12,781,420
Depreciation	5,393,660	28,751,290	1,962,288	36,107,238	3,595,961
Total operating expenses	<u>46,197,227</u>	<u>118,793,103</u>	<u>19,338,768</u>	<u>184,329,098</u>	<u>65,288,168</u>
Operating income (loss)	<u>4,130,772</u>	<u>33,016,676</u>	<u>(1,270,085)</u>	<u>35,877,363</u>	<u>(2,341,428)</u>
Nonoperating revenues (expenses):					
Property Taxes					2,350,117
Other Agencies		792,469		792,469	522,776
Investment Income	74,350	407,534	632,121	1,114,005	56,047
Gain (loss) on Sale of Property/Equipment	134,602	488,957	1,525	625,084	30,014
Federal Grants and Contributions	205,262	27,399		232,661	
Interest Expense	(293,125)	(20,100,331)	(187,564)	(20,581,020)	(800,461)
Amortization of Issuance Costs	(32,240)	(572,623)	(7,315)	(612,178)	(17,876)
Other Non-operating Income (Expense)		(998,127)		(998,127)	
Total nonoperating revenues (expenses)	<u>88,849</u>	<u>(19,954,722)</u>	<u>438,767</u>	<u>(19,427,106)</u>	<u>2,140,617</u>
Income (loss) before capital contributions and transfers	<u>4,219,621</u>	<u>13,061,954</u>	<u>(831,318)</u>	<u>16,450,257</u>	<u>(200,811)</u>
Capital Contributions		10,188,990	10,856,249	21,045,239	55,400
Transfers In			659,974	659,974	428,606
Transfers Out		(1,600,000)	(687,974)	(2,287,974)	(157,853)
Changes in net assets	<u>4,219,621</u>	<u>21,650,944</u>	<u>9,996,931</u>	<u>35,867,496</u>	<u>125,342</u>
Total net assets, beginning 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>
Total net assets, end of year	<u>\$ (3,479,259)</u>	<u>\$ 766,475,908</u>	<u>\$ 48,973,879</u>	<u>\$ 811,970,528</u>	<u>\$ (10,460,571)</u>
Reconciliation to government-wide Statement of Activities					
Changes in net assets	4,219,621	21,650,944	9,996,931	35,867,496	
Adjustment to consolidate internal service activities	(1,600,293)	(20,763)	(133,650)	(1,754,706)	
Changes in net assets - Business-type activities	<u>\$ 2,619,328</u>	<u>\$ 21,630,181</u>	<u>\$ 9,863,281</u>	<u>\$ 34,112,790</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, 2012**

	Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds		
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 47,458,131	\$ 148,188,836	\$ 10,419,651	\$ 206,066,618	\$ 62,794,366
Cash Payments to Suppliers for Goods and Services	(23,526,066)	(55,160,172)	(10,406,991)	(89,093,229)	(32,710,099)
Cash Payments to Employees for Services	(15,684,693)	(32,577,567)	(7,422,608)	(55,684,868)	(15,495,830)
Subsidy from Federal Grant			6,968,701	6,968,701	
Other Operating Revenues	2,705,139		256,661	2,961,800	172,224
Cash Payments to Claimants					(11,616,659)
Net Cash Provided (Used) by Operating Activities	<u>10,952,511</u>	<u>60,451,097</u>	<u>(184,586)</u>	<u>71,219,022</u>	<u>3,144,002</u>
Cash Flows from Noncapital Financing Activities:					
Property Taxes					2,350,117
Interfund Transfers		(1,600,000)	(10,000)	(1,610,000)	400,000
Advances from Other Funds			688,506	688,506	(3,618,125)
Subsidy from Federal Grant	167,654	862,135		1,029,789	522,776
Interest Paid on Advances			(29,301)	(29,301)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>167,654</u>	<u>(737,865)</u>	<u>649,205</u>	<u>78,994</u>	<u>(345,232)</u>
Cash Flows from Capital and Related Financing Activities:					
Bond Issuance		39,455,582		39,455,582	
Acquisition and Construction of Capital Assets	(4,045,763)	(48,013,564)	(50,609)	(52,109,936)	(11,676,722)
Principal Paid on Capital Debt	(738,182)	(19,773,542)	(6,174)	(20,517,898)	(1,209,304)
Interest Paid on Capital Debt	(331,956)	(20,100,331)	(164,966)	(20,597,253)	(800,461)
Fiscal Agent Fees Paid on Capital Debt		(998,127)		(998,127)	
Landfill Closure Costs	419,413			419,413	
Proceeds from Sale of Assets/Equipment	334,305	501,644	1,525	837,474	69,454
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,362,183)</u>	<u>(48,928,338)</u>	<u>(220,224)</u>	<u>(53,510,745)</u>	<u>(13,617,033)</u>
Cash Flows from Investing Activities:					
Interest on Investments	72,627	701,723	632,063	1,406,413	272,363
Proceeds from Sale of Investments					45,017,550
Purchase of Investments					(47,461,609)
Net Cash Provided (Used) by Investing Activities	<u>72,627</u>	<u>701,723</u>	<u>632,063</u>	<u>1,406,413</u>	<u>(2,171,696)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>6,830,609</u>	<u>11,486,617</u>	<u>876,458</u>	<u>19,193,684</u>	<u>(12,989,959)</u>
Cash and Cash Equivalents - July 1	<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>
Cash and Cash Equivalents - June 30	<u>\$ 21,853,958</u>	<u>\$ 98,482,467</u>	<u>\$ 8,696,254</u>	<u>\$ 129,032,679</u>	<u>\$ 9,358,785</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, 2012**

	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)	\$ 4,130,772	\$ 33,016,676	\$ (1,270,085)	\$ 35,877,363	\$ (2,341,428)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	5,393,660	28,751,290	1,962,288	36,107,238	3,595,962
Provision for Landfill Closure	742,183			742,183	
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable	(166,048)	(2,063,082)	19,509	(2,209,621)	22,300
Inventory		(302,503)	130,621	(171,882)	(54,427)
Due from Other Agencies			92,698	92,698	(2,450)
Other Assets		1,260,668		1,260,668	(50,122)
Increase (Decrease) in Liabilities:					
Accounts Payable	975,984	156,470	(387,576)	744,878	1,294,960
Accrued Payroll Liabilities	(165,645)	(318,019)	(111,445)	(595,109)	(178,118)
Accrued Compensated Absences	(238,561)	(522,431)	(21,428)	(782,420)	
Accrued Other Post-Employment Benefits	276,334	625,065	32,587	933,986	
Unearned Revenue			(52,823)	(52,823)	
Customer/Refundable Deposits	1,318	(1,557,862)	(483,674)	(2,040,218)	(7,860)
Claims and Judgments Payable					1,164,761
Remediation Obligation					(300,762)
Due to Other Agencies	2,514	1,404,825	10,014	1,417,353	1,186
Other Operating Liabilities			(105,272)	(105,272)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,952,511</u>	<u>\$ 60,451,097</u>	<u>\$ (184,586)</u>	<u>\$ 71,219,022</u>	<u>\$ 3,144,002</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets		7,272,213	10,838,249	18,110,462	(73,847)
Total Noncash Investing, Capital, and Financing Activities:	<u>\$</u>	<u>\$ 7,272,213</u>	<u>\$ 10,838,249</u>	<u>\$ 18,110,462</u>	<u>\$ (73,847)</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, 2012**

	<u>Pension Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 777,974	\$ 5,195,055
Accounts Receivable, Net		9,002,794
Employer Contributions Receivable	1,061,500	
Employee Contributions Receivable	312,641	
Interest & Dividends Receivable	1,362,305	
Due from Brokers	10,512,063	
Short Term Investments	16,154,895	
Securities Lending Collateral	15,567,962	
U.S. Treasuries, Agencies & Other Governmental Bonds	94,922,574	
Corporate Bonds & Other Fixed Income Instruments	19,588,748	
Common Stocks	264,513,258	
International Fixed Income	33,183,349	
International Equity	74,632,178	
Real Estate	49,325,379	
Infrastructure	39,235,534	
Other Capital Assets, Net	37,794	
Total assets	<u>621,188,154</u>	<u>\$ 14,197,849</u>
<u>LIABILITIES</u>		
Accounts Payable	632,547	2,840,711
Accrued Payroll Liabilities	7,959	
Due to Other Agencies		11,357,138
Due to Securities Borrowers	15,567,962	
Due to Brokers	24,596,345	
Total liabilities	<u>40,804,813</u>	<u>\$ 14,197,849</u>
<u>NET ASSETS</u>		
Held in trust	<u>\$ 580,383,341</u>	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2012

	Pension Trust
Additions:	
Employer Contributions	\$ 27,429,665
Employee Contributions	8,965,527
Contributions from Other Sources	50,000
Other Plans	204,404
Net Increase (Decrease) in Fair Value of Investment	566,661
Interest, Dividends and Other Income	11,301,213
Securities Lending Income	157,562
Less: Investment Activity Expense	(3,460,730)
Less: Securities Lending Expense	(68,370)
Miscellaneous Additions	16,833
Total additions	45,162,765
Deductions:	
Payments to Participants	61,693,408
Refunds and Transfers to Other Plans	2,247,225
Administrative Expense	550,603
Total deductions	64,491,236
 Changes in net assets	 (19,328,471)
 Net assets, beginning of year	 599,711,812
Net assets, end of year	\$ 580,383,341

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, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting framework and the 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 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 non-major funds are displayed in aggregate.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 main operating fund of the City that is used to account for and report all financial resources not accounted for and reported 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 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. Resources must be derived from one or more specific revenue sources. This includes federal grants and various City functions such as Tucson Convention Center, Highway User Revenue Fund, and Housing and Community Development.

Debt Service Funds - These are used to account for and report the accumulation of resources that are restricted, committed, or assigned for 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 that are restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities and other capital assets. This includes the Capital Improvement, Development Fee, and the Regional Transportation Authority Fee Funds.

2. Enterprise Funds

The City has five 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

Major Funds:

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

The Environmental Services Fund accounts for the financing and operation of all activities necessary to provide solid waste services to residential and commercial customers in the City of Tucson. 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 Non-PHA Asset Management Fund accounts for all operating activities necessary to support non-public housing assets. Since the Non-PHA Asset Management Fund is a segment accounted for within an individual fund, no further segment information is presented.

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 and facilities and fleet maintenance 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, i.e., when they are both "measurable and available". "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers 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."

Major revenue sources susceptible to accrual are business privilege and other taxes and grants and similar items when all eligibility requirements are met. 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 primarily 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

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 budget for the fiscal year commencing the following July 1. The budget includes proposed operating and capital expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget by purpose. Purpose is defined as a series of departments/offices as follows: Elected Officials, Neighborhood Services, Operations 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, 2012.

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 and infrastructure 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, 2012, 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, 2012

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

Fund	Receivables	Allowance for Doubtful Accounts	Net
Governmental Activities:			
General Fund	\$ 28,465,647	\$ 6,570	\$ 28,459,077
Mass Transit Fund	1,147,251		1,147,251
Internal Service Funds	54,452	23,252	31,200
Non-major Governmental Funds	871,184		871,184
Total Governmental Activities	30,538,534	29,822	30,508,712
Business-Type Activities:			
Environmental Services Fund	3,770,995	103,754	3,667,241
Water Utility Fund	23,049,164	71,146	22,978,018
Non-major Business-Type Fund	66,815	19,915	46,900
Total Business-Type Activities	26,886,974	194,815	26,692,159
Fiduciary Funds	9,002,794		9,002,794
Total All Funds	\$ 66,428,302	\$ 224,637	\$ 66,203,665

The Water Utility Funds' assets and revenues include \$11,224,061 for water sales delivered, but unbilled at June 30, 2012.

The Housing and Community Development 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, 2012, these loans totaled \$5,049,945. 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, 2012

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. Capital assets and depreciation expense are not 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 Accounting Standards Codification 835-20, Capitalization of Interest Cost. Interest costs capitalized during the fiscal year for the City's water utility fund was \$2,195,271. Interest on general government capital projects is not capitalized.

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

M. 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, 2012.

N. Long-term Obligations

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the appropriate Statement of Net Assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The amount capitalized under capital leases is the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. When a governmental fund type acquires a capital asset through a capital lease agreement, the acquisition is reflected as an expenditure and other financing source. Capitalized leases of proprietary funds are accounted for entirely within the respective proprietary fund by capitalizing the asset acquired and recording the lease obligation as a liability.

Bonds and other long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Compensated absences 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.

O. 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 cannot 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 through an ordinance or resolution 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.

The City's policy 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 (current fund balance is 5.5% of general fund revenues). At the time of the policy adoption it was recognized that it would take several years to reach the goal level. 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 is used to provide 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

The City's financial policies approved by the Mayor and Council, designate the Chief Financial Officer as having the authority to approve assigned fund balance requests.

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, 2012, the fund balance details by classification are listed below:

	<u>General Fund</u>	<u>Mass Transit</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Inventory	\$ 1,020,185	\$ 3,262,887	\$	\$ 4,283,072
Prepaid Expenditures		786,768		786,768
Rio Nuevo Long-Term Receivable	1,716,494			1,716,494
Total Nonspendable	<u>2,736,679</u>	<u>4,049,655</u>		<u>6,786,334</u>
Restricted:				
Debt Service			3,964,740	3,964,740
Capital Projects			46,304,021	46,304,021
Donations			1,517,062	1,517,062
Federal Grants			8,094,630	8,094,630
Public Safety	4,875,762			4,875,762
Transit		2,752,795		2,752,795
Total Restricted	<u>4,875,762</u>	<u>2,752,795</u>	<u>59,880,453</u>	<u>67,509,010</u>
Committed To:				
Streets and Highway	318,395		2,853,634	3,172,029
Transit		250,498		250,498
Parks and Recreation	1,895,730			1,895,730
Public Housing	76,462			76,462
Public Safety	1,237,731			1,237,731
Economic Development	1,164,880			1,164,880
Stabilization Fund	22,836,507			22,836,507
Other Purposes	544,568		289,178	833,746
Total Committed	<u>28,074,273</u>	<u>250,498</u>	<u>3,142,812</u>	<u>31,467,583</u>
Assigned To:				
Street and Highways			9,726,973	9,726,973
Management Contingencies	17,653,330			17,653,330
Other Purposes	402,945	259,200	134,682	796,827
Total Assigned	<u>18,056,275</u>	<u>259,200</u>	<u>9,861,655</u>	<u>28,177,130</u>
Unassigned:				
	<u>8,668,230</u>		<u>(421,037)</u>	<u>8,247,193</u>
Total Fund Balances	<u>\$ 62,411,219</u>	<u>\$ 7,312,148</u>	<u>\$ 72,463,883</u>	<u>\$ 142,187,250</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

P. Interfund Transactions

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the Statement of Net Assets as Internal 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.

Q. 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 \$8,757 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.

R. Use of Estimates

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

Note 2 - 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 day of both November and May, respectively, and a lien against the assessed property attaches if payments are not received by those dates.

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

The primary property tax levy is limited to an increase of 2% over the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1% of their homes' market values. If the combined primary property tax (for the City, County, etc.) exceeds 1% of the market value of the homes, the school districts will reduce their rates until the homeowners' aggregate rate is equal to or less than the allowable 1%. The State will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes and does not affect the secondary property tax levy. The City Charter sets an upper property tax limit of \$1.75 per \$100 of assessed value. Therefore, the City cannot levy a combined primary and secondary property tax that exceeds \$1.75.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 2 - PROPERTY TAX (Continued):

There is also a control on the assessed value of property for primary tax purposes. The base year for the tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are 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 3 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2012, the following funds had deficit fund balances or net assets:

Environmental Services Fund	\$ (3,479,259)
Self Insurance Fund	\$ (20,955,597)
General Services Fund	\$ (2,615,292)
Other Federal Grants Fund	\$ (2,392)
General Obligation Bond & Interest Fund	\$ (417,749)
Street & Highway Bond & Interest Fund	\$ (896)

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 improved due to an improved rate structure and will continue to decrease. The deficit in the Self Insurance Fund will continue to decrease due to the improved rate structure that is based on cost recovery of expected claims. The deficits in the General Obligation Bond & Interest and Street & Highway Bond Interest Funds will clear next fiscal year.

The Golf Course Fund continues to receive financial assistance from the General Fund through the use of Interfund Receivables/Payables (See Note 5). As of June 30, 2012, the Golf Course Fund has an interfund payable of \$7.6 million. This resulted in interest charges of \$29,299 for fiscal year 2012. City management has initiated a financial recovery plan approved by Mayor and Council.

Note 4 - 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, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2012:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 200,273,597	\$ (20,548,641)	\$ 179,724,956
Investments	633,967,117	75,001	634,042,118
Total	<u>\$ 834,240,714</u>	<u>\$ (20,473,640)</u>	<u>\$ 813,767,074</u>

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Pooled Cash and Investments	\$ 134,721,763	\$ 5,973,029	\$ 140,694,792
Investments	26,918,240	607,123,878	634,042,118
Cash & Investments Restricted	39,030,164		39,030,164
Total	<u>\$ 200,670,167</u>	<u>\$ 613,096,907</u>	<u>\$ 813,767,074</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/Aaa or AA/Aa2, 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, infrastructure 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 (if applicable). 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, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

	Fair Value
U.S. Issues not on Securities Loan:	
U.S. Treasuries, Agencies & Other Governmental Bonds	\$ 185,685,590
Corporate Bonds & Other Fixed Income Instruments	30,520,359
Corporate Stock	255,577,481
Non-U.S. Issues not on Securities Loan:	
International Bonds	33,183,349
International Stock	73,928,227
Sub-Total	578,895,006
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Treasuries, Agencies & Other Governmental Bonds	1,191,473
Corporate Bonds & Other Fixed Income Instruments	4,064,539
U.S. Stock	8,935,777
International Stock	703,951
Sub-Total	14,895,740
Securities Lending Short-Term Collateral Investment Pool	15,567,962
Money Market Funds/Short-Term Investments	136,321,092
Real Estate Funds	49,325,380
Infrastructure Funds	39,235,534
Sub-Total	240,449,968
Total Deposits and Investments	\$ 834,240,714

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/Aaa" or "AA/Aa2" by Standard & Poor's/Moody's, 4) Money market funds, CD's, etc., either insured by an agency of the federal government or collateralized (if applicable), by obligations of the U.S. Government, its agencies and instrumentalities or General Obligation municipal bonds rated A/A2 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 that 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, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following credit risk structure as of June 30, 2012:

<u>Investment Type</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Money Market Funds:			
Wells Fargo Government MM Fund	Aaa	\$ 105,849,236	56.94%
Commercial Paper:			
Various Issues	P-1	14,996,150	8.07%
Federal Agency:			
<u>Federal Home Loan Mortgage Corp</u>			
FHLMC Coupon Notes	Aaa	20,010,950	10.77%
<u>Federal Home Loan Bank</u>			
FHLB Coupon Notes	Aaa	25,022,850	13.46%
<u>Federal Farm Credit Bank</u>			
FFCB Coupon Notes	Aaa	15,006,450	8.07%
<u>Federal National Mortgage Association</u>			
FNMA Coupon Note	Aaa	4,996,000	2.69%
Grand Total		<u>\$ 185,881,636</u>	<u>100%</u>

Footnotes:

(1) Per Moodys 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, 2012, these funds consisted of: a U.S. Treasury Note with a fair market value of \$24,762,738, a U.S. Agency Bond with a fair market value of \$2,155,502 and various other operational accounts totaling \$12,198,168. 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 two externally managed fixed income (bond) accounts which are exposed to some form of credit risk. The assets in the first account are actively managed while the assets in the second account are invested in a commingled bond index fund (passively managed).

The TSRS Board gives the actively managed account 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 custom benchmark. However, the following specific investment policy guidelines pertain to this 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 at least "BB+/Ba1", 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/Caa2 as rated by Standard & Poor's/Moody's or Fitch, 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken.

The passive fund is expected to replicate, as close as possible, the characteristics, quality and performance of its underlying index, the BC aggregate Bond Index.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2012:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Cash and Cash Equivalents:				
Cash & Short Term Investment Fund	2	Aa3	\$ 15,930,005	
U.S. Treasury - Less than 1 Year	1	Aaa	149,890	
	<u>3</u>		<u>16,079,895</u>	9.82%
U.S. Treasury Notes & Bonds:	2	Aaa	1,669,809	1.02%
U.S. Agency & Other Governmental Obligations:				
U.S. Agency and Agency Pools	17	Aaa	33,125,525	
Municipal Bonds	6	A3	5,536,500	
Other Government Bonds	1	Aaa	787,570	
	<u>24</u>		<u>39,449,595</u>	24.09%
BlackRock U.S. Debt Fund:	1	Aa1	53,803,170	32.85%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	4	Ba1	773,903	
Fixed Income Swaps & Options	32	Aa2	(259,536) (2)	
Banking & Finance	4	Ba2	1,896,752	
Health Care	2	Ba1	1,187,158	
Industrials	9	Ba2	4,922,146	
Utilities	3	B1	1,204,825	
Transportation	2	Baa3	1,119,226	
Other Corporate Issues	15	Baa3	8,654,274	
Convertible Securities	1	B3	90,000	
	<u>72</u>		<u>19,588,748</u>	11.96%
International Bonds:	94	Baa2	33,183,349	20.26%
Grand Total	<u>196</u>		<u>\$ 163,774,566</u>	<u>100%</u>

Footnotes:

(1) Per Moodys 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, whereby, 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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 based 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.

The City's investment pool account had the following maturity structure as of June 30, 2012:

<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 Government MM Fund	n/a		\$ 105,849,236	
			<u>105,849,236</u>	56.94%
<i>Less Than 1 Year</i>				
Commercial Paper:				
PB Financial Inc.	07/25/12		4,999,100	
Harley Davidson	08/03/12		4,998,600	
Danske Corp.	08/06/12		4,998,450	
Federal Agency:				
FHLB Coupon Note	11/15/12	B	5,000,900	
FHLB Coupon Note	11/28/12	B	5,029,800	
FFCB Coupon Note	12/03/12	B	5,003,650	
FHLB Coupon Note	05/14/13	11/14/12	5,002,900	
FFCB Coupon Note	05/16/13	B	4,999,300	
			<u>40,032,700</u>	21.54%
<i>Between 1 to 2 Years</i>				
Federal Agency:				
FFCB Coupon Note	10/25/13	10/25/12	5,003,500	
FHLB Coupon Note	11/22/13	06/22/12	4,996,550	
FHLMC Coupon Note	12/06/13	12/06/12	5,001,000	
FHLMC Coupon Note	02/27/14	02/27/13	5,002,700	
FHLB Coupon Note	04/30/14	B	4,992,700	
FHLMC Coupon Note	05/30/14	11/30/12	5,004,950	
			<u>30,001,400</u>	16.14%
<i>Between 2 to 3 Years</i>				
Federal Agency:				
FHLMC Coupon Note	01/30/15	01/30/13	5,002,300	
FNMA Coupon Note	05/29/15	05/29/13	4,996,000	
			<u>9,998,300</u>	5.38%
Grand Total			<u>\$ 185,881,636</u>	<u>100%</u>

Footnotes:

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund's investment policy regarding interest rate risk for the actively managed fixed income account, is to limit duration to within 30% of the custom benchmark which is defined as 25% BC Mortgage Index, 25% BC Credit Index, 25% BC High Yield Index and 25% JPM EMBI Global Index. The passive fund should match, as close as possible, the maturity structure and duration of the BC Aggregate Bond Index.

The TSRS fund had the following maturity structure as of June 30, 2012:

Investment Type	Investment Maturities (in Years)				Total Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Cash & Short Term Investment Fund	\$ 15,930,005	\$	\$	\$	\$ 15,930,005
U.S. Treasury Issues	149,890			1,669,809	1,819,699
U.S. Agency & Other Governmental Obligations	14,667,110	1,230,429		23,552,056	39,449,595
BlackRock U.S. Debt Fund			53,803,170		53,803,170
Corporate & Other Fixed Income Instruments	559,193	6,720,005	8,523,248	3,786,302	19,588,748
International Bonds	971,103	10,989,360	18,415,571	2,807,315	33,183,349
Total	\$ 32,277,301	\$ 18,939,794	\$ 80,741,989	\$ 31,815,482	\$163,774,566

Effective Duration: Active Account 4.39 yrs
Passive Account 4.40 yrs

E. Foreign Currency Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, foreign currency risk is the risk, whereby, 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 gives 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 35% 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, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2012:

<u>Currency</u>	<u>Fair Value (1)</u>	<u>Percent of Total</u>
Australian Dollar	\$ (1,553,340) (2)	-0.2684%
Brazil Real	860,328	0.1487%
Canadian Dollar	497	0.0001%
Euro Currency Unit	32,291,770	5.5796%
Hong Kong Dollar	1,956,440	0.3380%
Japanese Yen	6,268,872	1.0832%
Mexican New Peso	988,062	0.1707%
New Taiwan Dollar	(1,915) (2)	-0.0003%
Norwegian Krone	47,062	0.0081%
British Pound Sterling	7,893,090	1.3638%
South African Comm Rand	114,827	0.0198%
Singapore Dollar	1,193,164	0.2062%
South Korean Won	1,608,562	0.2779%
Swedish Krona	533,600	0.0922%
Swiss Franc	3,913,779	0.6763%
U.S. Dollar	522,628,735	90.3040%
TOTAL	<u>\$ 578,743,533</u>	<u>100%</u>

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, 2012, the carrying amount and fair value of securities on loan was \$14,895,740. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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

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

The lender cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2012, 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 forward foreign currency exchange contracts, financial futures, 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, 2012. Changes in fair value are 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 Fund's Net Assets, Pension Trust column.

<u>Investment Derivative Instrument</u>	<u>Notional Amount (1)</u>	<u>Changes in Fair Value</u>	<u>Fair Value</u>	<u>Principal Risk</u>
OTC Swaptions	(10,200,000)	\$ 22,692	\$ (105,098)	Interest Rate
Currency Forwards (Net)	87,982,843	\$ (38,473)	\$ 13,652,360	Foreign Currency
Credit Default Swaps	16,156,000	\$ (103,290)	\$ (203,596)	Credit
Interest Rate Swaps	20,100,000	\$ 128,093	\$ 319,253	Interest Rate
Currency Forwards (2)	690,655	\$ 36,189	\$ 912,756	Foreign Currency

Footnotes:

- (1) The Notional Amount is the number of currency units (stated in U.S. and/or foreign currencies), shares or other units specified in the derivative instrument. It is a stated amount on which payments depend.
- (2) As reported by Causeway Capital Management (International Equity Manager), all other amounts reported above have been obtained from PIMCO (Fixed Income Manager).

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Whenever possible, the investment manager will base the valuation of derivatives on market information; however, where market quotes are not readily available, an independent third party pricing vendor will be utilized. Exchange traded derivatives are an example of derivatives 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 and using agreements with counterparties that permit netting of obligations. 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 4. These risks, applicable to other fixed income and foreign investments, are not substantially different from principal risks associated with derivative instruments.

Note 5 - INTERFUND BALANCES AND TRANSFERS:

Interfund receivables/payables represent cash transfers between funds as of June 30, 2012. 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 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	\$ 19,450,746	\$
Mass Transit Fund		989,337
Other Non-major Governmental Funds		10,892,359
Total Governmental Funds	<u>19,450,746</u>	<u>11,881,696</u>
Enterprise Funds:		
Golf Course Fund		7,569,050
Total All Funds	<u>\$ 19,450,746</u>	<u>\$ 19,450,746</u>

The due from/to Other Agencies balances at June 30, 2012 are listed on the next page. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 21,117,329	\$ 57,396
Mass Transit Fund	2,441,721	398,581
Other Non-major Governmental Funds	<u>8,990,162</u>	<u>17,379</u>
Total Governmental Funds	32,549,212	473,356
Internal Service Funds:		
General Services	21,949	676
Fleet Services	<u>20,918</u>	<u>510</u>
Total Internal Service Funds	42,867	1,186
Enterprise Funds:		
Water Utility	37,674	1,521,512
Environmental Services	50,873	2,514
Other Non-major Enterprise Funds	<u>249,277</u>	<u>10,013</u>
Total Enterprise Funds	337,824	1,534,039
Fiduciary Funds:		
Sewer User Fee Fund		<u>11,357,138</u>
Total Fiduciary Funds		11,357,138
Total All Funds	<u><u>\$ 32,929,903</u></u>	<u><u>\$ 13,365,719</u></u>

Transfers are primarily: 1) To move receipts restricted to debt service from the funds collecting the receipts to the debt service funds when payment is due, and 2) Operational subsidies from the General Fund to various funds. Capital asset transfers between the Internal Service Fund, Enterprise Funds, and Governmental Funds of \$21,305,098 are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2012, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,600,000	\$ 44,048,087
Mass Transit Fund	37,827,498	
Other Non-major Governmental Funds	<u>16,409,271</u>	<u>10,578,682</u>
Total Governmental Funds	55,836,769	54,626,769
Internal Service Funds:		
Risk Management	<u>400,000</u>	
Total Internal Service Funds	400,000	
Enterprise Funds:		
Water Utility		1,600,000
Other Non-major Enterprise Funds	<u>659,974</u>	<u>669,974</u>
Total Enterprise Funds	659,974	2,269,974
Total All Funds	<u><u>\$ 56,896,743</u></u>	<u><u>\$ 56,896,743</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2012:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 690,830,627	\$ 11,526,475	\$ (2,551,755)	\$ 699,805,347
Construction-in-Progress	372,887,687	114,080,358	(16,016,010)	470,952,035
Capital Assets being Depreciated:				
Buildings and Improvements	518,709,403	15,650,201	(13,083,568)	521,276,036
Equipment	272,900,582	14,336,694	(4,436,623)	282,800,653
Infrastructure	821,249,998			821,249,998
Totals at Historical Cost	<u>2,676,578,297</u>	<u>155,593,728</u>	<u>(36,087,956)</u>	<u>2,796,084,069</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	201,984,371	18,643,145	(4,800,968)	215,826,548
Equipment	177,586,345	21,701,508	(4,372,165)	194,915,688
Infrastructure	427,706,413	22,334,766		450,041,179
Total Accumulated Depreciation	<u>807,277,129</u>	<u>62,679,419</u>	<u>(9,173,133)</u>	<u>860,783,415</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,869,301,168</u>	<u>\$ 92,914,309</u>	<u>\$ (26,914,823)</u>	<u>\$ 1,935,300,654</u>

Depreciation expense was charged to governmental purposes as follows:

Elected and Official	\$ 84,060
Support Services	8,992,170
Neighborhood Services	15,597,245
Operations and Development	36,799,251
Non-Departmental	1,206,693
Total Depreciation Expense	<u>\$ 62,679,419</u>

Business-Type Activities:

Non-depreciated Assets				
Land	\$ 68,190,734	\$ 2,569,755	\$	\$ 70,760,489
Construction-in-Progress	94,124,137	54,325,976	(38,495,472.00)	109,954,641
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	192,449,527	19,348,523		211,798,050
Equipment	79,019,720	5,786,111	(4,241,255.00)	80,564,576
Distribution and Collection Systems	1,239,510,283	37,263,236		1,276,773,519
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,726,608,707</u>	<u>119,293,601</u>	<u>(42,736,727.00)</u>	<u>1,803,165,581</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	97,665,799	11,058,978		108,724,777
Equipment	49,587,735	7,786,763	(3,892,116.00)	53,482,382
Distribution and Collective Systems	337,071,845	22,070,733		359,142,578
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation (1)	<u>485,512,717</u>	<u>40,916,474</u>	<u>(3,892,116.00)</u>	<u>522,537,075</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,241,095,990</u>	<u>\$ 78,377,127</u>	<u>\$ (38,844,611)</u>	<u>\$ 1,280,628,506</u>

(1) Building and Improvement Accumulated Depreciation (Additions) contains accumulated depreciation from an asset transferred from Governmental Activities: \$40,916,474 - \$4,809,236 = \$36,107,238.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 7 - CHANGES IN LONG-TERM DEBT AND LIABILITIES:

The following is a summary of changes in long-term debt as of June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 222,360,610	\$ 23,060,000	\$ (36,349,600)	\$ 209,071,010	\$ 15,621,010
Street & Highway Revenue Bonds	122,535,000		(12,255,000)	110,280,000	12,050,000
Certificates of Participation	247,651,000	24,280,000	(33,555,000)	238,376,000	10,942,000
Special Assessment Bonds	3,052,000		(583,000)	2,469,000	463,000
Clean Renewable Energy Bonds	17,662,300		(1,204,300)	16,458,000	1,279,300
Deferred Amount:					
on Premiums	16,802,951	3,624,218	(2,162,258)	18,264,911	
on Discounts	(584,451)		33,721	(550,730)	
on Refundings	(7,747,589)	(4,235,809)	1,229,908	(10,753,490)	
Total Bonds and Notes Payable	<u>621,731,821</u>	<u>46,728,409</u>	<u>(84,845,529)</u>	<u>583,614,701</u>	<u>40,355,310</u>
Other Liabilities:					
Capital Leases	2,875,924		(1,215,047)	1,660,877	470,656
Other Post Employment Benefits	5,498,042	340,238		5,838,280	
Compensated Absences	35,210,812	13,991,226	(17,235,310)	31,966,728	15,562,373
Remediation	1,391,221		(300,763)	1,090,458	211,200
Claims and Judgments	45,325,514	12,781,420	(11,616,659)	46,490,275	9,888,981
Total Other Liabilities	<u>90,301,513</u>	<u>27,112,884</u>	<u>(30,367,779)</u>	<u>87,046,618</u>	<u>26,133,210</u>
Governmental Activities Long Term Liabilities	<u>\$ 712,033,334</u>	<u>\$ 73,841,293</u>	<u>\$ (115,213,308)</u>	<u>\$ 670,661,319</u>	<u>\$ 66,488,520</u>
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 495,852,215	\$ 105,493,596	\$ (89,764,600)	\$ 511,581,211	\$ 24,346,733
Certificate of Participation	14,529,000		(100,000)	14,429,000	
Deferred Amount:					
on Premiums	12,656,461	8,114,450	(1,626,414)	19,144,497	
on Refundings	(10,211,498)	(2,985,955)	2,789,967	(10,407,486)	
Total Bonds and Notes Payable	<u>512,826,178</u>	<u>110,622,091</u>	<u>(88,701,047)</u>	<u>534,747,222</u>	<u>24,346,733</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	37,929,644	791,704	(230,109)	38,491,239	872,948
Unearned Revenue	56,622,896	3,776,276		60,399,172	
Remediation	6,585,000	600,000		7,185,000	
Capital Leases	1,261,542		(744,357)	517,185	317,185
Other Post Employment Benefits	243,211	933,986		1,177,197	
Compensation Absences	6,003,163	257,690	(1,147,288)	5,113,565	2,318,639
Central Arizona Project Loan	1,143,619		(1,143,619)		
Total Other Liabilities	<u>109,789,075</u>	<u>6,359,656</u>	<u>(3,265,373)</u>	<u>112,883,358</u>	<u>3,508,772</u>
Business-type Activities Long Term Liabilities	<u>\$ 622,615,253</u>	<u>\$ 116,981,747</u>	<u>\$ (91,966,420)</u>	<u>\$ 647,630,580</u>	<u>\$ 27,855,505</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 8 - 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, 2012.

Years ending June 30,	Governmental Activities	Business-Type Activities
2013	\$ 23,046,019	\$ 1,130,427
2014	24,233,913	865,861
2015	25,354,462	986,909
2016	23,415,143	1,422,624
2017	23,523,290	1,456,403
2018-2022	115,535,564	7,599,155
2023-2027	87,364,319	6,026,213
2028-2032	22,207,113	2,305,800
Total Minimum Lease Payments	<u>344,679,823</u>	<u>21,793,392</u>
Less: Amount Representing Interest (interest rates range: 3.85% to 12.00%)	104,642,946	6,847,207
Present Value of Net Minimum Lease Payments	<u>\$ 240,036,877</u>	<u>\$ 14,946,185</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$84,417,989), improvements other than buildings (\$28,226,911), equipment (\$26,267,131), and land (\$9,950,000).

Assets purchased through capital leases for Business-Type Activities include equipment (\$4,035,121).

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, 2012, were as follows:

Years ending June 30,	
2013	\$ 434,844
2014	439,695
2015	238,618
2016	217,894
2017	223,117
2018-2022	1,122,251
2023-2027	1,263,820
2028-2032	1,423,992
2033-2037	1,569,268
2038-2042	1,777,359
2043-2047	2,010,919
2048-2052	2,275,170
Total Minimum Future Lease Payments	<u>\$ 12,996,947</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 9 - 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 semi-annually from July 1, 2012 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 semi-annually from July 1, 2012 to July 1, 2021. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2012 bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2012
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	4,500,000
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	25,570,000
1994 Series D (1998)	6.25	2014	11,010,000	2,510,000
2000 Series A (2000)	6.00-7.25	2013	18,840,000	800,000
2000 Series B (2001)	4.625-5.75	2016	26,680,000	3,500,000
2003 Refunding	3.00-5.00	2020	22,465,000	4,260,000
2000 Series C (2003)	3.00-4.00	2021	29,840,000	1,600,000
2000 Series D (2004)	4.00-5.00	2014	15,000,000	2,500,000
2005 Series Refunding	3.50-5.00	2020	34,240,000	33,830,000
2005-B Series Refunding	4.00-4.50	2021	21,725,000	3,420,000
2000-E Series (2005)	3.50-3.75	2016	25,815,000	10,500,000
2006 Series Refunding	4.00-5.00	2021	50,525,000	50,525,000
2007 Series Refunding	5.00	2019	19,190,000	18,755,000
2000-F Series (2007)	4.00-5.00	2023	13,325,000	13,325,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	11,745,000
2012-B Series Refunding	0.376-3.22	2020	11,315,000	11,010,000
Total			<u>\$ 435,586,000</u>	<u>\$ 209,071,010</u>

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2012
1994 Series D (1998)	4.70-6.60	2013	\$ 14,675,000	\$ 1,250,000
1994 Series E (2000)	6.75-7.00	2013	19,400,000	2,000,000
1994 Series F (2001) & 2000 Series A (2001)	6.00	2014	15,500,000	3,250,000
2003 Series A Refunding	3.25-5.00	2016	15,055,000	14,865,000
2003 Series B (2003)	3.375-3.50	2015	5,000,000	4,000,000
2000 Series C (2004)	4.125-5.00	2018	8,500,000	7,500,000
2005 Series Refunding	3.75-5.00	2018	39,995,000	39,995,000
2000-D Series (2005)	4.00-5.00	2018	6,000,000	6,000,000
2009 Refunding	5.00	2019	10,130,000	10,130,000
2010 Refunding	4.00-5.00	2020	10,560,000	10,560,000
2011 Refunding	4.00-5.00	2020	10,730,000	10,730,000
Total			<u>\$ 155,545,000</u>	<u>\$ 110,280,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 9 - BOND ISSUES (Continued):

B. Enterprise Funds

Water revenue bonds, obligations, and loans 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 Par Amount	Balance Outstanding June 30, 2012
1994 Series D (2000)	7.25	2013	\$ 23,740,000	\$ 850,000
1993 Refunding	5.50	2014	35,360,000	3,315,000
2000 Series A (2001)	5.0-7.5	2014	37,800,000	1,000,000
2000 Series D (2004)	4.0-4.25	2014	18,765,000	1,000,000
2001A Refunding	5.00	2016	40,850,000	15,960,000
1994 Series A (1996)	6.0-8.0	2018	33,000,000	1,500,000
2009 Refunding	5.00	2019	2,815,000	2,815,000
2007 Refunding	5.00	2021	31,460,000	30,965,000
2005 Refunding	5.00	2022	55,110,000	41,090,000
2006 Refunding	3.50-4.25	2024	85,460,000	82,340,000
2005 Series A (2005)	3.5-4.45	2025	31,665,000	27,835,000
2005 Series C (2008)	4.00-5.00	2026	20,425,000	20,425,000
Water System Revenue Obligations 2009	5.00	2029	35,635,000	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
2012 Series B	3.346	2032	31,555,000	31,555,000
2012 Series A	1.456	2016	14,635,000	14,060,000
2005 Series B (2007)	1.472	2018	36,120,000	36,120,000
Jr Lien Water System Refunding Bond, Series 2012		2021	15,245,000	14,760,000
2003 Water Infrastructure Finance Authority (WIF4)	3.48	2022	8,300,000	5,024,390
2000 Water Infrastructure Finance Authority (WIF5)	3.75	2023	3,000,000	1,947,270
2004 Water Infrastructure Finance Authority (WIF6)	3.255	2023	2,500,000	1,631,966
2005 Water Infrastructure Finance Authority (WIF7)	3.113	2024	2,997,000	2,089,438
2006 Water Infrastructure Finance Authority (WIF8)	3.424	2026	2,500,000	1,917,526
2007 Water Infrastructure Finance Authority (WIF9)	3.210	2026	2,000,000	1,526,252
2007 Water Infrastructure Finance Authority (WIF10)	3.208	2026	6,500,000	4,960,431
2007 Water Infrastructure Finance Authority (WIF11)	3.552	2027	17,800,000	14,439,249
2007 Water Infrastructure Finance Authority (WIF12)	3.600	2028	1,000,000	852,260
2007 Water Infrastructure Finance Authority (WIF13)	3.375	2028	2,500,000	2,232,546
2010 Water Infrastructure Finance Authority (WIF14)	2.928	2028	2,750,000	1,164,443 *
2011 Water Infrastructure Finance Authority (WIF15)	3.096	2031	16,000,000	7,330,440 *
2012 Water Infrastructure Finance Authority (WIF16)	2.800	2032	4,000,000	*
			<u>\$ 726,727,000</u>	<u>\$ 511,581,211</u>

* WIFA loans not fully drawn down during FY 2012. The balance of the loans will be recognized in FY 2013.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 9 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2012 is \$2,469,000 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 \$1,809,238 in the Special Assessment Bond & Interest Fund at June 30, 2012 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

The City entered into lease agreements 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, partially or entirely, 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
2013	\$ 15,621,010	\$ 12,272,223	\$ 12,050,000	\$ 5,436,050	\$ 463,000	\$ 115,553
2014	18,690,000	9,107,504	12,170,000	4,819,863	429,000	92,606
2015	20,060,000	8,156,644	12,750,000	4,223,800	438,000	70,064
2016	23,735,000	7,249,758	13,345,000	3,609,000	447,000	47,072
2017	25,665,000	6,088,971	13,980,000	2,948,350	399,000	25,125
2018-2022	102,800,000	12,920,872	45,985,000	5,406,350	293,000	9,286
2023	2,500,000	107,500				
	<u>\$ 209,071,010</u>	<u>\$ 55,903,472</u>	<u>\$ 110,280,000</u>	<u>\$ 26,443,413</u>	<u>\$ 2,469,000</u>	<u>\$ 359,706</u>

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewal Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 1,279,300	\$ 593,134	\$ 21,805,466	\$ 22,938,112
2014	1,289,300	553,516	23,113,179	21,971,749
2015	1,309,300	513,188	26,618,660	20,950,084
2016	1,319,300	471,866	27,907,000	19,834,085
2017	1,334,300	429,834	29,413,297	18,628,021
2018-2022	6,901,500	1,489,864	177,672,500	71,589,846
2023-2027	3,025,000	346,764	130,254,434	34,820,172
2028-2032			72,591,675	9,771,583
2033-2036			2,205,000	79,931
	<u>\$ 16,458,000</u>	<u>\$ 4,398,166</u>	<u>\$ 511,581,211</u>	<u>\$ 220,583,583</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 10 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refunding 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; includes Water Utility debt of \$62,305,000, General Obligation debt of \$44,320,000 and Certificates of Participation \$23,375,000.

On February 15, 2012 and April 4, 2012 the City issued \$50,755,000 Water System Revenue Refunding Bonds Series 2012A and 2012B respectively, to refund Tax-Exempt Bonds Series 2002 Refunding; Taxable Water System Revenue Refunding Bonds Series 2001A; and Series 2003; and to pay costs related to the issuance of the bonds. The interest rate on Series A and Series B ranges from 4% to 5% and 1% to 2% respectively, with a final maturity due July 1, 2018. Debt service payments are scheduled semi-annually at amounts ranging from \$1,021,809 to \$13,408,500. The economic gain resulting from refunds is \$6,470,855 (based upon NPV from delivery date). The difference in cash flow requirements to service the prior debt of \$66,449,000 and the cash flows to service the new debt of \$59,673,600 is \$6,775,400.

On June 11, 2012 the City issued \$23,060,000 in General Obligation Refunding Bonds Series 2012A: \$11,745,000 non-taxable and 2102B \$11,315,000 taxable to refund General Obligation Bonds 2000 Series C (2003) and General Obligation Refunding Series 2003 and to pay costs related to the issuance of the bonds. The interest rate on the bonds range from 1% to 5% with a final maturity due July 1, 2021. Debt Service payments are scheduled semi-annually at amounts that range from \$461,698 to \$8,667,780. The economic gain resulting from this refunding is \$1,189,789 (based upon NPV from delivery date). The difference in cash flow requirements to service the old loans of \$29,734,125 and the cash flows to service the new debt of \$28,403,127 is \$1,330,998.

On January 11, 2012, the City issued \$15,245,000 Junior Lien Water System Revenue Refunding Bonds, Series 2012 to refund several Water Infrastructure Finance Authority (WIFA) loans including WIFA Series 1998A; Jr. WIFA Series 2000; Series 2000A; and Series 2001 WIFA and to pay costs relating to the issuance of the bonds. The interest rate on the bond is 2% with a final maturity due July 1, 2021. Debt service payments are scheduled semi-annually at amounts that range from \$621,782 to \$2,091,050. The economic gain resulting from this refunding is \$1,219,041 (based upon NPV from delivery date). The difference in cash flow requirements to service the old loans of \$17,887,244 and the cash flows to service the new debt of \$16,663,142 is \$1,224,102.

On June 6, 2012, the City issued \$24,280,000 Refunding Certificate of Participation (COP), Series 2012, to refund debt maturing on July 1, 2024 for COPs Series 2004-A to pay costs relating to the issuance of the COPs. The interest rates range from 2% to 5% with a final maturity due July 1, 2024. Debt service payments are scheduled semi-annually at amounts that range from \$937,650 to \$3,289,650. The economic gain resulting from this refunding is \$1,066,239 (based upon NPV from delivery date). The difference in cash flow requirements to service the old debt of \$33,684,375 and the cash flows to service the new debt of \$32,595,615 is \$1,088,760.

Note 11 - 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, 2012. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2012. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 11 – LANDFILLS (continued):

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

Landfill Site	Landfill Capacity Used as of 6/30/2012	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/12	Estimated Closure/ Postclosure Cost to be Recognized in Future Years	Estimated Remaining Life in Years
Los Reales	88 %	\$ 33,465,000	\$ 29,459,239	\$ 4,005,761	60
Harrison	100 %	4,916,000	4,916,000		
Irvington	100 %	2,206,000	2,206,000		
Mullins	100 %	1,910,000	1,910,000		
Totals		\$ 42,497,000	\$ 38,491,239	\$ 4,005,761	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management has started accumulating a portion of net assets to address the closure/post-closure liability (\$2,846,000) and construction of new landfill cells (\$2,822,257).

The June 30, 2012, liability for closure and post-closure costs is \$38,491,239 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 12 – 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, a retired representative elected by TSRS retirees, and a member who is appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Trustees 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* (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 online at www.psprs.com.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued):

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, 2012, the City had 7 covered officials. Covered payroll for the year then ended was \$193,155 (out of the total City payroll of \$241,494,851). 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 online at www.psprs.com.

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 1,345 participants as of June 30, 2012. 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 or entering a Deferred Retirement Option Plan program after January 1, 2011, will receive a fixed retiree health subsidy based on their plan choice.

B. Funding Policy

The *Tucson Supplemental Retirement System* employees hired prior to July 1, 2006 contribute 5% of their annual covered payroll through payroll deductions. Employees hired after June 30, 2006, will contribute 40% of the total required rate calculated annually by the system actuary through payroll deductions. Future changes to employee contribution rates are limited to a maximum annual increase not to exceed 2.5% of base pay. For fiscal year 2012 the rate of contribution for employees hired after June 30, 2006 was 11.62%.

A reserve is established for contributions and earnings allocations, less amounts transferred to reserves for retirement, disability, and amounts reserved for terminated employees. 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 24.05% and for employees hired after June 30, 2006 the contribution rate is 17.43%. If an employee leaves covered employment before attaining five years of service credit, the accumulated contributions plus interest are refunded to the employee or designated beneficiary.

Employees covered by the *Public Safety Personnel Retirement System* contribute 8.65% 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, 2012, the required employer contribution rates were 31.04% and 30.88%, respectively, for Police and Fire. The health insurance premium portion of the contribution rate was actuarially set at 2.27% and 2.21%, respectively, for Police and Fire 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued):

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) for retirements that occurred prior to January 1, 2011. Effective January 1, 2011, the employer contribution changed 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 and life insurance premiums are paid. For fiscal year 2012 the City's portion of the retiree medical insurance was \$14,937,755 and the retiree life insurance was \$318,371.

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 the last three fiscal years 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)
2012	\$ 16,182,737	\$ 14,937,755	\$ 258,356	\$ (229,114)	\$ 1,274,224	92.1%	\$ 7,015,477
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

C. Funding Status

The following table provides the funded status of the plans as of the most recent valuation date of June 30, 2012 and two prior years. The purpose of the valuation is to measure the funding progress of the plan and to establish contribution rates for the 2012 - 2013 fiscal year.

Schedule of Funding Progress with Dollar Amounts in Thousands
(Excluding Health Insurance Subsidy - Police & Fire)

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)	Unfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
TSRS						
2012	\$597,107	\$ 940,939	\$343,832	63.5 %	\$ 125,003	275.1 %
2011	624,665	928,609	303,944	67.3	121,631	249.9
2010	641,819	904,480	262,662	71.0	141,459	185.7
Police						
2012	329,852	639,441	309,588	51.6	55,485	558.0
2011	340,319	583,936	243,617	58.3	50,465	482.8
2010	344,029	543,147	199,118	63.3	60,140	331.1
Fire						
2012	203,093	404,202	201,108	50.2	34,528	582.4
2011	206,562	369,628	163,066	55.9	31,662	515.0
2010	217,496	345,979	128,483	62.9	38,256	335.9
OPEB (City)						
2012	0	216,365	216,365	0.0	241,495	89.6
2011	0	136,277	136,277	0.0	232,052	58.7
2010	0	128,041	128,041	0.0	243,864	52.5

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 12 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued):

D. Trend Information

Annual pension and OPEB cost information for the current and two preceding years for each of the agent plans is detailed below. In addition, actuarial methods and assumptions for each plan are also described.

Three Year Trend Information with Dollar Amounts in Thousands

	Fiscal Year Ended 6/30	Annual Pension and OPEB Cost	Percentage of OPEB and APC Contributed	Net Pension and OPEB Obligation
TSRS	2012	\$ 39,526 (est.)	100 %	\$ 0
	2011	36,846	100	0
	2010	34,825	100	0
Police	2012	19,318 (est.)	100	0
	2011	18,246 (est.)	100	0
	2010	17,041	100	0
Fire	2012	12,272 (est.)	100	0
	2011	11,200 (est.)	100	0
	2010	10,905	100	0
OPEB (City)	2012	16,183	92.1	7,015
	2011	7,556	98.2	5,741
	2010	7,797	81.8	5,607

(est.) - Estimated Annual Required Contribution

Actuarial Information

	TSRS	APSPRS		OPEB
		Police	Fire	
	Actuarial Valuation Date	June 30, 2012	June 30, 2012	June 30, 2012
Actuarial Cost Method	Individual Entry Age	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Closed	Level Percent of Payroll, Closed	Level Percent of Payroll, 30 years, Open
Remaining Amortization Period	Open 15 Years from June 30, 2007	24 years for underfunded actuarial accrued liability, 20 years for overfunded	24 years for underfunded actuarial accrued liability, 20 years for overfunded	30 years for unfunded actuarial accrued liability
Asset Valuation Method	5-Year Smoothed Market	7-Year Smoothed Market	7-Year Smoothed Market	N/A
Actuarial Assumptions:				
Investment Rate of Return	7.75%	8.00%	8.00%	4.50%
Projected Salary Increases*	3.50% - 7.50%	5.00% - 9.00%	5.00% - 9.00%	N/A
Inflation	3.50%	5.00%	5.00%	N/A
Cost-of-Living Adjustment	As approved by TSRS Board	None	None	N/A

* Projected salary increases include inflation.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 13 - 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 Internal Service Fund that has an appointed Board of Trustees. There have not been any settlements in excess of the insurance coverage provided by this fund in the previous three years.

The estimated outstanding losses are the cost of unpaid claims, which are calculated on a present value basis based on a 3% discount rate. 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.

Changes in the Self Insurance Fund's aggregate claims liabilities for the fiscal years ended June 30, 2012, and 2011, are as follows:

	2012	2011
Beginning of fiscal year liability	\$ 45,325,514	\$ 40,065,287
Current year claims and changes in estimates	12,781,420	12,856,640
Claim Payments	<u>(11,616,659)</u>	<u>(7,596,413)</u>
Balance at fiscal year end	<u>\$ 46,490,275</u>	<u>\$ 45,325,514</u>

Note 14 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$726,727,000 million in utility system revenue bonds and obligations 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 2036. Annual principal and interest payments on the bonds are expected to require less than 59 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$732,164,794. Principal and interest paid for the current year and total customer net revenues were \$43,425,219 and \$73,060,095 respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$155,545,000 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 H.U.R.F. revenues and are payable through 2021. Fiscal Year 2012 annual principal and interest payments on the bonds required 15% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$136,723,413. Principal and interest paid for the current year and total H.U.R.F. revenues were \$18,422,389 and \$37,160,062, respectively.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 15 - 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 142,172 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 \$3,365,668. 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 \$16,217,887.

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 \$24,950,195 at June 30, 2012.

According to the terms of the regulatory and operating agreement with the U.S. Department of Housing, the Tucson House's units must be operated as affordable housing for a period of not less than the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2014 at 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, 2012

Note 15 - 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 \$21,606,259 at June 30, 2012.

Eligibility of Posadas Sentinel LLLP for the tax credits requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2017, 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 credits, 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 \$3,534,899 at June 30, 2012.

Eligibility of South Park Development Partners LLLP for the tax credits requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2019, 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 \$2,449,143 at June 30, 2012.

Eligibility of Silverbell Homes for the tax credits requires that the properties be operated as affordable housing as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2022, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credit, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 15 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$7,829,217 at June 30, 2012.

Eligibility of MLK for the tax credit exchange funds requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2025, 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 \$1,995,000 at June 30, 2012.

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 \$2,145,000 at June 30, 2012.

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, 2012, the City intended to honor \$185,907,466 of outstanding encumbrances in the new year.

General Fund	\$ 7,105,277
Mass Transit	72,134,249
Nonmajor Governmental Funds	106,667,940
Total	<u>\$ 185,907,466</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

Note 15 - CONTINGENCIES AND COMMITMENTS (Continued):

L. Rio Nuevo Multipurpose Facilities District

The Rio Nuevo Multipurpose Facilities District (the "District") is a public improvement district and a political taxing subdivision of the State that was formed on July 19, 1999, by the governing bodies of the City and the City of South Tucson, Arizona ("South Tucson"), pursuant to Title 48, Chapter 26 of the Arizona Revised Statutes. The District is composed of the areas within the corporate boundaries of the cities of Tucson and South Tucson.

In February, 2011, a Tucson resident and taxpayer filed suit (Kromko v. Rio Nuevo Multipurpose Facilities District) against the District and a developer (BP Post Investors, LLC) to set aside a development agreement executed in 2006 by the District, the City and a developer. The District countered 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 initially dismissed for failure to state a claim, but was later reinstated by the court, after the District later served the City with a notice of claim for 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. In November, 2012, the court granted the District's motion dismissing Kromko's claims against the District. This leaves the District's cross-claims as the only remaining claims in the case. The City's position remains that it has no liability in this matter, and is in discussions with the District relating to the dismissal of the remaining claims.

In 2011, the District filed two (2) other lawsuits naming the City as a defendant. The lawsuits generally contend that the City should transfer title to certain properties to the District, and should reimburse the District for millions of dollars of expenditures authorized and expended over the past 10 years. The City's motions to dismiss are currently pending before the trial court. In addition the City and District have engaged in extensive settlement negotiations, and both the City and the District have items scheduled on their future meeting agendas for consideration of a settlement agreement to resolve all of the described claims.

Although the City and the District are in adversarial positions in the cases described above, the District and City executed a revised Intergovernmental Agreement (the "Revised IGA") establishing the relationship of the two entities for the purpose of the governance and operations of the District. The Revised IGA, which incorporated changes designed to conform with statutory amendments adopted by the State Legislature in 2009, was approved by the City and District in March 2011 and addresses issues such as the organization of the District, disposition of assets upon termination of the District, City provision of staff support to the District, cooperative purchasing, and joint development of future projects.

Note 16 - 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 7 for liability information.



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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 223,516,830	\$ 223,516,830	\$ 229,797,614	\$ 6,280,784
Licenses and Permits	22,770,130	22,770,130	22,439,454	(330,676)
Fines and Forfeitures	14,363,490	14,363,490	12,950,886	(1,412,604)
Use of Money and Property	876,330	876,330	683,232	(193,098)
Other Agencies	106,862,250	106,862,250	110,843,737	3,981,487
Charges for Services	41,180,040	41,180,040	38,402,962	(2,777,078)
Miscellaneous	814,510	814,510	818,593	4,083
Total revenues	<u>410,383,580</u>	<u>410,383,580</u>	<u>415,936,478</u>	<u>5,552,898</u>
Expenditures:				
Current -				
Elected and Official	21,557,150	21,637,150	20,688,480	948,670
Support Services	37,884,020	32,859,030	32,001,649	857,381
Neighborhood Services	267,571,440	273,047,193	270,353,035	2,694,158
Operations and Development	7,578,500	7,578,500	6,755,902	822,598
Non-Departmental	21,885,890	21,685,890	21,519,928	165,962
Capital Outlay	1,858,530	1,930,877	1,046,033	884,844
Capital Projects	112,670	1,068,093	1,067,892	201
Debt service -				
Principal	10,362,560	10,457,560	10,820,222	(362,662)
Interest	11,463,360	7,664,090	7,224,388	439,702
Fiscal Agent Fees			31,950	(31,950)
Issuance Costs of Debt			804,251	(804,251)
Total expenditures	<u>380,274,120</u>	<u>377,928,383</u>	<u>372,313,730</u>	<u>5,614,653</u>
Excess (deficiency) of revenues over expenditures	<u>30,109,460</u>	<u>32,455,197</u>	<u>43,622,748</u>	<u>11,167,551</u>
Other financing sources (uses):				
Capital Leases	9,462,000	9,462,000	24,280,000	14,818,000
Premium on Debt Issuance			2,393,977	2,393,977
Transfers In	1,600,000	1,600,000	1,600,000	
Refunded Bond Escrow Agent			(26,174,727)	(26,174,727)
Transfers Out	(45,538,140)	(45,538,140)	(44,048,087)	1,490,053
Total other financing sources (uses)	<u>(34,476,140)</u>	<u>(34,476,140)</u>	<u>(41,948,837)</u>	<u>(7,472,697)</u>
Change in fund balances	<u>(4,366,680)</u>	<u>(2,020,943)</u>	<u>1,673,911</u>	<u>3,694,854</u>
Fund balances, July 1, 2011			60,737,308	60,737,308
Fund balances (deficits), June 30, 2012	<u>\$ (4,366,680)</u>	<u>\$ (2,020,943)</u>	<u>\$ 62,411,219</u>	<u>\$ 64,432,162</u>

See accompanying notes to this schedule.

**CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Use of Money and Property	\$ 160,000	\$ 160,000	\$ 257,369	\$ 97,369
Federal Grants and Contributions	80,455,000	80,455,000	52,076,944	(28,378,056)
Other Agencies	10,106,500	10,106,500	9,763,915	(342,585)
Charges for Services	13,059,870	13,059,870	14,315,113	1,255,243
Miscellaneous	1,061,800	1,061,800	543,532	(518,268)
Total revenues	<u>104,843,170</u>	<u>104,843,170</u>	<u>76,956,873</u>	<u>(27,886,297)</u>
Expenditures:				
Current -				
Neighborhood Services	69,984,370	70,204,000	69,872,478	331,522
Capital Outlay	18,386,900	18,167,270	11,920,137	6,247,133
Capital Projects	55,967,600	55,924,600	33,650,586	22,274,014
Total expenditures	<u>144,338,870</u>	<u>144,295,870</u>	<u>115,443,201</u>	<u>28,852,669</u>
Excess (deficiency) of revenues over expenditures	<u>(39,495,700)</u>	<u>(39,452,700)</u>	<u>(38,486,328)</u>	<u>966,372</u>
Other financing sources (uses):				
Transfers In	39,495,700	39,495,700	37,827,498	(1,668,202)
Total other financing sources (uses)	<u>39,495,700</u>	<u>39,495,700</u>	<u>37,827,498</u>	<u>(1,668,202)</u>
Change in fund balances		<u>43,000</u>	<u>(658,830)</u>	<u>(701,830)</u>
Fund balances, July 1, 2011			7,970,978	7,970,978
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 43,000</u>	<u>\$ 7,312,148</u>	<u>\$ 7,269,148</u>

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

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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, 2012

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 17,743,484	\$ 1,834,964	\$ 30,855,024	\$ 50,433,472
Cash & Investments with Fiscal Agents	388,514	37,044,406		37,432,920
Cash & Investments with Fiscal Agents - Restricted			17,016,195	17,016,195
Accounts Receivable, Net	847,075		24,109	871,184
Special Assessments Receivable		1,666,988		1,666,988
Notes & Loans Receivable	18,619,307			18,619,307
Due from Other Agencies	3,289,397		5,700,765	8,990,162
Interfund Receivable		512	7,872	8,384
Grants & Entitlements Receivable	12,224,790			12,224,790
Interest Receivable	6,395		1,216	7,611
Long Term Investments	2,155,502			2,155,502
Total assets	\$ 55,274,464	\$ 40,546,870	\$ 53,605,181	\$ 149,426,515
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,957,837	\$ 1,525	\$ 2,226,327	\$ 6,185,689
Accrued Payroll Liabilities	631,295			631,295
Accrued Interest Payable		96	1,476,589	1,476,685
Interfund Payable	6,876,742	417,399	3,598,218	10,892,359
Due to Other Agencies	17,353		26	17,379
Refundable Deposits	809,585	23,368		832,953
Bonds & Interest Payable, including Special Assessments		37,044,406		37,044,406
Deferred Revenue	18,212,383	1,669,483		19,881,866
Total liabilities	30,505,195	39,156,277	7,301,160	76,962,632
Fund balances:				
Restricted	11,767,194	1,809,238	46,304,021	59,880,453
Committed	3,142,812			3,142,812
Assigned	9,861,655			9,861,655
Unassigned	(2,392)	(418,645)		(421,037)
Total fund balances	24,769,269	1,390,593	46,304,021	72,463,883
Total liabilities and fund balances	\$ 55,274,464	\$ 40,546,870	\$ 53,605,181	\$ 149,426,515

**CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	ParkWise	Convention Center Fund	H.U.R.F. Fund
ASSETS			
Pooled Cash and Investments	\$ 123,272	\$ 921,056	\$ 10,146,981
Cash & Investments with Fiscal Agents			180,281
Accounts Receivable, Net	156,554	113,924	397,972
Notes & Loans Receivable			
Due from Other Agencies			3,078,316
Grants & Entitlements Receivable			
Interest Receivable	167		5,699
Long-term Investments	2,155,502		
Total assets	\$ 2,435,495	\$ 1,034,980	\$ 13,809,249
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 130,992	\$ 266,992	\$ 815,494
Accrued Payroll Liabilities	17,027	33,726	387,203
Interfund Payable			
Due to Other Agencies	68		1,116
Refundable Deposits	12,309	704,897	24,829
Deferred Revenue	14,280		
Total liabilities	174,676	1,005,615	1,228,642
Fund balances:			
Restricted	2,155,502		
Committed			2,853,634
Assigned	105,317	29,365	9,726,973
Unassigned			
Total fund balances	2,260,819	29,365	12,580,607
Total liabilities and fund balances	\$ 2,435,495	\$ 1,034,980	\$ 13,809,249

Civic Contribution Fund	Community Development Block Grants Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	Public Housing HOME Program Fund
\$ 1,793,421	\$ 49,569	\$ 164,023	\$ 3,970,634	\$ 61,984
30,000	208,233		148,625	
	5,265,355			13,353,952
	2,732,686	211,081		
529		758,136	35,037	1,430,563
<u>\$ 1,823,950</u>	<u>\$ 8,255,843</u>	<u>\$ 1,133,240</u>	<u>\$ 4,154,296</u>	<u>\$ 14,846,499</u>
\$ 17,548	\$ 576,173	\$ 315,961	\$ 120,044	\$ 966,393
17	36,269	5,633	43,244	6,194
	1,786,524	716,803		519,960
145	2,870			
	280	21	67,249	
	1,777,678			13,353,952
<u>17,710</u>	<u>4,179,794</u>	<u>1,038,418</u>	<u>230,537</u>	<u>14,846,499</u>
1,517,062	4,076,049	94,822	3,923,759	
289,178				
<u>1,806,240</u>	<u>4,076,049</u>	<u>94,822</u>	<u>3,923,759</u>	
<u>\$ 1,823,950</u>	<u>\$ 8,255,843</u>	<u>\$ 1,133,240</u>	<u>\$ 4,154,296</u>	<u>\$ 14,846,499</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012
(Concluded)

	Other Federal Grants Fund	Non-Federal Grants Fund	Totals
<u>ASSETS</u>			
Pooled Cash and Investments	\$ 512,544	\$	\$ 17,743,484
Cash & Investments with Fiscal Agents			388,514
Accounts Receivable, Net			847,075
Notes & Loans Receivable			18,619,307
Due from Other Agencies			3,289,397
Grants & Entitlements Receivable	5,362,451	1,905,917	12,224,790
Interest Receivable			6,395
Long-term Investments			2,155,502
Total assets	\$ 5,874,995	\$ 1,905,917	\$ 55,274,464
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 590,410	\$ 157,830	\$ 3,957,837
Accrued Payroll Liabilities	85,279	16,703	631,295
Interfund Payable	3,056,212	797,243	6,876,742
Due to Other Agencies	13,148	6	17,353
Refundable Deposits			809,585
Deferred Revenue	2,132,338	934,135	18,212,383
Total liabilities	5,877,387	1,905,917	30,505,195
Fund balances:			
Restricted			11,767,194
Committed			3,142,812
Assigned			9,861,655
Unassigned	(2,392)		(2,392)
Total fund balances	(2,392)		24,769,269
Total liabilities and fund balances	\$ 5,874,995	\$ 1,905,917	\$ 55,274,464

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2012

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 1,834,964	\$	\$	\$ 1,834,964
Cash & Investments with Fiscal Agents	63,670	21,645,948	15,334,788	37,044,406
Special Assessments Receivable	1,666,988			1,666,988
Interest Receivable	512			512
Total assets	<u>\$ 3,566,134</u>	<u>\$ 21,645,948</u>	<u>\$ 15,334,788</u>	<u>\$ 40,546,870</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 375	\$ 350	\$ 800	\$ 1,525
Accrued Interest Payable			96	96
Interfund Payable		417,399		417,399
Refundable Deposits	23,368			23,368
Bonds & Interest Payable, including				
Special Assessments	63,670	21,645,948	15,334,788	37,044,406
Deferred Revenue	1,669,483			1,669,483
Total liabilities	<u>1,756,896</u>	<u>22,063,697</u>	<u>15,335,684</u>	<u>39,156,277</u>
Fund balances:				
Restricted	1,809,238			1,809,238
Unassigned		(417,749)	(896)	(418,645)
Total fund balances	<u>1,809,238</u>	<u>(417,749)</u>	<u>(896)</u>	<u>1,390,593</u>
Total liabilities and fund balances	<u>\$ 3,566,134</u>	<u>\$ 21,645,948</u>	<u>\$ 15,334,788</u>	<u>\$ 40,546,870</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	2000 General Obligation Fund	Capital Improvements Fund	Development Fee Fund	Regional Transportation Authority Fund	Totals
ASSETS					
Pooled Cash and Investments	\$ 2,031,435	\$	\$ 28,823,589	\$	\$ 30,855,024
Cash & Investments with Fiscal Agents- Restricted		17,016,195			17,016,195
Accounts Receivable, Net				24,109	24,109
Due from Other Agencies		2,913,291		2,787,474	5,700,765
Interfund Receivable			7,872		7,872
Interest Receivable	690	526			1,216
Total assets	<u>\$ 2,032,125</u>	<u>\$ 19,930,012</u>	<u>\$ 28,831,461</u>	<u>\$ 2,811,583</u>	<u>\$ 53,605,181</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 61,517	\$ 1,126,590	\$ 67,769	\$ 970,451	\$ 2,226,327
Accrued Interest Payable		1,476,589			1,476,589
Interfund Payable		1,757,112		1,841,106	3,598,218
Due to Other Agencies				26	26
Total liabilities	<u>61,517</u>	<u>4,360,291</u>	<u>67,769</u>	<u>2,811,583</u>	<u>7,301,160</u>
Fund balances:					
Restricted	<u>1,970,608</u>	<u>15,569,721</u>	<u>28,763,692</u>		<u>46,304,021</u>
Total fund balances	<u>1,970,608</u>	<u>15,569,721</u>	<u>28,763,692</u>		<u>46,304,021</u>
Total liabilities and fund balances	<u>\$ 2,032,125</u>	<u>\$ 19,930,012</u>	<u>\$ 28,831,461</u>	<u>\$ 2,811,583</u>	<u>\$ 53,605,181</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, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Taxes	\$	\$ 25,471,731	\$
Licenses and Permits	127,214		
Fines and Forfeitures	889,154	5,425	
Developer Fees			6,435,351
Use of Money and Property	1,514,181	12,529	354,901
Federal Grants and Contributions	78,622,013		
Other Agencies	35,502,272	6,495,103	42,931,863
Charges for Services	6,862,809		
Special Assessments		523,362	
Contributions from Outside Sources	413,093		
Miscellaneous	1,387,376		
Total revenues	<u>125,318,112</u>	<u>32,508,150</u>	<u>49,722,115</u>
Expenditures:			
Current -			
Elected and Official	2,057,046		
Support Services	196,548		613,120
Neighborhood Services	105,514,915		959,121
Operations and Development	5,510,129		
Non-Departmental	3,894,361		7,818
Capital Outlay	2,499,332		1,007,719
Capital Projects	9,344,312		61,085,473
Debt service -			
Principal	1,099,425	26,622,600	
Interest	792,561	19,512,036	3,942,696
Fiscal Agent Fees		8,850	
Issuance Costs of Debt		289,159	
Total expenditures	<u>130,908,629</u>	<u>46,432,645</u>	<u>67,615,947</u>
Excess (deficiency) of revenues over expenditures	<u>(5,590,517)</u>	<u>(13,924,495)</u>	<u>(17,893,832)</u>
Other financing sources (uses):			
Bond Issuance		23,060,000	
Premium on Debt Issuance		1,230,241	
Transfers In	5,724,894	10,578,682	105,695
Refunded Bond Escrow Agent		(24,001,082)	
Transfers Out	(10,578,682)		
Total other financing sources (uses)	<u>(4,853,788)</u>	<u>10,867,841</u>	<u>105,695</u>
Change in fund balances	<u>(10,444,305)</u>	<u>(3,056,654)</u>	<u>(17,788,137)</u>
Fund balances, beginning of year	35,213,574	4,447,247	64,092,158
Fund balances, end of year	<u>\$ 24,769,269</u>	<u>\$ 1,390,593</u>	<u>\$ 46,304,021</u>

Total
Non-Major
Governmental
Funds

\$ 25,471,731
127,214
894,579
6,435,351
1,881,611
78,622,013
84,929,238
6,862,809
523,362
413,093
1,387,376
207,548,377

2,057,046
809,668
106,474,036
5,510,129
3,902,179
3,507,051
70,429,785

27,722,025
24,247,293
8,850
289,159
244,957,221

(37,408,844)

23,060,000
1,230,241
16,409,271
(24,001,082)
(10,578,682)
6,119,748

(31,289,096)

103,752,979

\$ 72,463,883

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>ParkWise</u>	<u>Convention Center Fund</u>	<u>H.U.R.F. Fund</u>
Revenues:			
Licenses and Permits	\$	\$	\$ 127,214
Fines and Forfeitures	889,154		
Use of Money and Property	837,550	60,829	366,740
Federal Grants and Contributions			
Other Agencies			30,664,959
Charges for Services	2,752,699	3,495,205	614,905
Contributions from Outside Sources			
Miscellaneous	795	3,767	980,634
Total revenues	<u>4,480,198</u>	<u>3,559,801</u>	<u>32,754,452</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	2,427,021		29,721,700
Operations and Development		5,477,048	
Non-Departmental		3,793,781	100,580
Capital Outlay			68,945
Capital Projects		13,901	581,524
Debt service -			
Principal	623,000		476,425
Interest	691,973		16,148
Total expenditures	<u>3,741,994</u>	<u>9,284,730</u>	<u>30,965,322</u>
Excess (deficiency) of revenues over expenditures	<u>738,204</u>	<u>(5,724,929)</u>	<u>1,789,130</u>
Other financing sources (uses):			
Transfers In		5,724,894	
Transfers Out			(10,578,682)
Total other financing sources (uses)		<u>5,724,894</u>	<u>(10,578,682)</u>
Change in fund balances	<u>738,204</u>	<u>(35)</u>	<u>(8,789,552)</u>
Fund balances (deficits), beginning of year	1,522,615	29,400	21,370,159
Fund balances (deficits), end of year	<u>\$ 2,260,819</u>	<u>\$ 29,365</u>	<u>\$ 12,580,607</u>

Civic Contribution Fund	Community Development Block Grants Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	Public Housing HOME Program Fund	Other Federal Grants Fund
\$	\$	\$	\$	\$	\$
8,757	234,094 12,858,094	4,734,096	37,003,655	5,655,637	6,211 18,370,531
413,093 33			402,147		
<u>421,883</u>	<u>13,092,188</u>	<u>4,734,096</u>	<u>37,405,802</u>	<u>5,655,637</u>	<u>18,376,742</u>
332					1,923,966 196,548
414,776 32,109	9,748,016	4,734,096	38,745,397	5,655,637	9,450,425
1,025,013	6,826 3,255,886				2,360,662 4,445,141
	15,280		69,160		
<u>1,472,230</u>	<u>13,026,008</u>	<u>4,734,096</u>	<u>38,814,557</u>	<u>5,655,637</u>	<u>18,376,742</u>
<u>(1,050,347)</u>	<u>66,180</u>		<u>(1,408,755)</u>		
<u>(1,050,347)</u>	<u>66,180</u>		<u>(1,408,755)</u>		
2,856,587	4,009,869	94,822	5,332,514		(2,392)
<u>\$ 1,806,240</u>	<u>\$ 4,076,049</u>	<u>\$ 94,822</u>	<u>\$ 3,923,759</u>	<u>\$</u>	<u>\$ (2,392)</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, 2012
(Concluded)

	Non-Federal Grants Fund	Totals
Revenues:		
Licenses and Permits	\$	\$ 127,214
Fines and Forfeitures		889,154
Use of Money and Property		1,514,181
Federal Grants and Contributions		78,622,013
Other Agencies	4,837,313	35,502,272
Charges for Services		6,862,809
Contributions from Outside Sources		413,093
Miscellaneous		1,387,376
Total revenues	4,837,313	125,318,112
Expenditures:		
Current -		
Elected and Official	132,748	2,057,046
Support Services		196,548
Neighborhood Services	4,617,847	105,514,915
Operations and Development	972	5,510,129
Non-Departmental		3,894,361
Capital Outlay	62,899	2,499,332
Capital Projects	22,847	9,344,312
Debt service -		
Principal		1,099,425
Interest		792,561
Total expenditures	4,837,313	130,908,629
Excess (deficiency) of revenues over expenditures		(5,590,517)
Other financing sources (uses):		
Transfers In		5,724,894
Transfers Out		(10,578,682)
Total other financing sources (uses)		(4,853,788)
Change in fund balances		(10,444,305)
Fund balances (deficits), beginning of year		35,213,574
Fund balances (deficits), end of year	\$	\$ 24,769,269



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Special Assessment Bond & Interest Fund</u>	<u>General Obligation Bond & Interest Fund</u>	<u>Street & Highway Bond & Interest Fund</u>
Revenues:			
Taxes	\$	\$ 25,471,731	\$
Fines and Forfeitures	5,425		
Use of Money and Property	7,370		5,159
Other Agencies			6,495,103
Special Assessments	<u>523,362</u>		
Total revenues	<u>536,157</u>	<u>25,471,731</u>	<u>6,500,262</u>
Expenditures:			
Debt service -			
Principal	583,000	13,784,600	12,255,000
Interest	142,025	13,202,622	6,167,389
Fiscal Agent Fees	3,875	4,175	800
Issuance Costs of Debt		<u>289,159</u>	
Total expenditures	<u>728,900</u>	<u>27,280,556</u>	<u>18,423,189</u>
Excess (deficiency) of revenues over expenditures	<u>(192,743)</u>	<u>(1,808,825)</u>	<u>(11,922,927)</u>
Other financing sources (uses):			
Bond Issuance		23,060,000	
Premium on Debt Issuance		1,230,241	
Transfers In			10,578,682
Refunded Bond Escrow Agent		<u>(24,001,082)</u>	
Total other financing sources (uses)		<u>289,159</u>	<u>10,578,682</u>
Change in fund balances	<u>(192,743)</u>	<u>(1,519,666)</u>	<u>(1,344,245)</u>
Fund balances, beginning of year	2,001,981	1,101,917	1,343,349
Fund balances (deficits), end of year	<u>\$ 1,809,238</u>	<u>\$ (417,749)</u>	<u>\$ (896)</u>

Totals

\$ 25,471,731
5,425
12,529
6,495,103
523,362
32,508,150

26,622,600
19,512,036
8,850
289,159
46,432,645

(13,924,495)

23,060,000
1,230,241
10,578,682
(24,001,082)
10,867,841

(3,056,654)

4,447,247

\$ 1,390,593

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012

	Capital Improvements Fund	2000 General Obligation Fund	Development Fee Fund
Revenues:			
Developer Fees	\$	\$	\$ 6,435,351
Use of Money and Property	10,771	10,602	108,500
Other Agencies	9,180,213		
Total revenues	<u>9,190,984</u>	<u>10,602</u>	<u>6,543,851</u>
Expenditures:			
Current -			
Support Services	613,120		
Neighborhood Services	495,163	21,352	
Non-Departmental	7,818		
Capital Outlay	45,828		
Capital Projects	24,927,540	1,095,273	2,490,479
Debt service -			
Interest	3,942,696		
Total expenditures	<u>30,032,165</u>	<u>1,116,625</u>	<u>2,490,479</u>
Excess (deficiency) of revenues over expenditures	<u>(20,841,181)</u>	<u>(1,106,023)</u>	<u>4,053,372</u>
Other financing sources (uses):			
Transfers In			105,695
Total other financing sources (uses)			<u>105,695</u>
Change in fund balances	<u>(20,841,181)</u>	<u>(1,106,023)</u>	<u>4,159,067</u>
Fund balances, beginning of year	36,410,902	3,076,631	24,604,625
Fund balances, end of year	<u>\$ 15,569,721</u>	<u>\$ 1,970,608</u>	<u>\$ 28,763,692</u>

Regional Transportation Authority Fund	<u>Totals</u>
\$	\$ 6,435,351
225,028	354,901
<u>33,751,650</u>	<u>42,931,863</u>
<u>33,976,678</u>	<u>49,722,115</u>
	613,120
442,606	959,121
	7,818
961,891	1,007,719
32,572,181	61,085,473
	<u>3,942,696</u>
<u>33,976,678</u>	<u>67,615,947</u>
	(17,893,832)
	105,695
	<u>105,695</u>
	(17,788,137)
	64,092,158
<u>\$</u>	<u>\$ 46,304,021</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2012

	Golf Course Fund	Public Housing (AMP) Fund	Non-PHA Asset Management Fund	Totals
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 4,450	\$ 7,401,297	\$ 1,109,382	\$ 8,515,129
Cash & Investments with Fiscal Agent - Restricted		162,282	18,843	181,125
Accounts Receivable, Net		40,400	6,500	46,900
Due from Other Agencies		249,277		249,277
Interest Receivable		2,299	46	2,345
Inventories	149,844	185,035		334,879
Total current assets	<u>154,294</u>	<u>8,040,590</u>	<u>1,134,771</u>	<u>9,329,655</u>
Noncurrent assets:				
Long Term Accounts Receivable		60,647,039	2,316	60,649,355
Deferred Charges	58,517			58,517
Land & Construction in Progress	3,411,005	8,580,617	2,569,755	14,561,377
Other Capital Assets, Net	14,392,763	15,231,583	8,286,494	37,910,840
Total noncurrent assets	<u>17,862,285</u>	<u>84,459,239</u>	<u>10,858,565</u>	<u>113,180,089</u>
Total assets	<u>18,016,579</u>	<u>92,499,829</u>	<u>11,993,336</u>	<u>122,509,744</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	\$ 78,028	\$ 412,461	\$ 42,979	\$ 533,468
Accrued Payroll Liabilities	42,223	77,258	1,708	121,189
Accrued Interest Payable	2,095	659		2,754
Interfund Payable	7,569,050			7,569,050
Due to Other Agencies	9,965	48		10,013
Refundable Deposits		472,261	29,333	501,594
Current Portion of Compensated Absences	65,913	127,301		193,214
Unearned Revenue	141,624			141,624
Total current liabilities	<u>7,908,898</u>	<u>1,089,988</u>	<u>74,020</u>	<u>9,072,906</u>
Noncurrent liabilities:				
Unearned Revenue		60,399,172		60,399,172
Contracts Payable	3,667,611	200,000		3,867,611
Compensated Absences	37,486	115,755		153,241
Other Post-employment Benefits	42,935			42,935
Total non-current liabilities	<u>3,748,032</u>	<u>60,714,927</u>		<u>64,462,959</u>
Total liabilities	<u>11,656,930</u>	<u>61,804,915</u>	<u>74,020</u>	<u>73,535,865</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	14,194,674	23,612,200	10,856,249	48,663,123
Restricted for Grants and Entitlements		7,082,714	1,063,067	8,145,781
Unrestricted	(7,835,025)			(7,835,025)
Total net assets	<u>\$ 6,359,649</u>	<u>\$ 30,694,914</u>	<u>\$ 11,919,316</u>	<u>\$ 48,973,879</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, 2012

	Golf Course Fund	Public Housing (AMP) Fund	Non-PHA Asset Management Fund	Totals
Operating revenues:				
Charges for Services	\$ 6,093,660	\$ 4,045,078	\$ 505,210	\$ 10,643,948
Federal Grants and Contributions		6,663,829	212,175	6,876,004
Miscellaneous	32,951	292,070	223,710	548,731
Total operating revenues	<u>6,126,611</u>	<u>11,000,977</u>	<u>941,095</u>	<u>18,068,683</u>
Operating expenses:				
Personal Services	3,300,108	3,608,736	306,298	7,215,142
Contractual Services	1,664,345	5,203,701	752,097	7,620,143
Commodities	1,259,326	993,174	62,303	2,314,803
Cost of Goods Sold	226,392			226,392
Depreciation	705,498	1,256,790		1,962,288
Total operating expenses	<u>7,155,669</u>	<u>11,062,401</u>	<u>1,120,698</u>	<u>19,338,768</u>
Operating loss	<u>(1,029,058)</u>	<u>(61,424)</u>	<u>(179,603)</u>	<u>(1,270,085)</u>
Nonoperating revenues (expenses):				
Investment Income		39,425	592,696	632,121
Gain (loss) on Sale of Property/ Equipment		1,525		1,525
Interest Expense	(187,564)			(187,564)
Amortization of Issuance Costs	(7,315)			(7,315)
Total nonoperating revenues (expenses)	<u>(194,879)</u>	<u>40,950</u>	<u>592,696</u>	<u>438,767</u>
Income (loss) before capital contributions and transfers	<u>(1,223,937)</u>	<u>(20,474)</u>	<u>413,093</u>	<u>(831,318)</u>
Capital Contributions			10,856,249	10,856,249
Transfers In			659,974	659,974
Transfers Out		(677,974)	(10,000)	(687,974)
Change in net assets	<u>(1,223,937)</u>	<u>(698,448)</u>	<u>11,919,316</u>	<u>9,996,931</u>
Total net assets, beginning of year	7,583,586	31,393,362		38,976,948
Total net assets, end of year	<u>\$ 6,359,649</u>	<u>\$ 30,694,914</u>	<u>\$ 11,919,316</u>	<u>\$ 48,973,879</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Golf Course Fund	Public Housing (AMP) Funds	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 6,095,568	\$ 3,798,356	\$ 525,727	\$ 10,419,651
Cash Payments to Suppliers for Goods and Services	(3,190,919)	(6,444,651)	(771,421)	(10,406,991)
Cash Payments to Employees for Services	(3,450,125)	(3,667,893)	(304,590)	(7,422,608)
Subsidy from Federal Grant		6,756,526	212,175	6,968,701
Other Operating Revenues	32,951		223,710	256,661
Net Cash Provided (Used) by Operating Activities	<u>(512,525)</u>	<u>442,338</u>	<u>(114,399)</u>	<u>(184,586)</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Transfers		(659,974)	649,974	(10,000)
Advances from Other Funds	688,506			688,506
Interest Paid on Advances	(29,301)			(29,301)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>659,205</u>	<u>(659,974)</u>	<u>649,974</u>	<u>649,205</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(15,540)	(35,069)		(50,609)
Principal Paid on Capital Debt	(6,174)			(6,174)
Interest Paid on Capital Debt	(164,966)			(164,966)
Proceeds from Sale of Assets/Equipment		1,525		1,525
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(186,680)</u>	<u>(33,544)</u>	<u></u>	<u>(220,224)</u>
Cash Flows from Investing Activities:				
Interest on Investments		39,413	592,650	632,063
Net Cash Provided (Used) by Investing Activities	<u></u>	<u>39,413</u>	<u>592,650</u>	<u>632,063</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(40,000)</u>	<u>(211,767)</u>	<u>1,128,225</u>	<u>876,458</u>
Cash and Cash Equivalents - July 1	<u>44,450</u>	<u>7,775,346</u>	<u></u>	<u>7,819,796</u>
Cash and Cash Equivalents - June 30	<u>\$ 4,450</u>	<u>\$ 7,563,579</u>	<u>\$ 1,128,225</u>	<u>\$ 8,696,254</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,029,058)	\$ (61,424)	\$ (179,603)	\$ (1,270,085)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	705,498	1,256,790		1,962,288
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable		28,325	(8,816)	19,509
Due from Other Agencies		92,698		92,698
Inventory	20,053	110,568		130,621
Increase (Decrease) in Liabilities:				
Accounts Payable	(70,875)	(359,680)	42,979	(387,576)
Accrued Payroll Liabilities	(75,424)	(37,729)	1,708	(111,445)
Accrued Compensated Absences		(21,428)		(21,428)
Accrued Other Post-Employment Benefits	32,587			32,587
Unearned Revenue		(52,823)		(52,823)
Customer/Refundable Deposits		(513,007)	29,333	(483,674)
Due to Other Agencies	9,966	48		10,014
Other Operating Liabilities	(105,272)			(105,272)
Net Cash Provided (Used) by Operating Activities	<u>\$ (512,525)</u>	<u>\$ 442,338</u>	<u>\$ (114,399)</u>	<u>\$ (184,586)</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets Transfers		(18,000)	10,856,249	10,856,249
Total Noncash Investing, Capital, and Financing Activities:	<u>\$</u>	<u>\$ (18,000)</u>	<u>\$ 10,856,249</u>	<u>\$ 10,856,249</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 4,242,876	\$ 1,530,845	\$ 1,857,829	\$ 7,631,550
Cash & Investments with Fiscal Agent - Restricted			1,727,235	1,727,235
Accounts Receivable, Net	31,200			31,200
Due from Other Agencies	20,918		21,949	42,867
Interest Receivable	628	64,305	194	65,127
Inventories	1,150,000			1,150,000
Other Assets		344,390		344,390
Total current assets	<u>5,445,622</u>	<u>1,939,540</u>	<u>3,607,207</u>	<u>10,992,369</u>
Noncurrent assets:				
Other Assets - Restricted		24,830,840		24,830,840
Deferred Charges			205,117	205,117
Land & Construction in Progress	368,598	30,242	11,598,064	11,996,904
Other Capital Assets, Net	8,958,605	100,095	181,896	9,240,596
Total noncurrent assets	<u>9,327,203</u>	<u>24,961,177</u>	<u>11,985,077</u>	<u>46,273,457</u>
Total assets	<u>14,772,825</u>	<u>26,900,717</u>	<u>15,592,284</u>	<u>57,265,826</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	\$ 1,548,665	\$ 250,580	\$ 1,563,399	\$ 3,362,644
Accrued Payroll Liabilities	113,572	24,579	185,501	323,652
Due to Other Agencies	510		676	1,186
Refundable Deposits		182		182
Current Portion of Bonds Payable			1,279,300	1,279,300
Claims Payable		9,888,981		9,888,981
Remediation Obligations		211,200		211,200
Total current liabilities	<u>1,662,747</u>	<u>10,375,522</u>	<u>3,028,876</u>	<u>15,067,145</u>
Noncurrent liabilities:				
Bonds Payable			15,178,700	15,178,700
Claims Payable		36,601,294		36,601,294
Remediation Obligations		879,258		879,258
Total non-current liabilities		<u>37,480,552</u>	<u>15,178,700</u>	<u>52,659,252</u>
Total liabilities	<u>1,662,747</u>	<u>47,856,074</u>	<u>18,207,576</u>	<u>67,726,397</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	9,327,203	130,337	(4,472,923)	4,984,617
Restricted for Capital			1,727,235	1,727,235
Restricted for Self Insurance Mandates		24,830,840		24,830,840
Unrestricted	3,782,875	(45,916,534)	130,396	(42,003,263)
Total net assets	<u>\$ 13,110,078</u>	<u>\$ (20,955,357)</u>	<u>\$ (2,615,292)</u>	<u>\$ (10,460,571)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
Operating revenues:				
Charges for Services	\$ 25,240,542	\$ 20,133,827	\$ 17,373,681	\$ 62,748,050
Miscellaneous	172,224	311	26,155	198,690
Total operating revenues	<u>25,412,766</u>	<u>20,134,138</u>	<u>17,399,836</u>	<u>62,946,740</u>
Operating expenses:				
Personal Services	5,444,211	1,155,235	8,718,264	15,317,710
Contractual Services	5,455,470	4,617,145	6,590,818	16,663,433
Commodities	14,856,456	58,559	2,014,629	16,929,644
Benefits and Claims		12,781,420		12,781,420
Depreciation	3,538,774	11,502	45,685	3,595,961
Total operating expenses	<u>29,294,911</u>	<u>18,623,861</u>	<u>17,369,396</u>	<u>65,288,168</u>
Operating income (loss)	<u>(3,882,145)</u>	<u>1,510,277</u>	<u>30,440</u>	<u>(2,341,428)</u>
Nonoperating revenues (expenses):				
Property Taxes		2,350,117		2,350,117
Other Agencies			522,776	522,776
Investment Income	9,252	38,846	7,949	56,047
Gain (loss) on Sale of Property/ Equipment	30,014			30,014
Interest Expense	(92)		(800,369)	(800,461)
Amortization of Issuance Costs			(17,876)	(17,876)
Total nonoperating revenues (expenses)	<u>39,174</u>	<u>2,388,963</u>	<u>(287,520)</u>	<u>2,140,617</u>
Income (loss) before capital contributions and transfers	<u>(3,842,971)</u>	<u>3,899,240</u>	<u>(257,080)</u>	<u>(200,811)</u>
Capital Contributions	55,400			55,400
Transfers In	28,606	400,000		428,606
Transfers Out			(157,853)	(157,853)
Change in net assets	<u>(3,758,965)</u>	<u>4,299,240</u>	<u>(414,933)</u>	<u>125,342</u>
Total net assets, beginning of year	16,869,043	(25,254,597)	(2,200,359)	(10,585,913)
Total net assets, end of year	<u>\$ 13,110,078</u>	<u>\$ (20,955,357)</u>	<u>\$ (2,615,292)</u>	<u>\$ (10,460,571)</u>

**CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Fleet Services	Self Insurance Fund	General Services Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 25,274,337	\$ 20,134,138	\$ 17,385,891	\$ 62,794,366
Cash Payments to Suppliers for Goods and Services	(19,746,463)	(4,862,449)	(8,101,187)	(32,710,099)
Cash Payments to Employees for Services	(5,508,575)	(1,164,781)	(8,822,474)	(15,495,830)
Other Operating Revenues	172,224			172,224
Cash Payments to Claimants		(11,616,659)		(11,616,659)
Net Cash Provided (Used) by Operating Activities	<u>191,523</u>	<u>2,490,249</u>	<u>462,230</u>	<u>3,144,002</u>
Cash Flows from Noncapital Financing Activities:				
Property Taxes		2,350,117		2,350,117
Interfund Transfers		400,000		400,000
Subsidy from Federal Grant			522,776	522,776
Advances from Other Funds		(3,618,125)		(3,618,125)
Net Cash Provided (Used) by Noncapital Financing Activities		<u>(868,008)</u>	<u>522,776</u>	<u>(345,232)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(294,858)		(11,381,864)	(11,676,722)
Transfers from Other Funds				
Principal Paid on Capital Debt	(5,004)		(1,204,300)	(1,209,304)
Interest Paid on Capital Debt	(92)		(800,369)	(800,461)
Proceeds from Sale of Assets/Equipment	69,454			69,454
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(230,500)</u>		<u>(13,386,533)</u>	<u>(13,617,033)</u>
Cash Flows from Investing Activities:				
Interest on Investments	9,459	253,785	9,119	272,363
Proceeds from Sale of Investments		45,017,550		45,017,550
Purchase of Investments		(47,461,609)		(47,461,609)
Net Cash Provided (Used) by Investing Activities	<u>9,459</u>	<u>(2,190,274)</u>	<u>9,119</u>	<u>(2,171,696)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(29,518)</u>	<u>(568,033)</u>	<u>(12,392,408)</u>	<u>(12,989,959)</u>
Cash and Cash Equivalents - July 1	<u>4,272,394</u>	<u>2,098,878</u>	<u>15,977,472</u>	<u>22,348,744</u>
Cash and Cash Equivalents - June 30	<u>\$ 4,242,876</u>	<u>\$ 1,530,845</u>	<u>\$ 3,585,064</u>	<u>\$ 9,358,785</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(3,882,145)	1,510,277	30,440	(2,341,428)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	3,538,774	11,503	45,685	3,595,962
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	36,245		(13,945)	22,300
Inventory	(54,427)			(54,427)
Other Assets		(50,122)		(50,122)
Due from Other Agencies	(2,450)			(2,450)
Increase (Decrease) in Liabilities:				
Accounts Payable	619,378	171,998	503,584	1,294,960
Accrued Payroll Liabilities	(64,362)	(9,546)	(104,210)	(178,118)
Customer/Refundable Deposits		(7,860)		(7,860)
Claims and Judgments Payable		1,164,761		1,164,761
Remediation Obligation		(300,762)		(300,762)
Due to Other Agencies	510		676	1,186
Net Cash Provided (Used) by Operating Activities	<u>\$ 191,523</u>	<u>\$ 2,490,249</u>	<u>\$ 462,230</u>	<u>\$ 3,144,002</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	84,006		(157,853)	(73,847)
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ 84,006</u>		<u>\$ (157,853)</u>	<u>\$ (73,847)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Sewer User Fee Fund				
Assets				
Pooled Cash and Investments	\$ 4,821,151	\$ 359,613,098	\$ 362,079,905	\$ 2,354,344
Accounts Receivable, Net	8,078,201	117,384,935	116,460,342	9,002,794
Interest Receivable	3,136	3,177	6,313	
Total assets	\$ 12,902,488	\$ 477,001,210	\$ 478,546,560	\$ 11,357,138
Liabilities				
Due to Other Agencies	\$ 12,902,488	\$ 358,832,582	\$ 360,377,932	\$ 11,357,138
Total liabilities	\$ 12,902,488	\$ 358,832,582	\$ 360,377,932	\$ 11,357,138
Employee Prepaid Insurance Fund				
Assets				
Pooled Cash and Investments	\$ 1,626,039	\$ 67,712,801	\$ 66,498,129	\$ 2,840,711
Total assets	\$ 1,626,039	\$ 67,712,801	\$ 66,498,129	\$ 2,840,711
Liabilities				
Accounts Payable	\$ 1,626,039	\$ 62,317,929	\$ 61,103,257	\$ 2,840,711
Total liabilities	\$ 1,626,039	\$ 62,317,929	\$ 61,103,257	\$ 2,840,711
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Pooled Cash and Investments	\$ 153,933	\$ 5,176,979	\$ 5,330,912	\$
Total assets	\$ 153,933	\$ 5,176,979	\$ 5,330,912	\$
Liabilities				
Due to Other Agencies	\$ 153,933	\$ 5,176,979	\$ 5,330,912	\$
Total liabilities	\$ 153,933	\$ 5,176,979	\$ 5,330,912	\$
Totals				
Assets				
Pooled Cash and Investments	\$ 6,601,123	\$ 432,502,878	\$ 433,908,946	\$ 5,195,055
Accounts Receivable, Net	8,078,201	117,384,935	116,460,342	9,002,794
Interest Receivable	3,136	3,177	6,313	
Total assets	\$ 14,682,460	\$ 549,890,990	\$ 550,375,601	\$ 14,197,849
Liabilities				
Accounts Payable	\$ 1,626,039	\$ 62,317,929	\$ 61,103,257	\$ 2,840,711
Due to Other Agencies	13,056,421	364,009,561	365,708,844	11,357,138
Total liabilities	\$ 14,682,460	\$ 426,327,490	\$ 426,812,101	\$ 14,197,849

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, 2012

	ParkWise		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	873,430	889,154	15,724
Use of Money and Property	387,220	837,550	450,330
Federal Grants and Contributions			
Other Agencies			
Charges for Services	3,152,750	2,752,699	(400,051)
Contributions from Outside Sources			
Miscellaneous		795	795
Total revenues	<u>4,413,400</u>	<u>4,480,198</u>	<u>66,798</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	2,922,950	2,427,021	495,929
Operations and Development			
Non-Departmental			
Capital Outlay	62,000		62,000
Capital Projects			
Debt service -			
Principal	623,000	623,000	
Interest	756,550	691,973	64,577
Total expenditures	<u>4,364,500</u>	<u>3,741,994</u>	<u>622,506</u>
Excess (deficiency) of revenues over expenditures	<u>48,900</u>	<u>738,204</u>	<u>689,304</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>48,900</u>	<u>738,204</u>	<u>689,304</u>
Fund balances (deficits), July 1, 2011		1,522,615	1,522,615
Fund balances (deficits), June 30, 2012	<u>\$ 48,900</u>	<u>\$ 2,260,819</u>	<u>\$ 2,211,919</u>

Convention Center Fund			H.U.R.F. Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 127,214	\$ 127,214
50,000	60,829	10,829	291,280	366,740	75,460
3,405,000	3,495,205	90,205	30,625,850	30,664,959	39,109
	3,767	3,767	478,000	614,905	136,905
<u>3,455,000</u>	<u>3,559,801</u>	<u>104,801</u>	<u>700,000</u>	<u>980,634</u>	<u>280,634</u>
			<u>32,095,130</u>	<u>32,754,452</u>	<u>659,322</u>
			28,543,445	29,721,700	(1,178,255)
5,703,660	5,477,048	226,612	100,580	100,580	
3,793,780	3,793,781	(1)	72,390	68,945	3,445
	13,901	(13,901)	3,131,165	581,524	2,549,641
			475,860	476,425	(565)
<u>9,497,440</u>	<u>9,284,730</u>	<u>212,710</u>	<u>16,160</u>	<u>16,148</u>	<u>12</u>
			<u>32,339,600</u>	<u>30,965,322</u>	<u>1,374,278</u>
<u>(6,042,440)</u>	<u>(5,724,929)</u>	<u>317,511</u>	<u>(244,470)</u>	<u>1,789,130</u>	<u>2,033,600</u>
6,042,440	5,724,894	(317,546)			
<u>6,042,440</u>	<u>5,724,894</u>	<u>(317,546)</u>	<u>(11,397,840)</u>	<u>(10,578,682)</u>	<u>819,158</u>
			<u>(11,397,840)</u>	<u>(10,578,682)</u>	<u>819,158</u>
	(35)	(35)	<u>(11,642,310)</u>	<u>(8,789,552)</u>	<u>2,852,758</u>
	29,400	29,400		21,370,159	21,370,159
<u>\$</u>	<u>\$ 29,365</u>	<u>\$ 29,365</u>	<u>\$ (11,642,310)</u>	<u>\$ 12,580,607</u>	<u>\$ 24,222,917</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, 2012
(Continued)

	Civic Contribution Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	3,500	8,757	5,257
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	270,500	413,093	142,593
Miscellaneous		33	33
Total revenues	<u>274,000</u>	<u>421,883</u>	<u>147,883</u>
Expenditures:			
Current -			
Elected and Official		332	(332)
Support Services			
Neighborhood Services	661,593	414,776	246,817
Operations and Development	138,390	32,109	106,281
Non-Departmental			
Capital Outlay			
Capital Projects	1,049,012	1,025,013	23,999
Debt service -			
Principal			
Interest			
Total expenditures	<u>1,848,995</u>	<u>1,472,230</u>	<u>376,765</u>
Excess (deficiency) of revenues over expenditures	<u>(1,574,995)</u>	<u>(1,050,347)</u>	<u>524,648</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>(1,574,995)</u>	<u>(1,050,347)</u>	<u>524,648</u>
Fund balances (deficits), July 1, 2011		2,856,587	2,856,587
Fund balances (deficits), June 30, 2012	<u>\$ (1,574,995)</u>	<u>\$ 1,806,240</u>	<u>\$ 3,381,235</u>

Community Development Block Grants Fund			Miscellaneous Housing Grant Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
120,000	234,094	114,094			
11,748,570	12,858,094	1,109,524	5,418,140	4,734,096	(684,044)
<u>11,868,570</u>	<u>13,092,188</u>	<u>1,223,618</u>	<u>5,418,140</u>	<u>4,734,096</u>	<u>(684,044)</u>
9,747,520	9,748,016	(496)	4,407,792	4,734,096	(326,304)
7,000	6,826	174			
4,122,992	3,255,886	867,106			
	15,280	(15,280)			
<u>13,877,512</u>	<u>13,026,008</u>	<u>851,504</u>	<u>4,407,792</u>	<u>4,734,096</u>	<u>(326,304)</u>
<u>(2,008,942)</u>	<u>66,180</u>	<u>2,075,122</u>	<u>1,010,348</u>		<u>(1,010,348)</u>
<u>(2,008,942)</u>	<u>66,180</u>	<u>2,075,122</u>	<u>1,010,348</u>		<u>(1,010,348)</u>
	4,009,869	4,009,869		94,822	94,822
<u>\$ (2,008,942)</u>	<u>\$ 4,076,049</u>	<u>\$ 6,084,991</u>	<u>\$ 1,010,348</u>	<u>\$ 94,822</u>	<u>\$ (915,526)</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, 2012
(Continued)

Public Housing Section 8 Fund			
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions	37,349,130	37,003,655	(345,475)
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous	38,500	402,147	363,647
Total revenues	<u>37,387,630</u>	<u>37,405,802</u>	<u>18,172</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	37,808,040	38,745,397	(937,357)
Operations and Development			
Non-Departmental			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest	83,390	69,160	14,230
Total expenditures	<u>37,891,430</u>	<u>38,814,557</u>	<u>(923,127)</u>
Excess (deficiency) of revenues over expenditures	<u>(503,800)</u>	<u>(1,408,755)</u>	<u>(904,955)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>(503,800)</u>	<u>(1,408,755)</u>	<u>(904,955)</u>
Fund balances (deficits), July 1, 2011		5,332,514	5,332,514
Fund balances (deficits), June 30, 2012	<u>\$ (503,800)</u>	<u>\$ 3,923,759</u>	<u>\$ 4,427,559</u>

Public Housing HOME Program Fund			Other Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
5,471,830	5,655,637	183,807	33,974,000	18,370,531	(15,603,469)
<u>5,471,830</u>	<u>5,655,637</u>	<u>183,807</u>	<u>33,974,000</u>	<u>18,376,742</u>	<u>(15,597,258)</u>
5,332,230	5,655,637	(323,407)	3,839,650	1,923,966	1,915,684
			417,620	196,548	221,072
			10,158,043	9,450,425	707,618
			3,024,388	2,360,662	663,726
			11,275,900	4,445,141	6,830,759
<u>5,332,230</u>	<u>5,655,637</u>	<u>(323,407)</u>	<u>28,715,601</u>	<u>18,376,742</u>	<u>10,338,859</u>
<u>139,600</u>		<u>(139,600)</u>	<u>5,258,399</u>		<u>(5,258,399)</u>
<u>139,600</u>		<u>(139,600)</u>	<u>5,258,399</u>		<u>(5,258,399)</u>
				(2,392)	(2,392)
<u>\$ 139,600</u>	<u>\$</u>	<u>\$ (139,600)</u>	<u>\$ 5,258,399</u>	<u>\$ (2,392)</u>	<u>\$ (5,260,791)</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, 2012
(Concluded)

	Non-Federal Grants Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	8,406,760	4,837,313	(3,569,447)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>8,406,760</u>	<u>4,837,313</u>	<u>(3,569,447)</u>
Expenditures:			
Current -			
Elected and Official	296,310	132,748	163,562
Support Services	94,870		94,870
Neighborhood Services	5,516,580	4,617,847	898,733
Operations and Development		972	(972)
Non-Departmental			
Capital Outlay	686,380	62,899	623,481
Capital Projects	150,320	22,847	127,473
Debt service -			
Principal			
Interest			
Total expenditures	<u>6,744,460</u>	<u>4,837,313</u>	<u>1,907,147</u>
Excess (deficiency) of revenues over expenditures	<u>1,662,300</u>		<u>(1,662,300)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>1,662,300</u>		<u>(1,662,300)</u>
Fund balances (deficits), July 1, 2011			
Fund balances (deficits), June 30, 2012	<u>\$ 1,662,300</u>	<u>\$</u>	<u>\$ (1,662,300)</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 127,214	\$ 127,214
873,430	889,154	15,724
852,000	1,514,181	662,181
93,961,670	78,622,013	(15,339,657)
39,032,610	35,502,272	(3,530,338)
7,035,750	6,862,809	(172,941)
270,500	413,093	142,593
738,500	1,387,376	648,876
<u>142,764,460</u>	<u>125,318,112</u>	<u>(17,446,348)</u>
4,135,960	2,057,046	2,078,914
512,490	196,548	315,942
105,098,193	105,514,915	(416,722)
5,842,050	5,510,129	331,921
3,894,360	3,894,361	(1)
3,852,158	2,499,332	1,352,826
19,729,389	9,344,312	10,385,077
1,098,860	1,099,425	(565)
856,100	792,561	63,539
<u>145,019,560</u>	<u>130,908,629</u>	<u>14,110,931</u>
<u>(2,255,100)</u>	<u>(5,590,517)</u>	<u>(3,335,417)</u>
6,042,440	5,724,894	(317,546)
<u>(11,397,840)</u>	<u>(10,578,682)</u>	<u>819,158</u>
<u>(5,355,400)</u>	<u>(4,853,788)</u>	<u>501,612</u>
<u>(7,610,500)</u>	<u>(10,444,305)</u>	<u>(2,833,805)</u>
	35,213,574	35,213,574
<u>\$ (7,610,500)</u>	<u>\$ 24,769,269</u>	<u>\$ 32,379,769</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, 2012

	<u>Special Assessment Bond & Interest Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures	13,400	5,425	(7,975)
Use of Money and Property		7,370	7,370
Other Agencies			
Special Assessments	330,730	523,362	192,632
Total revenues	<u>344,130</u>	<u>536,157</u>	<u>192,027</u>
Expenditures:			
Debt service -			
Principal	583,000	583,000	
Interest	142,020	142,025	(5)
Fiscal Agent Fees		3,875	(3,875)
Issuance Costs of Debt			
Total expenditures	<u>725,020</u>	<u>728,900</u>	<u>(3,880)</u>
Excess (deficiency) of revenues over expenditures	<u>(380,890)</u>	<u>(192,743)</u>	<u>188,147</u>
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	<u>(380,890)</u>	<u>(192,743)</u>	<u>188,147</u>
Fund balances, July 1, 2011		2,001,981	2,001,981
Fund balances (deficits), June 30, 2012	<u>\$ (380,890)</u>	<u>\$ 1,809,238</u>	<u>\$ 2,190,128</u>

General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 25,721,550	\$ 25,471,731	\$ (249,819)
<u>25,721,550</u>	<u>25,471,731</u>	<u>(249,819)</u>
13,479,600	13,784,600	(305,000)
13,541,950	13,202,622	339,328
	4,175	(4,175)
	289,159	(289,159)
<u>27,021,550</u>	<u>27,280,556</u>	<u>(259,006)</u>
<u>(1,300,000)</u>	<u>(1,808,825)</u>	<u>(508,825)</u>
	23,060,000	23,060,000
	1,230,241	1,230,241
	<u>(24,001,082)</u>	<u>(24,001,082)</u>
	289,159	289,159
<u>(1,300,000)</u>	<u>(1,519,666)</u>	<u>(219,666)</u>
	1,101,917	1,101,917
<u>\$ (1,300,000)</u>	<u>\$ (417,749)</u>	<u>\$ 882,251</u>

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	5,159	5,159
6,480,240	6,495,103	14,863
<u>6,480,240</u>	<u>6,500,262</u>	<u>20,022</u>
12,255,000	12,255,000	
5,623,080	6,167,389	(544,309)
	800	(800)
<u>17,878,080</u>	<u>18,423,189</u>	<u>(545,109)</u>
<u>(11,397,840)</u>	<u>(11,922,927)</u>	<u>(525,087)</u>
	11,397,840	10,578,682
	10,578,682	(819,158)
<u>11,397,840</u>	<u>10,578,682</u>	<u>(819,158)</u>
	(1,344,245)	(1,344,245)
	1,343,349	1,343,349
<u>\$</u>	<u>\$ (896)</u>	<u>\$ (896)</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 25,721,550	\$ 25,471,731	\$ (249,819)
Fines and Forfeitures	13,400	5,425	(7,975)
Use of Money and Property		12,529	12,529
Other Agencies	6,480,240	6,495,103	14,863
Special Assessments	330,730	523,362	192,632
Total revenues	<u>32,545,920</u>	<u>32,508,150</u>	<u>(37,770)</u>
Expenditures:			
Debt service -			
Principal	26,317,600	26,622,600	(305,000)
Interest	19,307,050	19,512,036	(204,986)
Fiscal Agent Fees		8,850	(8,850)
Issuance Costs of Debt		289,159	(289,159)
Total expenditures	<u>45,624,650</u>	<u>46,432,645</u>	<u>(807,995)</u>
Excess (deficiency) of revenues over expenditures	<u>(13,078,730)</u>	<u>(13,924,495)</u>	<u>(845,765)</u>
Other financing sources (uses):			
Bond Issuance		23,060,000	23,060,000
Premium on Debt Issuance		1,230,241	1,230,241
Transfers In	11,397,840	10,578,682	(819,158)
Refunded Bond Escrow Agent		(24,001,082)	(24,001,082)
Total other financing sources (uses)	<u>11,397,840</u>	<u>10,867,841</u>	<u>(529,999)</u>
Change in fund balances	<u>(1,680,890)</u>	<u>(3,056,654)</u>	<u>(1,375,764)</u>
Fund balances, July 1, 2011		4,447,247	4,447,247
Fund balances (deficits), June 30, 2012	<u>\$ (1,680,890)</u>	<u>\$ 1,390,593</u>	<u>\$ 3,071,483</u>



CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012

	Capital Improvements Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		10,771	10,771
Other Agencies	18,752,050	9,180,213	(9,571,837)
Total revenues	18,752,050	9,190,984	(9,561,066)
Expenditures:			
Current -			
Support Services		613,120	(613,120)
Neighborhood Services		495,163	(495,163)
Non-Departmental	965,280	7,818	957,462
Capital Outlay	447,000	45,828	401,172
Capital Projects	34,119,640	24,927,540	9,192,100
Debt service -			
Interest	3,399,270	3,942,696	(543,426)
Total expenditures	38,931,190	30,032,165	8,899,025
Excess (deficiency) of revenues over expenditures	(20,179,140)	(20,841,181)	(662,041)
Other financing sources (uses):			
Bond Issuance			
Capital Leases	29,400,500		(29,400,500)
Transfers In			
Total other financing sources (uses)	29,400,500		(29,400,500)
Change in fund balances	9,221,360	(20,841,181)	(30,062,541)
Fund balances, July 1, 2011		36,410,902	36,410,902
Fund balances (deficits), June 30, 2012	\$ 9,221,360	\$ 15,569,721	\$ 6,348,361

2000 General Obligation Fund			Development Fee Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	10,602	10,602	4,168,600	6,435,351	2,266,751
			95,000	108,500	13,500
	<u>10,602</u>	<u>10,602</u>	<u>4,263,600</u>	<u>6,543,851</u>	<u>2,280,251</u>
	21,352	(21,352)	30,000		30,000
2,123,274	1,095,273	1,028,001	5,878,438	2,490,479	3,387,959
<u>2,123,274</u>	<u>1,116,625</u>	<u>1,006,649</u>	<u>5,908,438</u>	<u>2,490,479</u>	<u>3,417,959</u>
(2,123,274)	(1,106,023)	1,017,251	(1,644,838)	4,053,372	5,698,210
2,466,060		(2,466,060)			
<u>2,466,060</u>		<u>(2,466,060)</u>		105,695	105,695
				<u>105,695</u>	<u>105,695</u>
342,786	(1,106,023)	(1,448,809)	(1,644,838)	4,159,067	5,803,905
	3,076,631	3,076,631		24,604,625	24,604,625
<u>\$ 342,786</u>	<u>\$ 1,970,608</u>	<u>\$ 1,627,822</u>	<u>\$ (1,644,838)</u>	<u>\$ 28,763,692</u>	<u>\$ 30,408,530</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012
(Concluded)

	Regional Transportation Authority Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		225,028	225,028
Other Agencies	117,733,800	33,751,650	(83,982,150)
Total revenues	117,733,800	33,976,678	(83,757,122)
Expenditures:			
Current -			
Support Services			
Neighborhood Services	1,218,000	442,606	775,394
Non-Departmental			
Capital Outlay	3,430,300	961,891	2,468,409
Capital Projects	110,219,790	32,572,181	77,647,609
Debt service -			
Interest			
Total expenditures	114,868,090	33,976,678	80,891,412
Excess (deficiency) of revenues over expenditures	2,865,710		(2,865,710)
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Transfers In			
Total other financing sources (uses)			
Change in fund balances	2,865,710		(2,865,710)
Fund balances, July 1, 2011			
Fund balances (deficits), June 30, 2012	\$ 2,865,710	\$	\$ (2,865,710)

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 4,168,600	\$ 6,435,351	\$ 2,266,751
95,000	354,901	259,901
<u>136,485,850</u>	<u>42,931,863</u>	<u>(93,553,987)</u>
<u>140,749,450</u>	<u>49,722,115</u>	<u>(91,027,335)</u>
	613,120	(613,120)
1,248,000	959,121	288,879
965,280	7,818	957,462
3,877,300	1,007,719	2,869,581
152,341,142	61,085,473	91,255,669
<u>3,399,270</u>	<u>3,942,696</u>	<u>(543,426)</u>
<u>161,830,992</u>	<u>67,615,947</u>	<u>94,215,045</u>
<u>(21,081,542)</u>	<u>(17,893,832)</u>	<u>3,187,710</u>
2,466,060		(2,466,060)
29,400,500		(29,400,500)
	105,695	105,695
<u>31,866,560</u>	<u>105,695</u>	<u>(31,760,865)</u>
<u>10,785,018</u>	<u>(17,788,137)</u>	<u>(28,573,155)</u>
	64,092,158	64,092,158
<u>\$ 10,785,018</u>	<u>\$ 46,304,021</u>	<u>\$ 35,519,003</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, 2012

	Environmental Services		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 46,855,000	\$ 47,622,860	\$ 767,860
Miscellaneous	1,099,670	2,705,139	1,605,469
Total operating revenues	<u>47,954,670</u>	<u>50,327,999</u>	<u>2,373,329</u>
Operating expenses:			
Personal Services	16,915,330	15,556,821	1,358,509
Contractual Services	20,661,100	19,814,553	846,547
Commodities	5,982,350	5,432,193	550,157
Depreciation/Amortization	—	5,393,660	(5,393,660)
Total operating expenses	<u>43,558,780</u>	<u>46,197,227</u>	<u>(2,638,447)</u>
Operating Income (Loss)	<u>4,395,890</u>	<u>4,130,772</u>	<u>(265,118)</u>
Nonoperating revenues (expenses):			
Investment Income	14,000	74,350	60,350
Gain (Loss) on Sale of Property/Equipment	300,000	134,602	(165,398)
Federal Grants and Contributions	595,130	205,262	(389,868)
Interest Expense	(307,100)	(293,125)	13,975
Amortization of Cost Issuance	—	(32,240)	(32,240)
Total nonoperating revenues (expenses)	<u>602,030</u>	<u>88,849</u>	<u>(513,181)</u>
Income (Loss) before capital contributions and transfers	<u>4,997,920</u>	<u>4,219,621</u>	<u>(778,299)</u>
Changes in net assets	<u>\$ 4,997,920</u>	<u>4,219,621</u>	<u>\$ (778,299)</u>
Total net assets, beginning of year		(7,698,880)	
Total net assets, end of year		<u>\$ (3,479,259)</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, 2012

	Golf Course Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 6,301,940	\$ 6,093,660	\$ (208,280)
Miscellaneous Revenue		32,951	32,951
Total operating revenues	<u>6,301,940</u>	<u>6,126,611</u>	<u>(175,329)</u>
Operating expenses:			
Personal Services	3,709,320	3,300,108	409,212
Contractual Services	1,808,360	1,664,345	144,015
Commodities	1,436,570	1,259,326	177,244
Cost of Goods Sold		226,392	(226,392)
Depreciation		705,498	(705,498)
Total operating expenses	<u>6,954,250</u>	<u>7,155,669</u>	<u>(201,419)</u>
Operating income (loss)	<u>(652,310)</u>	<u>(1,029,058)</u>	<u>(376,748)</u>
Nonoperating revenues (expenses):			
Interest Expense	(175,000)	(187,564)	(12,564)
Amortization of Cost Issuance		(7,315)	(7,315)
Total nonoperating revenues (expenses)	<u>(175,000)</u>	<u>(194,879)</u>	<u>(19,879)</u>
Income (loss) before capital contributions and transfers	<u>(827,310)</u>	<u>(1,223,937)</u>	<u>(396,627)</u>
Changes in net assets	<u>\$ (827,310)</u>	<u>(1,223,937)</u>	<u>\$ (396,627)</u>
Total net assets, beginning of year		7,583,586	
Total net assets, end of year		<u>\$ 6,359,649</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, 2012

	Public Housing (AMP) Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 6,714,540	\$ 4,045,078	\$ (2,669,462)
Federal Grants and Contributions	6,626,660	6,663,829	37,169
Miscellaneous		292,070	292,070
Total operating revenues	<u>13,341,200</u>	<u>11,000,977</u>	<u>(2,340,223)</u>
Operating expenses:			
Personal Services	4,291,151	3,608,736	682,415
Contractual Services	7,973,808	5,203,701	2,770,107
Commodities	792,861	993,174	(200,313)
Depreciation/Amortization		1,256,790	(1,256,790)
Total operating expenses	<u>13,057,820</u>	<u>11,062,401</u>	<u>1,995,419</u>
Operating Income (Loss)	<u>283,380</u>	<u>(61,424)</u>	<u>(344,804)</u>
Nonoperating revenues (expenses):			
Investment Income	745,000	39,425	(705,575)
Gain (Loss) on Sale of Property/Equipment		1,525	1,525
Interest Expense			
Total nonoperating revenues (expenses)	<u>745,000</u>	<u>40,950</u>	<u>(704,050)</u>
Income (Loss) before capital contributions and transfers	<u>1,028,380</u>	<u>(20,474)</u>	<u>(1,048,854)</u>
Transfers In		287,708	287,708
Transfers Out		(965,682)	(965,682)
Changes in net assets	<u>\$ 1,028,380</u>	<u>(698,448)</u>	<u>\$ (1,726,828)</u>
Total net assets, beginning of year		31,393,362	
Total net assets, end of year		<u>\$ 30,694,914</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, 2012

	Water Utility Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 159,789,000	\$ 150,184,145	\$ (9,604,855)
Miscellaneous	1,253,000	1,625,634	(372,634)
Total operating revenues	<u>161,042,000</u>	<u>151,809,779</u>	<u>(9,977,489)</u>
Operating expenses:			
Personal Services	32,745,484	32,362,182	(383,302)
Contractual Services	55,903,060	49,644,524	(6,258,536)
Commodities	9,770,470	8,035,107	(1,735,363)
Depreciation/Amortization		28,751,290	28,751,290
Total operating expenses	<u>98,419,014</u>	<u>118,793,103</u>	<u>20,374,089</u>
Operating Income (Loss)	<u>62,622,986</u>	<u>33,016,676</u>	<u>29,606,310</u>
Nonoperating revenues (expenses):			
Investment Income	290,000	407,534	117,534
Gain (Loss) on Sale of Property/Equipment	180,000	488,957	308,957
Federal Grants and Contributions	925,430	27,399	(898,031)
Non-Grant Contributions		792,469	792,469
Interest Expense	(22,753,170)	(20,100,331)	2,652,839
Amortization of Cost Issuance		(572,623)	(572,623)
Other Nonoperating Income (Expenses)	(124,080)	(998,127)	(874,047)
Total nonoperating revenues (expenses)	<u>(21,481,820)</u>	<u>(19,954,722)</u>	<u>1,527,098</u>
Income (Loss) before capital contributions and transfers	<u>41,141,166</u>	<u>13,061,954</u>	<u>(28,079,212)</u>
Capital Contributions	3,422,000	10,188,990	6,766,990
Transfers Out		(1,600,000)	(1,600,000)
Changes in net assets	<u>\$ 44,563,166</u>	<u>21,650,944</u>	<u>\$ (22,912,222)</u>
Total net assets, beginning of year		744,824,964	
Total net assets, end of year		<u>\$ 766,475,908</u>	

**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2012**

Revenues:

Sale of Water:		
Potable Water Sales	\$	128,764,116
Reclaimed Water Sales		9,330,020
Central Arizona Project Surcharge		2,293,132
Connection Fees		1,610,790
Environmental and Sewer Billing Services		3,406,294
TCE Clean Up Reimbursement		878,517
Plan Review and Inspection Fees		381,133
Other		5,145,778

Non-Operating Income:

Impact Fees	\$	2,916,777	
Investment Earnings - Operating Fund		183,728	
Investment Earnings - Debt Service		1,499	
Federal Non-Grant Contributions (BABS)		792,469	
Proceeds from Sale of Property/Equipment		501,644	
Proceeds from Property Equipment Rental		121,556	
Total Non-Operating Income		<u>4,517,673</u>	
Total Revenues			<u>156,327,453</u>

Operation and Maintenance Expenses:

Director's Office		4,179,355	
Business Services		3,727,656	
Customer Services		7,425,991	
Water Operations		18,749,569	
Planning and Engineering		8,687,349	
Quality Management		9,690,144	
Power - Potable System		12,664,502	
Power - Reclaimed System		1,485,684	
CAP Water Purchases:			
Commodity	16,217,887		
Capital Charges	<u>3,365,668</u>		
Total CAP Water Purchases			19,583,555
General Expenses			4,009,051
Capitalized Operation and Maintenance Expense			<u>(6,935,498)</u>
Total Operation and Maintenance Expense			<u>83,267,358</u>

Net Revenue Available After Operations (2)	\$	<u>73,060,095</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, 2012**

Bond Debt Service:

Senior Liens

Interest	\$	20,946,272
Principal		18,330,000
Total Debt Service for Water Revenue Bonds		39,276,272

Junior Liens (Water Infrastructure Finance Authority)

Interest		1,280,093
Principal		2,868,854
Total Debt Service for Water Infrastructure Finance Authority		4,148,947

Combined Senior and Junior Liens

Interest		22,226,365
Principal		21,198,854
Total Debt Service		43,425,219

Net Revenue Available After Operations

Bond Debt Service for Senior Liens	\$	33,783,823
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Net Revenue Available After Operations and
Bond Debt Service for Combined Liens

	\$	29,634,876
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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 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 \$44,072,700. 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, 2012, maximum future annual debt service coverage of senior lien debt is **166%**.

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, 2012, the debt coverage on Senior Lien Annual Debt Service Requirement was **186%**

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, 2012, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is **814%**

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, 2012, is **168%**. The maximum future debt service coverage is **143%**.



City of Tucson, Arizona



STATISTICAL SECTION

Statistical Section

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

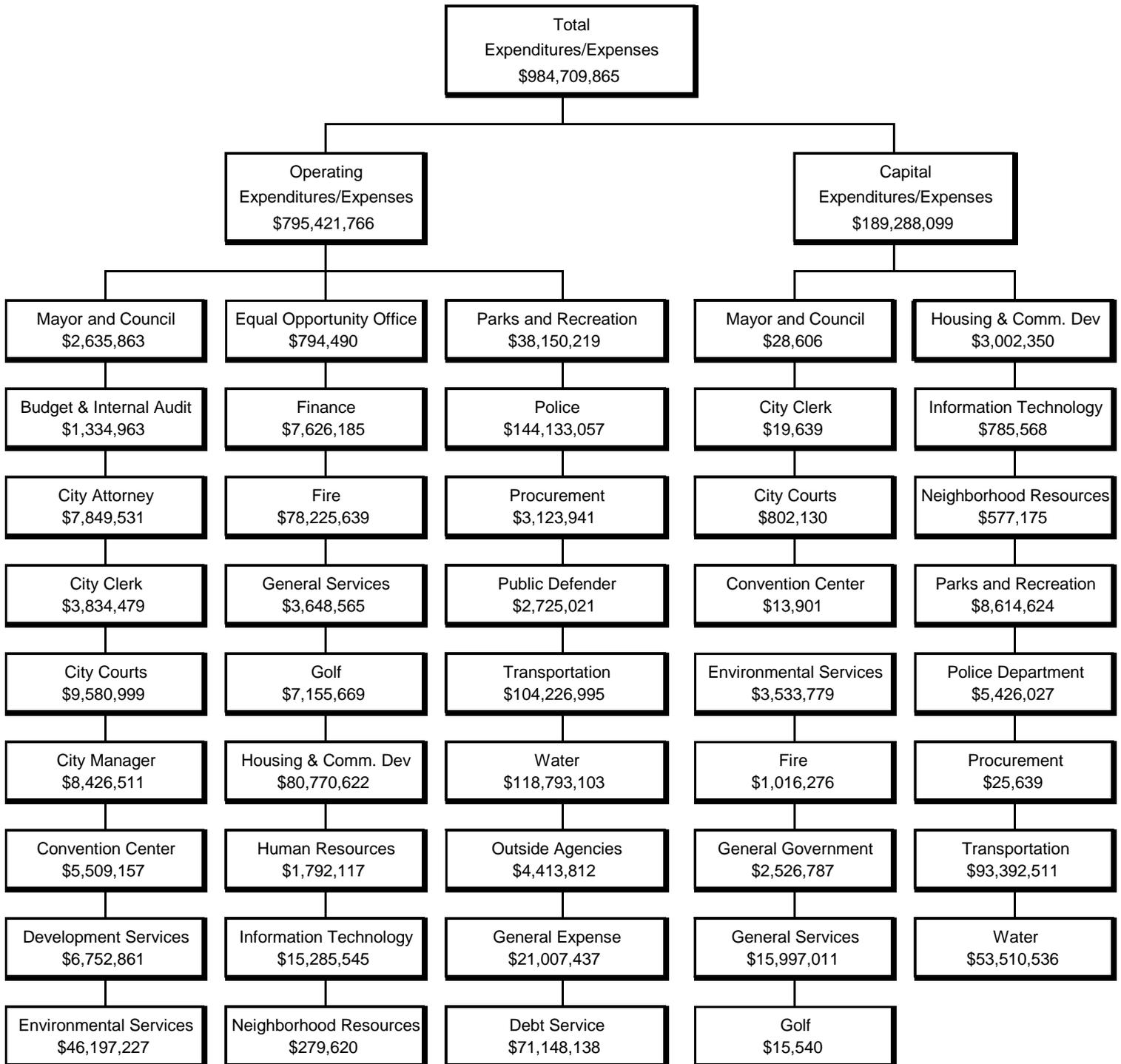
Contents

	<u>Page</u>
Financial Trends	120
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	126
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	131
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	136
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	138
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 2012

TABLE I



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

TABLE II

	Fiscal Year									
	2003(1)	2004(2)	2005	2006(3)	2007(4)	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 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	1,350,013,946
Restricted	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	118,633,469
Unrestricted	(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	33,108,497
Total Net assets	<u>1,000,171,390</u>	<u>1,088,087,778</u>	<u>1,099,169,492</u>	<u>1,157,353,173</u>	<u>1,165,071,896</u>	<u>1,209,419,396</u>	<u>1,258,979,497</u>	<u>1,348,630,075</u>	<u>1,427,570,583</u>	<u>1,501,755,912</u>
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	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	769,213,845
Restricted	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	36,339,552
Unrestricted	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)	(10,391,767)
Total Net assets	<u>586,178,497</u>	<u>559,646,121</u>	<u>575,863,343</u>	<u>566,397,280</u>	<u>663,746,899</u>	<u>661,869,195</u>	<u>723,687,503</u>	<u>736,502,913</u>	<u>761,048,840</u>	<u>795,161,630</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	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	2,119,227,791
Restricted	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	154,973,021
Unrestricted	(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)	22,716,730
Total Net assets	<u>\$ 1,586,349,887</u>	<u>1,647,733,899</u>	<u>1,675,032,835</u>	<u>1,723,750,453</u>	<u>1,828,818,795</u>	<u>1,871,288,591</u>	<u>1,982,667,000</u>	<u>2,085,132,988</u>	<u>2,188,619,423</u>	<u>2,296,917,542</u>

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

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

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

(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									
	2003	2004	2005(1)	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Elected and Official	\$ 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	22,496,102
Support Services	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	35,118,839
Neighborhood Services	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	497,892,563
Operations and Development	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	12,266,031
Strategic Initiatives	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	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	27,092,579
Interest on Long-term Debt	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	32,242,741
Fiscal Agent Fees and Other	-	32,158	46,301	74,613	43,875	41,025	327,635	801,342	1,803,136	58,676
Total Governmental Activities	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	627,167,531
Business-type Activities										
Public Housing AMP (2)						11,184,715	11,006,286	12,370,229	12,138,321	11,062,401
Non-PHA Asset Management (3)										1,120,698
Environmental Services			39,464,082	42,987,747	46,037,471	53,420,043	44,676,920	48,824,879	45,752,439	48,122,885
Golf Course	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	7,371,311
Water Utility	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	140,597,834
Total Business-type Activities	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	208,275,129
Total Primary Government Expenses	\$ 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	835,442,660
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 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	8,179,531
Recreation Fees	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	5,108,831
Paramedic Services Fees	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	7,856,194
Refuse/Landfill Fees (1)	10,025,000	15,159,517								
Transit Fees	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	14,315,113
Other Charges for Service	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	65,894,543
Operating Grants & Contributions	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	118,671,770
Capital Grants and Contributions	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	122,030,260
Total Governmental Activities Program Revenues	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	342,056,242
Business-type Activities:										
Charge for Services:										
Public Housing AMP (2)						7,415,970	3,454,415	3,575,243	3,894,804	4,337,148
Non-PHA Asset Management (3)										728,920
Environmental Services (1)			35,506,968	39,809,587	42,960,815	42,533,898	43,888,522	40,998,260	48,442,224	50,327,999
Water	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	151,809,779
Golf	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	6,126,611
Operating Grants and Contributions							6,761,845	7,762,635	6,769,831	6,876,004
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	11,214,120
Total Business-type Activities Program Revenues	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	231,420,581
Total Primary Government Program Revenues	\$ 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	573,476,823

	Fiscal Year									
	2003	2004	2005(1)	2006	2007	2008	2009	2010	2011	2012
Net (Expenses) Revenue										
Governmental Activities	\$ (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)	(285,111,289)
Business-type Activities	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	23,145,452
Total Primary Government Net Expense	\$ (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)	(261,965,837)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$ 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	39,869,881
Business Privilege Taxes	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	182,474,594
Public Utility Taxes	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	22,175,162
Transient Occupancy Taxes	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	12,411,247
Occupational Taxes	2,115,000	2,049,759	2,098,216	2,044,040	2,124,410	881,679	86,868	127,851	86,091	84,690
Liquor Taxes	731,000	713,674	740,742	721,117	731,380	670,480	702,523	732,622	760,615	743,322
Unrestricted Grants and Contributions	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	105,988,454
Investment Income (Loss)	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	916,820
Contributions to Term and Permanent Endowments										
Miscellaneous	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	3,860,699
Transfers			(3,971,822)	59,894	(410,991)	(783,799)	(1,031,319)	(5,094,077)	1,618,501	(9,228,249)
Total Governmental Activities	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	359,296,620
Business-type Activities:										
Unrestricted Grants and Contributions										
Investment Income (Loss)	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	1,739,089
Miscellaneous	211,000									
Transfers			3,971,822	(59,894)	410,991	783,799	1,031,319	5,094,077	(1,618,501)	9,228,249
Total Business-type Activities	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	10,967,338
Total Primary Government	\$ 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	370,263,958
Change in Net Assets										
Governmental Activities	\$ 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	74,185,331
Business-type Activities	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	34,112,790
Total Primary Government	\$ 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	108,298,121

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.

(3) This fund is used to manage non-public housing assets that were moved from governmental funds.

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

TABLE IV

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010(1)	2011	2012
General Fund										
Reserved	\$ 51,966,000	50,316,501	54,991,632	101,993,894	116,841,230	26,948,312	22,727,163			
Unreserved	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	2,736,679
Restricted								4,288,438	5,477,328	4,875,762
Committed								5,412,146	28,162,175	28,074,273
Assigned								11,523,823	13,264,761	18,056,275
Unassigned								22,836,507	11,107,980	8,668,230
Total General Fund	\$ 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	62,411,219
All Other Governmental Funds										
Reserved	\$ 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	18,738,000	20,146,697	9,331,994	4,648,468	(487,809)	(11,863,316)	1,099,433			
Capital Project Funds	1,642,000	173,256	(3,680,590)	(3,140,518)	(2,508,873)	(528,205)				
Debt Service Funds										
Total Unreserved	20,380,000	20,319,953	5,651,404	1,507,950	(2,996,682)	(12,391,521)	1,099,433			
Nonspendable								5,014,035	4,186,004	
Restricted								68,556,717	85,453,622	59,880,453
Committed								3,284,544	3,360,321	3,142,812
Assigned								13,779,239	18,901,488	9,861,655
Unassigned								(1,540,527)	(177,479)	(421,037)
Total All Other Governmental Funds	\$ 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	72,463,883

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Tax Revenues										
Property Taxes	\$ 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	12,048,032
Public Utility Taxes	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	22,175,162
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	5,229,898
Business Privilege Taxes (1)	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	176,758,407
Transient Occupancy Taxes	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	8,881,638
Other Taxes	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	4,704,477
Total Tax Revenues	\$ 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	229,797,614
Other Agency Revenues										
Auto Lieu Taxes - State	\$ 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	19,743,016
Sales Tax - State	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	40,807,325
Urban Revenue Sharing - State	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	45,438,112
Contributions and Agency Billings (2)	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	4,855,284
Total Other Agency Revenue	\$ 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	110,843,737

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

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

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

TABLE VI

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 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	255,269,345
Licenses and Permits	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	22,566,668
Fines and Forfeitures	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	13,845,465
Developer Fees				8,585,307	6,985,561	5,936,592	6,782,474	3,617,096	4,923,737	6,435,351
Use of Money and Property	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	2,822,212
Federal Grants and Contributions	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	130,698,957
Other Agencies	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	205,536,890
Charges for Services	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	59,580,884
Special Assessments	1,559,000	684,162	863,322	1,337,976	873,801	1,712,882	1,155,596	652,683	598,613	523,362
Miscellaneous	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	3,162,594
Total Revenues	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	700,441,728
Expenditures										
Current										
Elected and Official	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	22,745,526
Support Services	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	32,198,197
Neighborhood Services	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	446,212,801
Environment and Development	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	12,266,031
Strategic Initiatives	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	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	26,530,390
Capital Outlay	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	16,464,806
Capital Projects	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	105,148,263
Debt Service										
Principal	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	38,542,247
Interest	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	31,471,681
Fiscal Agent Fees	1,213,000	32,158	46,301	74,613	43,875	41,025	49,197	209,780	31,250	40,800
Issuance Cost of Debt	27,000	783,501	2,363,772	1,334,278	1,512,249		1,183,612	422,079	1,774,291	1,093,410
Total Expenditures	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	732,714,152
Excess of Revenues										
Over (Under) Expenditures	\$ (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)	(32,272,424)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Bond Issuance	\$ 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	23,060,000
Capital Leases	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	24,280,000
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	3,624,218
Proceeds from Sale of Real Property										
Refunded Bond Escrow Agent	(107,773,000)	(45,479)	(92,443,595)		(65,418,781)		(28,778,672)	(24,964,377)	(21,992,814)	(50,175,809)
Discount on Issuance of Debt		(143,281)					(275,753)		(252,090)	
Transfers In	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	55,836,769
Transfers Out	(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)	(54,626,769)
Total Other Financing Sources (Uses)	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	1,998,409
Contributions to Permanent or Term Endowments										
Net Change in Fund Balances	\$ (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	(30,274,015)
Debt Service as a % of Noncapital Expenditures (1)	8.2%	8.6%	8.0%	8.7%	9.6%	10.1%	8.8%	9.3%	8.5%	11.5%

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	2012
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	941,807,810
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	215,818,961
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	32,892,593
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	787,627,347
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	44,896,694
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	885,860,501
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	652,967,710
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	4,096,602,667
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	850,334,642
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	1,201,211
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	8,510,010,136
City's Tax Rate	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

Notes: (1) The utility activity is split into three categories with different tax rates: utility tax, 2%; public utility tax, 4%; and utility right-of-way tax, 1.5%. The public utility tax is assessed against both the utility and communication activities net of any franchise tax. In fiscal year 2012, the calculation of the utility revenue base was changed because the various tax rates apply to the same revenue base. In previous years an average rate was used, which resulted in using a calculated revenue base.

**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 (1)</u>	<u>County's Rate - RTA (2)</u>
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%
2012	2.0%	6.6%	0.5%

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

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

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

TABLE IX

<u>Business Sector</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2012</u>	
	<u>Tax Paid</u>	<u>% of Total</u>	<u>Tax Paid</u>	<u>% of Total</u>
Utility	\$ 19,377,937	11.1%	\$ 37,202,033	18.1%
Communications	6,930,606	4.0%	4,553,554	2.2%
Publishing & Printing	1,095,575	0.6%	1,015,550	0.5%
Restaurants	15,011,123	8.6%	19,922,954	9.7%
Amusements	1,049,558	0.6%	1,697,692	0.8%
Rentals	21,705,274	12.4%	19,704,220	9.6%
Contracting	15,361,137	8.8%	14,915,198	7.3%
Retail	94,376,152	54.0%	101,242,786	49.3%
Use Tax (2)		0.0%	5,137,076	2.5%
Other Activities	14,238	0.0%	41,021	0.0%
Total (3)	\$ <u>174,921,600</u>	<u>100%</u>	\$ <u>205,432,084</u>	<u>100.0%</u>

Notes: (1) Fiscal year 2003 is the first historical year where information is available.

(2) Collection of Use Tax started in Fiscal Year 2004

(3) Total does not include refunds and other reductions.

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	
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
2012	209,071,010	110,280,000		238,376,000	2,469,000	1,660,877	16,458,000	578,314,887

Fiscal Year	Business-type Activities							
	Water System Revenue Bonds	General Obligation Bonds (1)	Capital Leases	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personnel Income (2)	Per Capita (2)
2003	333,665,000			4,625,000	338,290,000	801,187,000	3.26%	1,552.03
2004	364,700,666		850,000	4,625,000	370,175,666	853,740,801	3.23%	1,645.36
2005	388,324,735	42,386,887	3,049,416	4,320,000	438,081,038	939,805,099	3.26%	1,801.76
2006	383,337,014	42,386,887	6,787,833	5,495,000	438,006,734	984,558,785	3.19%	1,820.71
2007	411,342,495	45,835,796	7,096,351	5,080,000	469,354,642	1,040,536,757	3.14%	1,922.89
2008	436,255,222	45,515,223	7,687,215	4,645,000	494,102,660	1,044,245,991	3.18%	1,919.71
2009	459,874,394		5,028,084	14,529,000	479,431,478	1,074,269,135	3.07%	1,968.07
2010	483,682,203		2,738,197	14,529,000	500,949,400	1,069,911,210	3.04%	1,937.38
2011	495,852,215		1,261,542	14,529,000	511,642,757	1,127,779,591	3.06%	2,165.50
2012	511,581,211		517,185	14,429,000	526,527,396	1,104,842,283	3.00%	2,121.45

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

(1) Debt service is paid and bond liability reported in the Environmental Services Enterprise Fund. A restatement was done in FY 2009.

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

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
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
2012	209,071,010		209,071,010	26,361,320,625	0.79%	399.89

Source: Estimated net full cash value is from the Water System Revenue Obligations Series 2012

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, 2012

TABLE XII

<u>Overlapping Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt (2)</u>
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 452,750,000	42.87%	\$ 194,093,925
Pima Community College District	5,100,000	42.87%	2,186,370
Drexel Heights Fire District	3,380,000	94.69%	3,200,522
Tucson Unified School District No. 1	255,905,000	76.85%	196,662,993
Flowing Wells Unified School District No. 8	23,945,000	6.23%	1,491,774
Amphitheater Unified School District No. 10	95,635,000	16.35%	15,636,323
Sunnyside Unified School District No. 12	13,745,000	76.88%	10,567,156
Tanque Verde Unified School District No. 13	13,790,000	1.36%	187,544
Vail Unified School District No. 20	49,550,000	40.05%	19,844,775
Sahuarita Unified School District No. 30	47,805,000	0.27%	129,074
Other Debt (1)			
Pima County Capital Leases	4,400,000	42.87%	1,886,280
Pima Community College District Capital Leases	3,615,000	42.87%	1,549,751
Tucson Unified School District No. 1 Capital Leases	5,087,495	76.85%	3,909,740
Flowing Wells Unified School District No. 8 Capital Leases	145,010	6.23%	9,034
Sunnyside Unified School District No. 12 Capital Leases	22,366	76.88%	17,195
Vail Unified School District No. 20 Capital Leases	374,186	40.05%	149,861
Subtotal, Overlapping Debt			451,522,317
City of Tucson, Arizona Direct Debt			578,314,887
Total Direct and Overlapping Debt			<u>\$ 1,029,837,204</u>

Source: State Report of Indebtedness and Official Statement Dated June 2011, Water System Revenue Obligation Series 2012

Notes: (1) Outstanding Other Debt is as of Fiscal Year 2011.

(2) Proportion applicable to the City is computed on a ratio of secondary assessed valuation of the overlapping entity within the City to the amount of the total secondary assessed valuation of the City.

CITY OF TUCSON
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary Tax Rate (1)	\$ 0.2089	0.2089	0.3531	0.3469	0.3411	0.3296	0.3231	0.3144	0.3289	0.4297
Secondary Tax Rate	0.9113	0.9480	0.8316	0.8895	0.8846	0.8025	0.6370	0.6200	0.6261	0.7324
Total Property Tax Rate (2)	\$ 1.1202	1.1569	1.1847	1.2364	1.2257	1.1321	0.9601	0.9344	0.9550	1.1621
Secondary Assessed Value	\$ 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	3,377,401,416
6% Limitation (3)	136,124,000	145,627,256	153,493,871	163,374,951	180,973,846	209,515,596	233,734,914	231,759,325	210,076,018	202,644,084
Less: Direct G.O. Bonds Outstanding	84,671,460	82,446,460	60,988,460	51,333,460	20,715,000	9,145,000	660,000	0	0	0
Legal Debt Margin	\$ 51,452,540	63,180,796	92,505,411	112,041,491	160,258,846	200,370,596	233,074,914	231,759,325	210,076,018	202,644,084
Legal Debt Margin as a Percentage of the Debt Limit	37.80%	43.39%	60.27%	68.58%	88.55%	95.64%	99.72%	100.00%	100.00%	100.00%
20% Limitation (3)	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	675,480,283
Less: Direct G.O. Bonds Outstanding	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	209,071,010
Legal Debt Margin	\$ 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	466,409,273
Legal Debt Margin as a Percentage of the Debt Limit	59.82%	60.55%	55.01%	57.74%	56.47%	62.78%	67.47%	69.15%	71.59%	69.05%

Notes: (1) Starting in FY 2011, the primary rate includes a rate for Involuntary Tort Judgements authorized under Arizona Administrative Code Regulation 15-12-202.

(2) 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.

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

CITY OF TUCSON
Pledged Revenue Coverage
For the Last 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 (1)
				Principal	Interest	Principal	Interest		
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
2012	156,327,453	83,267,358	73,060,095	21,198,854	22,226,365	18,330,000	20,946,272	1.68	1.86

Special Assessments					Highway User Fees (HURF)					
Fiscal Year	Special Assessments Collections	Debt Service			Coverage	HURF Revenues	Debt Service			Coverage
		Principal	Interest	Coverage			Principal	Interest	Coverage	
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	40,018,318		5,941,298	6.74		
2012	536,157	583,000	142,025	0.74	37,160,062	12,255,000	6,167,389	2.02		

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.

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

**City of Tucson
Demographic and Economic Statistics,
Last Ten Fiscal Years**

TABLE XV

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2012	522,815	36,864,000,000	70,511	7.2%

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

CITY OF TUCSON
Principal Employers
Current Year and Ten Years Ago

TABLE XVI

Employer	2003		Employer	2012	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
U.S. Army Intelligence Center & Fort Huachuca	11,580	3.35%	University of Arizona	11,604	3.27%
University of Arizona	11,335	3.28%	Raytheon	11,500	3.24%
Raytheon	10,200	2.95%	U.S. Army Intelligence Center & Fort Huachuca	9,039	2.55%
Davis-Monthan Air Force Base	9,947	2.88%	Davis-Monthan Air Force Base	8,215	2.32%
State of Arizona	9,732	2.82%	Pima County	8,132	2.29%
Tucson Unified School District	8,234	2.39%	Wal-Mart Stores, Inc.	7,900	2.23%
Pima County	7,135	2.07%	Tucson Unified School District	6,739	1.90%
City of Tucson	6,168	1.79%	Freeport-McMoRan Copper & Gold Inc.	4,800	1.35%
Wal-Mart Stores, Inc.	4,000	1.16%	Tohono O'Odham Nation	4,679	1.32%
Phelps Dodge Corp	3,348	0.97%	Carondelet Health Services	4,566	1.29%
Total	81,679	23.66%	Total	77,174	21.76%

Source: City of Tucson Certificates of Participation, Taxable Series 2011
 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elected and Official	228.25	235.75	215.00	234.50	223.50	253.50	250.00	247.50	214.50	207.50
Neighborhood Services	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	2,413.75
Operations and Development	795.00	799.00	1,098.50	578.00	564.50	577.50	563.50	456.00	450.00	1,159.25
Strategic Initiatives	85.50	78.75	93.25	93.75	63.75	63.75	63.75	63.75		
Support Services	729.66	699.71	720.71	720.71	724.71	702.16	702.16	676.66	644.50	303.00
Non-Departmental	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	241.00
Utility Services-Water	590.00	589.00	576.00	571.00	573.00	578.00	580.00	568.00	556.00	556.00
Golf	153.75	154.75	154.75	154.75	154.75	154.75	154.75	154.75	145.25	63.75
Total	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	4,944.25

Source: Adopted Budget - Volume I

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

TABLE XVIII

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police Facilities	8	8	8	8	8	8	9	9	13	13
Fire Stations	18	18	20	20	20	21	21	21	21	21
Parks & Recreation										
Recreation/Regional Centers	17	17	19	18	18	18	18	18	18	18
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	127	127	125	136	136	142	142	142	142	142
Playfields	195	195	182	231	231	231	231	231	231	231
Swimming Pools	26	26	27	27	27	27	27	27	27	27
Transportation										
Residential (Miles)	1,315	1,347	1,355	1,355	1,378	1,378	1,384	1,384	1,384	1,604
Collectors (Miles)	101	101	101	101	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287	287	287	287	316
Interstate (Miles)	80	80	80	80	80	80	80	80	80	80
Transit										
Buses (Active Fleet)	194	189	189	189	196	203	230	241	240	237
Water										
Operable Wells	212	216	223	212	212	216	216	214	221	226
Miles of Water Mains	4,275	4,300	4,480	4,561	4,617	4,437	4,683	4,454	4,620	4,687

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XIX

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Number of Construction Permits (Residential and Commerical)	5,195	5,824	5,545	6,531	5,187	3,994	2,802	2,921	2,984	2,430
Permit Revenue	\$6,571,906	\$8,100,556	\$10,575,412	\$12,965,191	\$10,728,891	\$10,509,526	\$7,227,251	\$6,769,166	\$8,278,724	\$8,179,531
Police										
Calls for Service	344,223	373,509	349,220	337,224	346,836	345,395	327,882	296,316	299,191	305,662
Calls for Service per Capita	0.67	0.72	0.67	0.62	0.64	0.62	0.60	0.54	0.57	0.56
Part I Crimes (% Cleared) (1)	13.90%	13.72%	14.04%	16.30%	16.97%	19.39%	18.41%	20.43%	17.04%	17.13%
Part II Crimes (% Cleared) (1)	87.24%	87.93%	71.60%	89.05%	86.07%	94.14%	94.27%	97.90%	100.00%	93.02%
Fire										
Emergency Responses	67,151	68,487	69,667	71,843	76,567	79,940	79,380	77,800	79,721	80,236
Inspections	2,828	2,991	3,200	2,801	2,644	3,028	7,825	8,712	8,301	8,319
Parks & Recreation										
KIDCO Registration	5,325	4,640	7,824	8,273	6,851	4,423	2,967	2,947	3,710	4,161
Class Enrollment-Other than KIDCO	23,670	30,023	35,153	35,703	19,681	10,531	19,865	7,412	18,304	19,418
Facility Rental	11,620	12,200	12,194	13,095	14,197	14,215	14,021	13,032	11,509	11,734
Zoo Visitors	385,933	376,535	434,252	439,380	467,108	504,528	529,010	514,269	524,701	585,583
Environmental Services										
Landfill Tons of Waste Collected	506,372	547,270	597,576	638,550	690,215	631,465	487,144	412,950	435,864	453,400
Tons of Material Recycled	43,655	46,489	47,608	46,034	46,918	46,096	44,480	44,622	43,534	39,000
Water										
Average Total Monthly Connections										
Potable	204,701	211,466	215,785	220,571	225,048	224,129	228,157	224,562	222,736	223,139
Reclaimed	670	763	868	950	993	1,086	1,053	1,061	1,087	1,087
New Connections										
Potable	5,493	6,177	4,069	4,846	3,880	2,295	1,064	1,064	1,127	1,018
Reclaimed	113	89	99	48	55	15	17	17	0	0
Water Sales (1000 ccf)										
Potable	47,274	47,974	47,251	49,536	46,366	46,590	44,443	43,668	42,885	41,433
Reclaimed	4,638	5,197	5,003	5,998	5,848	6,617	7,151	6,913	6,872	6,285
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	6	7	8	10	10	2 to 4 weeks	4 to 6 weeks	4 to 6 weeks	4 to 6 weeks	42
The % of Lane Miles Assessed as Satisfactory or Better	76.6%	73.4%	87.9%	85.0%	79%	80%	81%	81%	67%	43
Traffic Signal Expenditure per Repair	\$77.24	\$81.31	\$85.59	\$89.56	\$95.00	\$250.00	\$486.00	\$516.00	\$567.00	\$700.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$4.73	\$5.00	\$5.28	\$5.67	\$5.91	\$6.02	\$6.44	\$6.23	\$5.78	\$6.89
Sun Tran's Operating Expenses per Passenger Mile	\$0.55	\$0.58	\$0.63	\$0.63	\$0.53	\$0.68	\$0.59	\$0.69	\$0.74	\$0.70

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.



City of Tucson, Arizona

