

CITY OF TUCSON, ARIZONA

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Comprehensive Annual Financial Report

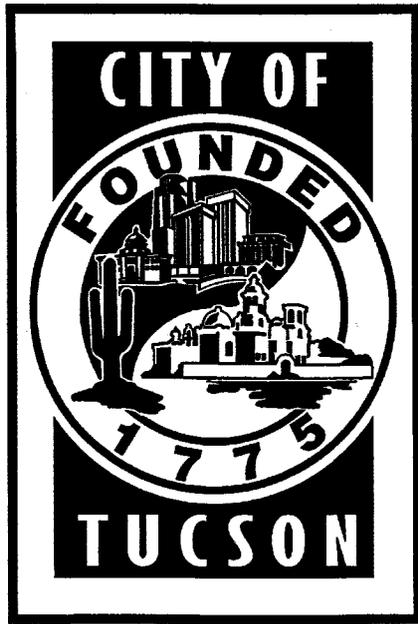
Fiscal Year July 1, 2012 - June 30, 2013



City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013



Prepared by: The Department of Finance,
Accounting Division



CITY OF TUCSON, ARIZONA



Introduction

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For the Year Ended June 30, 2013

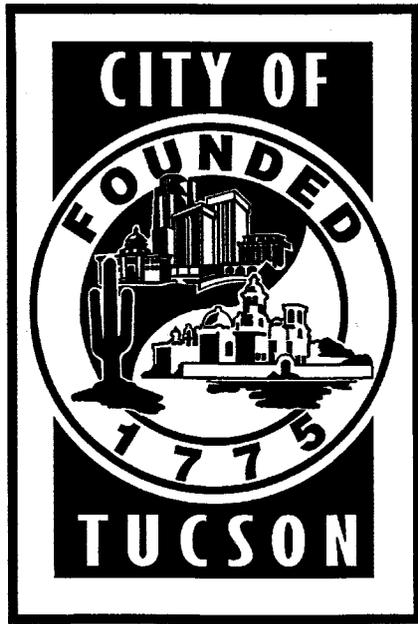
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CITY OF
TUCSON
OFFICE OF THE
CITY MANAGER

December 13, 2013

Honorable Mayor and Council Members 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, 2013, 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 auditor's 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*. The Single Audit report is published separately from this report and is available upon request.

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. Tucson is Southern Arizona's largest city and the second largest city in the State of Arizona. It is located

100 miles southeast of Phoenix and 60 miles north of the U.S.–Mexico border. 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. The City's current limitation amount includes two voter approved increases to the base. In November 1981, the voters passed an \$800,000 increase and in November 1987, the voters approved a \$46.9 million permanent base increase to the base limitation. A new permanent adjustment of \$50 million was approved by voters during the November 2013 election. This will be effective for fiscal year 2015.

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, Public Safety/Neighborhood Services, Operations and Development, Support Services, Non-Departmental, and Pension Services. 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.

Financial Policies

The City has adopted a comprehensive set of financial policies that incorporate a wide range of topics including fiscal and financial planning, budgetary planning, capital management, expenditure control, fund balance, revenues and collections, cash management and investments, reporting, and debt management. 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 2.9% of general fund revenues and the committed fund balance for the stabilization fund is 5.2%. Mayor and Council and City management are working to meet the established goals.

Assessing Economic Condition

As a region, the Intermountain West Metropolitan Region (Region)¹ has continued its steady economic recovery in step with the rest of the country. Within the Region, Tucson’s economic recovery continues to be steady and ranks in the middle when comparing employment, unemployment, output, and housing prices with other cities in the Region. Employment in Tucson remained flat with construction showing job gains due to a rebound in housing construction. Tucson’s unemployment rate fell steadily over the past year to 7.0% which ranks solidly below the national average of 7.4%.

Tucson’s gross metropolitan product or output accelerated throughout the year, which led the Region and the nation. Although output growth has shown steady improvement, it is still 2.4% below pre-recession levels. The Region’s home price increases beat the national averages for most of the year. Tucson ranked among the top performers in the Region, but slowed over the last two quarters of the year. Tucson is still far below its pre-recession pricing levels.

The improving economy is having a positive impact on the general fund’s major revenue sources. The City’s sales tax revenue, which represents 40.4% of general fund revenues, increased 3% or \$6.1 million over fiscal year 2012. State shared sales tax revenue, which represents about 9.3% of general fund revenues, increased 4.8% or \$1.9 million and Shared State income tax increased 1.9% or \$8.5 million over fiscal year 2012. Fiscal year 2013 City sales tax and State shared sales tax were 10% and 15%, respectively, below 2007 levels and State shared income tax was 30% below fiscal year 2009 (2007 revenue collections) levels.

Long-Term Planning

The long-term outlook for the Tucson economy is very positive. According to the University of Arizona Eller College of Management Arizona’s Economy Economic and Business Research Center personal income increases are projected to average about 6.7%, population increases about 1.4%, employment increases about 2.3%, and projected retail sales increases about 4.1% per year over the next 5 years.

Based on moderate revenue growth for fiscal year 2014, City sales tax and state shared sales tax are projected to increase 3.4% and 4.2%, respectively, over fiscal year 2013 budget. State shared income tax revenues, which are based on the 2011 tax year, will increase by 9% over the prior year budget. Though revenues are rising, the City still has not recovered the revenue levels from fiscal year 2007.

¹ To provide context to assessing the economic condition, the City of Tucson is included in the Intermountain West Metropolitan area for comparison purposes, which includes Albuquerque NM, Boise ID, Colorado Springs CO, Denver CO, Las Vegas NV, Ogden UT, Phoenix, AZ, and Provo UT.

While fiscal year 2014 recurring revenues are projected to increase by about 4%, expenditures are projected to increase by 7%. This imbalance is tied to increases in salaries, overtime, public safety pension costs, technology needs, election costs and mass transit costs. Since current 5-year projections show a strong potential for this imbalance to continue, management will work with Mayor and Council to implement a sustainable blend of revenues and cost-decreasing initiatives.

The City has used many strategies to address with these budget challenges; some resulted in options that are not sustainable in the long run. One new approach that will be started for fiscal year 2015 for the general fund, highway user fund and the internal service funds is Priority-Driven Budgeting. This strategy will focus on the revenues we have and using them in the most productive way. An inventory of programs and services will be developed by City staff and prioritized. The prioritized list of programs will be the basis of the City Manager's recommended budget. The final budget is adopted by Mayor and Council. The goal is to provide services that the City can afford with cost structures and business practices that are prudent for the long-term.

Tucson voters approved Plan Tucson, the City's General and Sustainability Plan. Plan Tucson is a long-term policy document intended to provide a vision and future direction for the City in areas such as economic development, housing, water, historic preservation, transportation, and land use. Plan Tucson will provide the basis of an Annual Work Program. The Annual Work Program will establish Mayor and Council priorities for intermediate (1-3 years) objectives on which City government will focus. Once established, these priorities will form the development of the Operating and Capital Budgets and the allocation of resources on an annual basis.

The City is subject to the State-imposed expenditure limitation that limits the amount of money the City is allowed to spend during a fiscal budget year. By the budget year that begins July 1, 2015, the City's actual revenues are anticipated to exceed its current spending limit as calculated under the State-imposed limit. This could restrict the City's ability to spend these revenues on needed City services and infrastructure. This November, the voters approved the permanent base increase to allow the City to continue to provide the services it currently provides to its residents by adjusting its spending limit to accommodate the revenues the City is actually receiving.

Major Initiatives

The City of Tucson has a renewed focus on economic development, including investment in the streetcar and downtown development, establishment of 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. Since the beginning of the streetcar project over 500 construction jobs have been created, over 1,500 new housing units started, new restaurant, bars and cafes started along the route, and about \$800 million invested from the private sector.

Annexation continues to be 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 City of Tucson Environmental Services (ES) department unveiled the first trash and recycling collection vehicles powered by compressed natural gas (CNG) in the City. At a time when fleets are scrambling to keep up with the cost of petroleum, maintenance, and the rising cost of keeping vehicles on the road, ES is committed to converting its diesel fueled fleet to a sustainable, cleaner, and money-saving alternative fuel. By the end of fiscal year 2014, ES will purchase 28 CNG power collection trucks and will convert 90% of its fleet within five years. The benefits will be lower fuel costs, lower maintenance costs, and reduced carbon emissions and noise pollution.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2012. 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 31 consecutive years (fiscal years ended 1982 through 2012). We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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.

Patrick Riesen	Kayci Cagle	Colin Rinne	Linda Guerrero
Matt Hawk	Guy Kuawu	David Roels	Susan Spiess
Valerie Sparks	Claudia Aguero		

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 staff in other City departments for providing data to prepare this report.

Respectfully submitted,



Kelly Gottschalk, CPA
Chief Financial Officer
Assistant City Manager

KG:MM:jlw



City of Tucson Officials

As of June 30, 2013

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

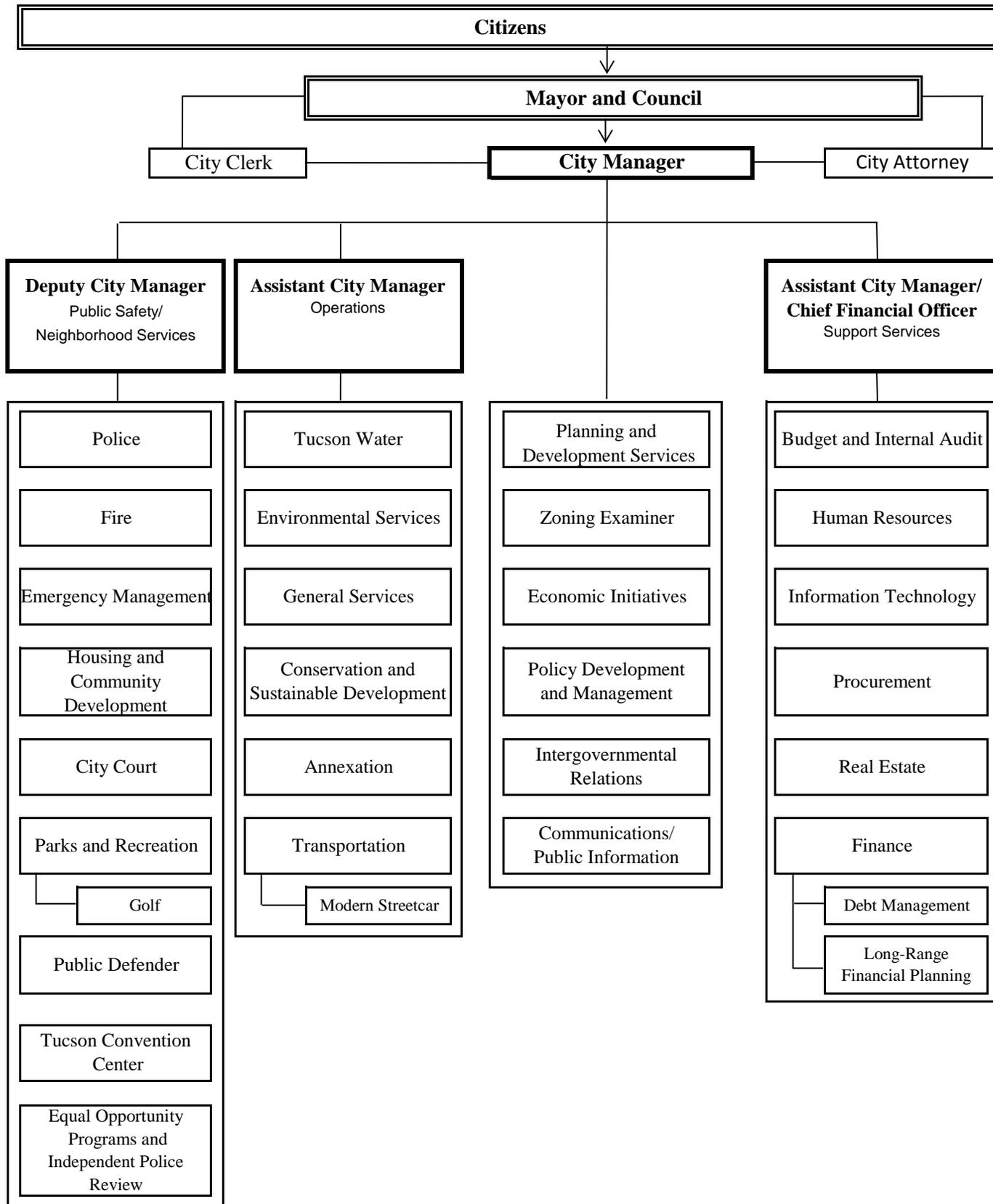
KELLY GOTTSCHALK
Assistant City Manager/
Chief Financial Officer

SILVIA AMPARANO
Interim Finance Director

MICHAEL MASON
Finance Administrator



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2013**





Government Finance Officers
Association

**Certificate of
Achievement
for
Excellence in
Financial
Reporting**

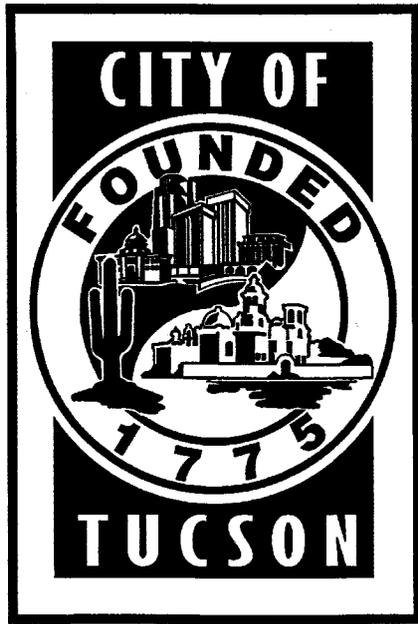
Presented to

**City of Tucson
Arizona**

For its Comprehensive
Annual Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



CITY OF TUCSON, ARIZONA



Financial Section



CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
Tucson, Arizona

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 18 to the basic financial statements, in 2013 the City adopted GASB Statement No. 65, (*Items Previously Reported as Assets and Liabilities*). Our opinion is not modified with respect to these matters.



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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and budgetary comparison information on pages 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tucson, Arizona'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 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 basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tucson, Arizona
December 13, 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, 2013

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, 2013. 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

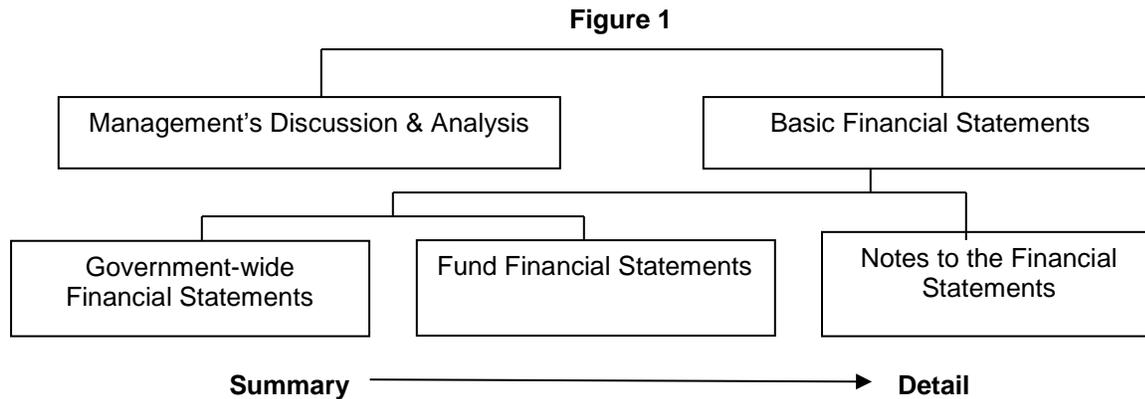
The City's financial position improved over last fiscal year due primarily to the business-type activities. The highlights are explained below:

- At fiscal year end, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$2.4 billion—reported as net position. Assets and deferred outflows totaled \$3.9 billion while liabilities and deferred inflows were \$1.5 billion.
- Total net position increased by \$131.2 million over last fiscal year. Governmental activities increased \$97.6 million, while business-type activities increased \$33.6 million. The net investment in capital assets increased \$119.1 million and restricted net position increased \$24.7 million. For the business-type activities, net investment in capital assets increased \$18.9 million and the unrestricted deficit improved with a decrease of \$13.1 million. For governmental activities, net investment in capital increased \$100.2 million, Restricted increased \$23.1 million, and unrestricted decreased \$25.7 million.
- The pooled cash and investments for the governmental and business-type activities both increased \$9.4 million each.
- The City's governmental funds reported a combined fund balance of \$150.1 million, an increase of \$7.9 million from last fiscal year. The General Fund fund balance decreased \$8.0 million and the Non-Major fund balance increased \$16.1 million.
- The General Fund reported a fund balance of \$54.4 million, which represents an \$8.0 million decrease over last fiscal year. The non-spendable fund balance increased \$5.1, the assigned fund balance decreased \$16.4 million and the unassigned fund balance increased \$4.1 million over last fiscal year.
- The City implemented two Governmental Accounting Standard Board pronouncements that required the restatement of beginning net position for fiscal year 2012, which decreased Governmental activities net position by \$7.8 million and business-type activities by \$4.5 million. See Note 18 for additional information.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

Required Components of Annual Financial Report



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 Position 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 to fully understand the statements.

Basic Financial Statements

The Basic Financial Statements section contains two types of statements that present financial data in different manners. 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 budgetary analysis for the major governmental funds. 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 for individual funds.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position (pg. 17) includes all of the government's assets, deferred outflows, liabilities and deferred inflows. The Statement of Activities (pg. 18) includes all revenues and expenses regardless of when cash is received or dispersed. These two statements report the City's net position and its change during the fiscal year. Net position, the residual amount of assets and deferred outflows less liabilities and deferred inflows, is one way to measure financial health. An increase of net position shows financial improvement, while a decrease indicates financial decline.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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, customer service fees, grants and contributions from agencies 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, Tucson Golf Enterprise, Non-Public Housing Asset (PHA) Management, 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 groups of related accounts used to maintain control over resources that have been segregated for specific activities or purposes. The funds have 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.

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. 20-23)* 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 fund 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.24-27)* report 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 adhere to the full accrual basis of accounting standards, the total enterprise column on the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* for proprietary funds 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. 28-29)* represent funds for which the City acts as a trustee. Like the proprietary funds, they follow the standards for full accrual basis of accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net position for the City increased 5.7% over the course of the year to \$2.4 billion. Governmental activities contributed \$97.5 million of the increase, while business-type net position increased \$33.6 million. As shown in Figure 2, the largest component of net position 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 position represents restricted net position, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net position is unrestricted.

The change in net position for Governmental Activities was largely due to an increase of \$100.2 million in net investment in capital assets, and \$23.1 million increase in restricted net position. The increase in net invested in capital assets is due to a net increase in construction-in-progress assets of \$112.2 million, mainly related to the Modern Streetcar project. The increase in restricted net position is primarily due to unspent new GO bond proceeds of \$20 million for street improvements and a net increase of \$6.5 million in the Development Fee Fund (impact fees).

Also in the Governmental Activities, the decrease of \$24.9 million in the unrestricted net position is largely due to the addition of a long-term liability due to the Rio Nuevo Improvement District based on a settlement agreement between the City and the District. Annual payments will be made through fiscal year 2050.

The change in net position for Business-type activities is due to an increase of \$18.9 million in net investment in capital assets and a \$13.1 million reduction in the unrestricted deficit. The \$18.9 million increase is due to capital asset activity exceeding debt activity mostly in the Water Utility fund. The \$13.1 million decrease in the unrestricted deficit is primarily due to the continued improvement in working capital (current assets minus current liabilities) of both Environmental Services and Water Utility funds.

Figure 2 is a comparative summary of the City's net position* for fiscal years 2013 and 2012:

Net Position	Figure 2					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 323,542,465	\$ 325,740,493	\$ 207,382,695	\$ 200,289,653	\$ 530,925,160	\$ 526,030,146
Capital Assets	2,031,745,733	1,935,300,654	1,322,843,476	1,280,628,506	3,354,589,209	3,215,929,160
Deferred Outflows	10,920,209	10,753,490	14,391,845	10,353,467	25,312,054	21,106,957
Total Assets and Deferred Outflows	2,366,208,407	2,271,794,637	1,544,618,016	1,491,271,626	3,910,826,423	3,763,066,263
Current and Other Liabilities	149,765,382	162,794,263	71,415,932	70,397,764	221,181,314	233,192,027
Long-term Liabilities	624,820,157	614,926,289	585,265,165	569,549,740	1,210,085,322	1,184,476,029
Deferred Inflows	88,466	88,265	63,584,034	60,578,802	63,672,500	60,667,067
Total Liabilities and Deferred Inflows	774,674,005	777,808,817	720,265,131	700,526,306	1,494,939,136	1,478,335,123
Net Position:						
Net Investment in Capital Assets	1,450,248,757	1,350,013,946	788,089,044	769,213,845	2,238,337,801	2,119,227,791
Restricted	141,695,269	118,633,469	37,933,738	36,339,552	179,629,007	154,973,021
Unrestricted (Deficit)	(409,624)	25,338,405	(1,669,897)	(14,808,077)	(2,079,521)	10,530,328
Total net position	\$ 1,591,534,402	\$ 1,493,985,820	\$ 824,352,885	\$ 790,745,320	\$ 2,415,887,287	\$ 2,284,731,140

* The net position for fiscal year 2012 is restated. See Note 18 "New Governmental Accounting Standards Board (GASB) Pronouncements.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Figure 3 shows condensed financial information derived from the government-wide Statement of Activities (pg. 18) and reflects how the City's net position changed during the course of the fiscal year:

Changes in Net Position						Figure 3
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 104,657,361	\$ 101,354,212	\$ 218,755,060	\$ 213,330,457	\$ 323,412,421	\$ 314,684,669
Operating Grants and Contributions	131,713,221	118,671,770	6,511,555	6,876,004	138,224,776	125,547,774
Capital Grants and Contributions	153,546,244	122,030,260	9,214,121	11,214,120	162,760,365	133,244,380
Total Program Revenues	389,916,826	342,056,242	234,480,736	231,420,581	624,397,562	573,476,823
General Revenues:						
Taxes:						
Property	41,787,498	39,869,881			41,787,498	39,869,881
Business Privilege	189,238,160	182,474,594			189,238,160	182,474,594
Public Utility	26,717,576	22,175,162			26,717,576	22,175,162
Hotel/Transient Occupancy	12,217,409	12,411,247			12,217,409	12,411,247
Occupational	102,559	84,690			102,559	84,690
Liquor	749,027	743,322			749,027	743,322
Unrestricted Grants and Contributions	115,792,652	105,988,454			115,792,652	105,988,454
Investment Income (Loss)	227,689	916,820	1,226,119	1,739,089	1,453,808	2,655,909
Miscellaneous	5,756,461	3,860,697			5,756,461	3,860,697
Total General Revenues	392,589,031	368,524,867	1,226,119	1,739,089	393,815,150	370,263,956
Total Revenues	782,505,857	710,581,109	235,706,855	233,159,670	1,018,212,712	943,740,779
Expenses:						
Elected and Official	22,380,772	22,496,102			22,380,772	22,496,102
Support Services	39,001,414	35,731,959			39,001,414	35,731,959
Public Safety/Neighborhood Services	373,619,042	394,160,731			373,619,042	394,160,731
Operations and Development	170,562,802	116,493,026			170,562,802	116,493,026
Non-Departmental	45,134,817	25,984,296			45,134,817	25,984,296
Interest on Long-term Debt	30,428,436	32,242,741			30,428,436	32,242,741
Fiscal Agent and Other	2,419,872	58,676			2,419,872	58,676
Public Housing AMP			11,866,322	11,062,401	11,866,322	11,062,401
Non-PHA Asset Management			1,409,258	1,120,698	1,409,258	1,120,698
Environmental Services			44,760,999	48,122,885	44,760,999	48,122,885
Tucson Golf Enterprise Fund			6,650,603	7,371,311	6,650,603	7,371,311
Water Utility			138,822,228	140,597,834	138,822,228	140,597,834
Total Expenses	683,547,155	627,167,531	203,509,410	208,275,129	887,056,565	835,442,660
Changes in Net Position before Transfers	98,958,702	83,413,578	32,197,445	24,884,541	131,156,147	108,298,119
Transfers	(1,410,120)	(9,228,249)	1,410,120	9,228,249		
Changes in Net Position	\$ 97,548,582	\$ 74,185,329	\$ 33,607,565	\$ 34,112,790	\$ 131,156,147	\$ 108,298,119

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

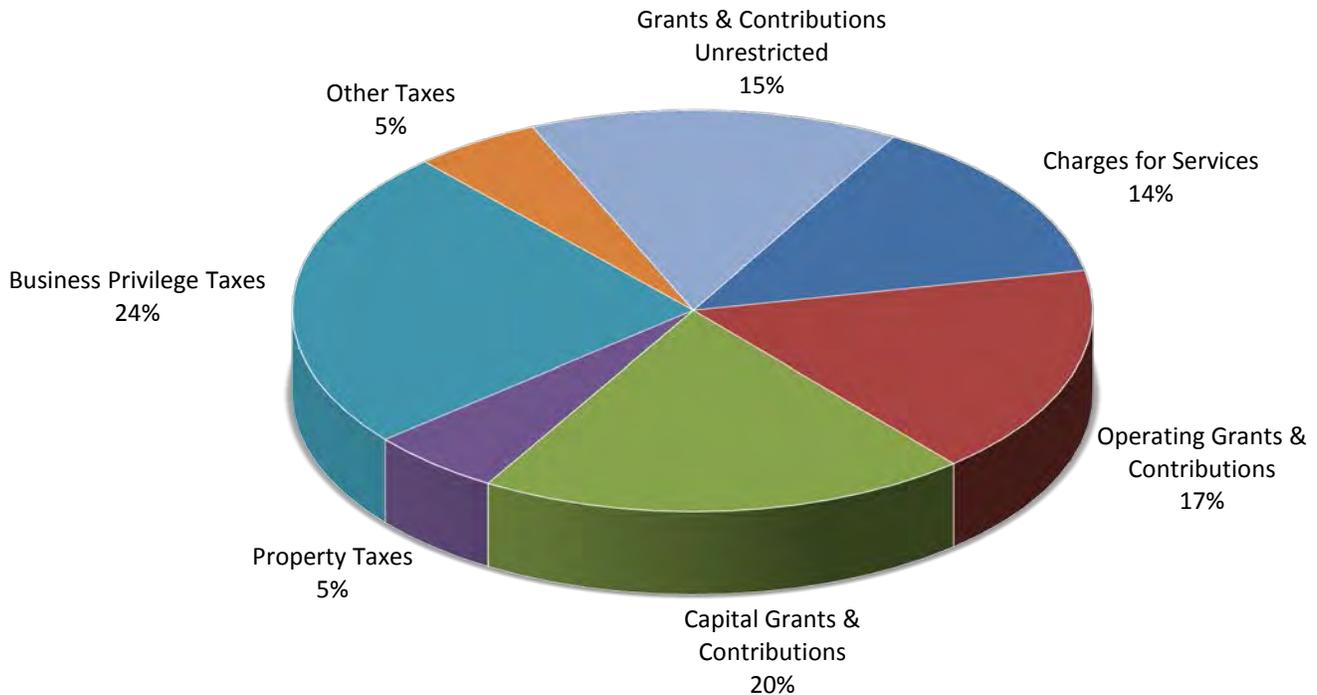
Governmental Activities

Total expenses for governmental activities for fiscal year 2013 were \$683.5 million, which was a \$56.4 million increase from fiscal year 2012. Program revenues, including charges for services and restricted grants or contributions, covered 57% of these costs. General revenues covered the remaining 43% 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 an increase of \$31.9 million in Capital Grants and Contributions which is a result of accelerated spending on the Modern Streetcar project.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2013:

**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2013**



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

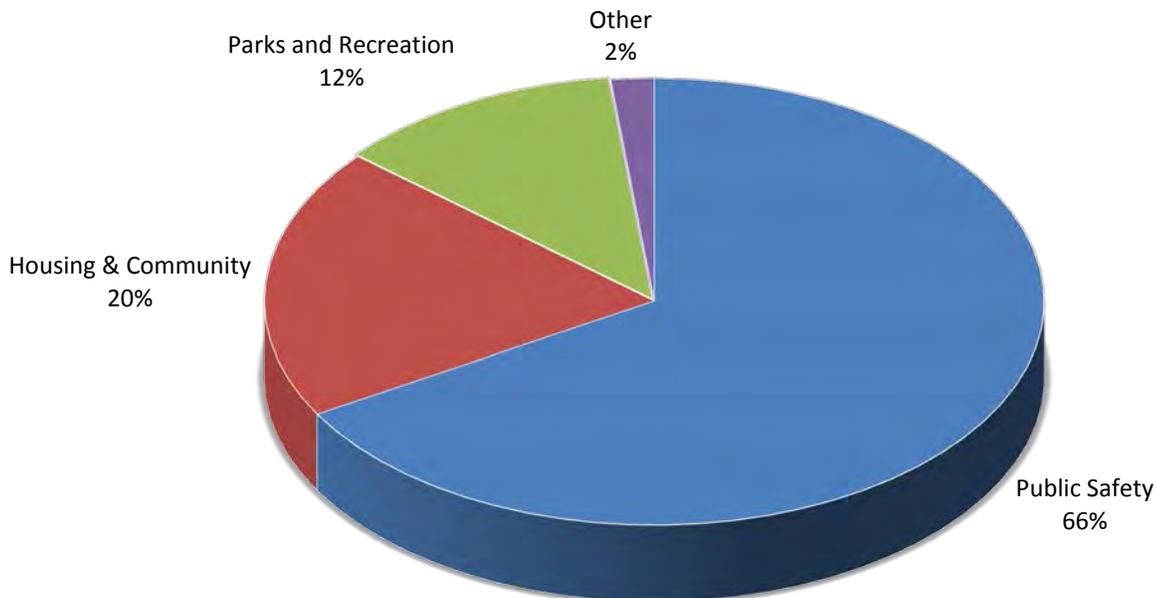
Net expenses (program revenues less expenses) generated from governmental activities are presented by function in Figure 4 below to illustrate how much support each function receives from the City's general revenues:

Net Expense/Revenue-Governmental Activities				Figure 4	
Function*	2013		2012		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and Official	\$ (20,267,212)	7%	\$ (19,805,419)	7%	
Support Services	(9,594,879)	3%	(2,523,432)	1%	
Public Safety/Neighborhood Services	(247,694,085)	84%	(270,896,631)	95%	
Operations and Development	59,281,052	-20%	63,799,123	-22%	
Non-Departmental	(42,506,897)	15%	(23,383,513)	8%	
Interest	(30,428,436)	10%	(32,242,741)	11%	
Fiscal Agent Fees and Other	(2,419,872)	1%	(58,676)	0%	
Total Net Expense	\$ (293,630,329)	100%	\$ (285,111,289)	100%	

*A re-classification of some departments in fiscal year 2013 for Public Safety/Neighborhood Services and Operations and Development results in different figures presented here than in the fiscal year 2012 CAFR. Total net expense remains the same.

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

Neighborhood Services Expenses by Department
For Fiscal Year ended June 30, 2013



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Business-type Activities

The following funds comprise the Business-type Activities: Water Utility, Environmental Services, Tucson Golf Enterprise, Public Housing Asset Management Properties (AMP) and Non-PHA Asset Management. The Environmental Services Fund and the Water Utility Fund are major funds for the City's business-type (or enterprise) activity. In fiscal year 2013 the business-type net position increased \$33.6 million. Net investment in capital assets increased \$18.9 million and the unrestricted net position deficit decreased \$13.1 million. The largest changes were an increase of \$17.9 to the net investment in capital assets in the Water Utility fund, and a \$5.8 million decrease to the unrestricted deficit in the Environmental Services fund. Similarly the Water Utility fund added \$3.6 million to its unrestricted net position. The positive changes to the unrestricted net position is due to continued increases in the Water Utility and the Environmental Services funds working capital (current assets minus current liabilities).

Water Utility Revenues

Total operating revenues increased by \$7.2 million. Central Arizona Project (CAP) water surcharge rates were restructured in fiscal year 2013 to fully recover the cost of CAP water purchases, which resulted in an increase of CAP surcharge revenue of \$12.1 million. This was offset by a decrease in metered water sales (potable water) of \$4.3 million. The decrease in metered sales revenue is a result of slightly decreased rates established in fiscal year 2013 for the first tier of volume usage.

Water Utility Expenses

Total expenses decreased by \$1.0 million in fiscal year 2013 compared to fiscal year 2012. The areas of the largest decreases in expenses were contractual services, \$1.5 million, and commodities, \$1.1 million. Contractual services decreased in fiscal year 2013 because there were two "one-time" collection payments in fiscal year 2012 totaling \$1.3 million paid to outside municipalities and a utility company. Commodities decreased primarily because of adjustments to decrease inventory and maintenance supplies.

Environmental Services Revenues

Total operating revenues decreased \$1.7 million in fiscal year 2013 as compared to fiscal year 2012 due mainly to a loss of two commercial contracts and lower commodity prices for recyclable materials during the fiscal year.

Environmental Services Expenses

Total expenses decreased by \$3.1 million. The decrease is mainly due to the department's cutback on outsourced services, i.e. well drilling contracts; a lower public liability insurance rate and a prior period adjustment for landfill liability and closure expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City has two major governmental funds: the General Fund and the Mass Transit Fund. The General Fund fund balance decreased by \$8.0 million during fiscal year 2013 and there was no significant change in the Mass Transit Fund fund balance. The \$16.4 million decrease to the assigned fund balance was largely due to a planned restructuring of Certificates of Participate (COPS) debt that did not materialize in fiscal year 2013; that was used to cover the \$9.4 million COPS debt principal paid in June 2013. Another \$4.6 million of the assigned balance was used for technological improvements and vehicle replacement. The nonspendable fund balance increased \$5.1 million. The entire increase of the nonspendable balance is attributed to the establishment of an interfund loan, by Mayor and Council, between the General Fund and the Tucson Enterprise Golf Fund for \$7.4 million to cover operating cash deficits. The increase was offset mostly by a cancelation of the loan receivable to the Rio Nuevo Improvement District per a settlement agreement between the City and the District. See Note 15 (L) for details of the agreement.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

General Fund Revenues

- Total General Fund revenues increased \$21.8 million, or 5.2%. Tax revenues, which represent 54.8% of total revenues, increased \$9.9 million. The City's business privilege tax (sales tax) increased \$6.8 million (3.7%), and utility tax increased \$4.5 million due to a recovering economy and increased collections of delinquent accounts.
- Other agency revenues, which include state shared and other intergovernmental agreement revenues, increased \$9.4 million. The state revenue-sharing revenues, which represent 26.5% of general fund revenues, increased \$11.1 million. This increase is mainly due to higher state income tax revenue collected by Arizona, that is shared with local governments. The shared-revenue income tax is based on 2011 collections, when the income tax receipts started recovering because of the improving economy. The state-shared revenue increase is slightly offset by lower revenues from local governments due to less activity per intergovernmental agreements.
- Charges for Service revenues represents 9.7% of total revenues and increased \$4.2 million from last fiscal year. This is attributed to higher collection rates for paramedic ambulance revenues because of increased staffing levels in the billing and collections area.

General Fund Expenditures

- General Fund expenditures increased by \$31.0 million from last fiscal year, or 8.3%.
- Public safety (Tucson Police and Tucson Fire Departments) pension costs increased \$10.2 million because of increased rates for the City portion of the pension contribution.
- Technological upgrades resulted in an increase of \$1.8 million for software support agreements.
- Increased street maintenance added \$6.0 million for paving and repair costs during the fiscal year.
- Debt service interest increased \$3.0 million because comparable interest payments in fiscal year 2012 for two Certificates of Participation (COPS) series were paid from residual balances in the Capital Improvements Fund rather than the General Fund. The General Fund covered these COPS interest payments in fiscal year 2013.

Mass Transit Fund Revenues

- Total revenues increased by \$22.3 million. Nearly the entire increase is attributed to the increase of federal grant and contributions revenue for reimbursed costs of the Modern Streetcar project.

Mass Transit Fund Expenditures

- Total expenditures increased \$23.9 million. Capital outlay and capital projects, which are primarily federally funded, accounted for \$22.3 million of the increase. The increase is due to the accelerated construction of the City's Modern Streetcar.

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

General Fund Budgetary Highlights

The annual budget is the legally adopted expenditure control document of the City. The budgetary comparison schedule for the General Fund (pg 69) shows the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year.

- The Final budget increased over the Original budget by \$8.6 million. The Original budget for Taxes was increased by 2.7% due to increased collections for both sales and utility taxes during the first half of the fiscal year. The Final budget for fiscal year 2013 increased 8.4% over fiscal year 2012. Although actual taxes were \$2.7 million under the Final budget, they increased \$9.9 million or 4.3% over fiscal year 2012.
- The Original and Final budget for Fine and Forfeiture revenues for fiscal year 2013 decreased 3.8% over fiscal year 2012. Actual revenues were below the Final budget by \$1.7 million and decreased slightly over the actuals from fiscal year 2012. Revenues did not meet budget expectations due to the use of more payment plans and reduction of the number of tickets issued.
- The variance between the Original and Final budget for debt service was due to a planned debt service restructure that was avoided due to positive revenue collections and the use of assigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2013 and June 30, 2012:

Capital Assets (Net of Depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 714,120,458	\$ 699,805,347	\$ 70,032,674	\$ 70,760,487	\$ 784,153,132	\$ 770,565,834
Buildings and Improvements	293,075,006	305,449,488	104,269,984	103,073,272	397,344,990	408,522,760
Equipment	92,214,225	87,884,965	24,895,798	27,082,195	117,110,023	114,967,160
Infrastructure	349,165,777	371,208,819	934,516,283	917,630,941	1,283,682,060	1,288,839,760
Construction in Progress	583,170,267	470,952,035	137,001,769	109,954,643	720,172,036	580,906,678
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 2,031,745,733	\$ 1,935,300,654	\$ 1,322,843,476	\$ 1,280,628,506	\$ 3,354,589,209	\$ 3,215,929,160

Additional information regarding capital assets can be found in Note 6 on page 52.

Governmental Activities

Capital assets in the Governmental Activities represent 60.6% of the City's capital assets. Total assets increased by \$96.4 million which represents a 5% increase over the prior year.

- Land represents 35.1% of capital assets and increased \$14.3 million compared to last fiscal year. Most of the increase represents land added for right-of-way use (developer contributed).

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

- Building and improvements represent 14.4% of capital assets and decreased \$12.4 million in fiscal year 2013. \$6.1 million in additions consisted of \$4.0 million for improvements to the Martin Luther King apartment building and another \$2.1 million for improvements to street lighting, wash drainage areas and the Children's Performance Center. The additions were more than offset by \$18.2 million in accumulated depreciation recorded during the fiscal year.
- Equipment represents 4.5% of capital assets. The City capitalized 47 new Sun Tran buses totaling \$21.3 million. Other significant equipment capitalized during the fiscal year were forensic computer and high-tech equipment, and vehicles/SUV's that are part of the vehicle replacement program. Total accumulated depreciation added was \$18.9 million which was offset by a retirement of \$11.3 million in accumulated depreciation due to several vehicles and Sun Tran buses sold at auction.
- Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage and represents 17.2% of capital assets. The City's infrastructure value decreased due to depreciation expense of \$22.3 million. Several improvement projects are being accounted for in the Construction In Progress until they are capitalized. The City didn't capitalize any significant improvement projects in the fiscal year.
- Construction In Progress (CIP) represents 28.7% of capital assets and increased \$112.2 million. This increase was due to several CIP projects that included the Modern Streetcar, Barraza Aviation improvements, Grant Road improvements, Kino Parkway improvements and several other street and drainage improvements that will be capitalized upon completion of the projects.

Business-type Activities

Business-type activities assets represent 39.4% of the City's capital assets. Business-type activities had a net increase of \$42.2 million in capital assets during the fiscal year which represents a 3.3% increase over the prior fiscal year.

- Land represents 5.3% of capital assets. The Tucson Golf Enterprise Fund transferred a parcel of land near Civano to the Governmental Activities in exchange for also transferring its outstanding Certificates of Participation debt to the Governmental Activities. This is reflected in the decrease of \$728 thousand in Business-type land capital assets.
- CIP represents 10.4% of capital assets, which increased by a net \$27 million. These assets are financed through the issuance of debt. The majority of CIP activity is within the Water Utility fund, which constructs new pipes, pump stations, wells, etc.
- Building and improvements represent 7.9% of capital assets. During the fiscal year, the Water Utility occupied and capitalized the Eastside Service Center for \$8.0 million. Accumulated depreciation increased \$6.8 million due to normal depreciation schedules for current buildings and improvements.
- Infrastructure represents 70.6% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by \$39.5 million.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Long-term Debt and Liabilities

Figure 6 illustrates the City's long-term debt as of June 30, 2013 and June 30, 2012. Additional information regarding long-term debt can be found in Notes 7 through 13 starting on page 53.

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Debt	\$ 213,450,000	\$ 209,071,010	\$	\$	\$ 213,450,000	\$ 209,071,010
Street & Highway Revenue Bonds	108,710,000	110,280,000			108,710,000	110,280,000
Certificates of Participation	231,006,000	238,376,000	10,714,000	14,429,000	241,720,000	252,805,000
Special Assessment Bonds	2,006,000	2,469,000			2,006,000	2,469,000
Clean Renewable Energy Bonds	15,178,700	16,458,000			15,178,700	16,458,000
Water Revenue Bonds			518,105,181	511,581,211	518,105,181	511,581,211
Unamortized Amount on						
Premiums and Discounts	19,726,265	17,714,181	25,133,619	19,144,497	44,859,884	36,858,678
Landfill Closure/Post Closure			38,874,293	38,491,239	38,874,293	38,491,239
Remediation	849,100	1,090,458	6,086,954	7,185,000	6,936,054	8,275,458
Capital Leases Payable	2,340,221	1,660,877		517,185	2,340,221	2,178,062
Other Long-term Debt	21,279,884		7,369,981		28,649,865	
Other Post-employment Benefits	7,137,794	5,838,280	1,437,472	1,177,197	8,575,266	7,015,477
Compensated Absences	33,761,517	31,966,728	5,393,481	5,113,565	39,154,998	37,080,293
Claims and Judgments	43,820,846	46,490,275			43,820,846	46,490,275
Total	\$ 699,266,327	\$ 681,414,809	\$ 613,114,981	\$ 597,638,894	\$ 1,312,381,308	\$ 1,279,053,703

Outstanding debt for the City totaled \$1.3 billion with 54% attributed to governmental activities and the remaining 46% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year.

Governmental Activities

- The City issued Senior Lien Street and Highway User Revenue Refunding Bonds, Series 2013A with a par amount of \$34.5 million to restructure \$36.1 million of debt. The present value savings of \$812 thousand will be amortized over the life of the new debt.
- The City issued General Obligation Bonds, Series 2012-A with a par amount of \$20 million. These bonds are the first in the series of five that will be issued each year until 2017 as a result of that passage of Proposition 409. The proposition was passed in a City general election November 6, 2012, which allows the City to issue up to \$100 million of general obligation bonds to be used for the repair and resurfacing of 130 miles of major roadways and 114 miles of neighborhood streets within the City.
- The City recorded a long-term debt to the Rio Nuevo District for \$21.3 million as Other Long-term Debt. A settlement agreement signed in fiscal year 2013 between the City and the District includes a fee payment schedule to be paid by the City through the year 2050 as consideration to the District for its original funding of the construction of the Depot garage. Per the agreement, the City will retain ownership of the structure and will operate and maintain the garage.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

- The principal balance of Certificates of Participation (COPS) debt in the Tucson Golf Enterprise Fund was \$3.6 million at the end of the prior fiscal year. During fiscal year 2013, Mayor and Council passed a resolution to transfer the debt payment obligation to the General Fund, thus the total COPS long-term debt increased by \$3.6 million and was reduced by \$11 million per the July 1 debt service principal payment.

Business-type Activities

- The City issued \$53.1 million of Water System Revenue Refunding Bonds, Series 2013A and 2013B to refund bond series 2001A refunding and series 2005-A refunding and to pay costs related to the issuance of the bonds. The net present value of this debt restructuring is \$3.6 million, to be amortized over the life of the new bonds.
- The City issued Water System Revenue Obligations, Series 2013 with a par amount of \$21.1 million to pay for costs of improvements to storage, treatment and distribution facilities of the water system and related issue costs.
- The City drew down \$9.7 million on its authorized Water Infrastructure Financing Authority (WIFA) loans during the fiscal year. WIFA is an independent agency of the State of Arizona that offers low cost loans to finance the construction, rehabilitation and/or improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects. The City's outstanding balance of WIFA loans is \$51.7 million.

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	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	Aa3	Aa2	AA-	AA-	AA	AA
Street & Highway User Revenue Bonds						
Senior Lien	A1	Aa3	AA+	AA+	AA	AA
Junior Lien	A2	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 POSITION
JUNE 30, 2013**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Pooled Cash and Investments	\$ 82,548,711	\$ 70,992,132	\$ 153,540,843
Cash & Investments - Restricted		25,648,303	25,648,303
Cash & Investments with Fiscal Agent - Restricted	36,851,691	30,166,561	67,018,252
Taxes Receivable, Net	18,113,955		18,113,955
Accounts Receivable, Net	26,753,112	29,438,764	56,191,876
Special Assessments Receivable	1,283,369		1,283,369
Internal Balances	17,510,080	(17,510,080)	
Due from Other Agencies	46,785,569	82,369	46,867,938
Interest Receivable	396,228	265,437	661,665
Inventories	4,394,672	3,596,134	7,990,806
Other Assets	1,755,487	414,218	2,169,705
Total current assets	<u>236,392,874</u>	<u>143,093,838</u>	<u>379,486,712</u>
Noncurrent assets:			
Long Term Accounts Receivable	22,711,335	498,176	23,209,511
Long Term Notes Receivable	32,847,046	63,512,949	96,359,995
Long Term Investments	2,094,399		2,094,399
Other Assets - Restricted	29,496,811	277,732	29,774,543
Land & Construction in Progress	1,297,290,725	207,034,443	1,504,325,168
Other Capital Assets, Net	734,455,008	1,063,682,065	1,798,137,073
Water Rights		52,126,968	52,126,968
Total noncurrent assets	<u>2,118,895,324</u>	<u>1,387,132,333</u>	<u>3,506,027,657</u>
Total assets	<u>2,355,288,198</u>	<u>1,530,226,171</u>	<u>3,885,514,369</u>
<u>DEFERRED OUTFLOWS</u>			
Loss on Refunding of Debt	10,920,209	14,391,845	25,312,054
Total deferred outflows	<u>10,920,209</u>	<u>14,391,845</u>	<u>25,312,054</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	28,387,274	3,602,965	31,990,239
Accrued Payroll Liabilities	12,398,027	2,111,020	14,509,047
Accrued Interest Payable	34,556	27,436	61,992
Due to Other Agencies	626,610	1,487,227	2,113,837
Refundable Deposits	5,029,656	2,286,998	7,316,654
Customer Advances		141,792	141,792
Liabilities Payable from Restricted Assets	28,843,089	33,908,678	62,751,767
Current portion of Long Term Liabilities	74,446,170	27,849,816	102,295,986
Total current liabilities	<u>149,765,382</u>	<u>71,415,932</u>	<u>221,181,314</u>
Noncurrent liabilities:			
Long Term Liabilities	624,820,157	585,265,165	1,210,085,322
Total non-current liabilities	<u>624,820,157</u>	<u>585,265,165</u>	<u>1,210,085,322</u>
Total liabilities	<u>774,585,539</u>	<u>656,681,097</u>	<u>1,431,266,636</u>
<u>DEFERRED INFLOWS</u>			
Unavailable Revenue	88,466	63,584,034	63,672,500
Total deferred inflows	<u>88,466</u>	<u>63,584,034</u>	<u>63,672,500</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,450,248,757	788,089,044	2,238,337,801
Restricted for:			
Debt Service	4,440,462	29,961,616	34,402,078
Capital	62,743,672		62,743,672
Self-Insurance Mandates	29,496,812		29,496,812
Transportation	10,751,598		10,751,598
Grants and Entitlements	29,149,037	7,972,122	37,121,159
Other Purposes	5,113,688		5,113,688
Unrestricted	(409,624)	(1,669,897)	(2,079,521)
Total net position	<u>\$ 1,591,534,402</u>	<u>\$ 824,352,885</u>	<u>\$ 2,415,887,287</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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 22,380,772	\$ 415,306	\$ 1,698,254	\$
Support Services	39,001,414	28,533,296	873,239	
Public Safety/ Neighborhood Services	373,619,042	38,323,435	74,402,708	13,198,814
Operations and Development	170,562,802	37,382,914	52,113,510	140,347,430
Non-Departmental	45,134,817	2,410	2,625,510	
Interest	30,428,436			
Fiscal Agent Fees and Other	2,419,872			
Total governmental activities	683,547,155	104,657,361	131,713,221	153,546,244
Business-type activities:				
Public Housing AMP	11,866,322	4,006,300	6,302,391	
Non-PHA Asset Management	1,409,258	1,093,525	209,164	
Environmental Services	44,760,999	48,646,855		242,256
Tucson Golf Enterprise Fund	6,650,603	6,011,381		
Water Utility	138,822,228	158,996,999		8,971,865
Total business-type activities	203,509,410	218,755,060	6,511,555	9,214,121
Total primary government	\$ 887,056,565	\$ 323,412,421	\$ 138,224,776	\$ 162,760,365

General revenues:

Taxes:

- Property
- Business Privilege
- Public Utility
- Hotel/Transient Occupancy
- Occupational
- Liquor
- Unrestricted Grants and Contribution
- Investment Income (Loss)
- Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year, restated

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Totals
\$ (20,267,212)	\$	\$ (20,267,212)
(9,594,879)		(9,594,879)
(247,694,085)		(247,694,085)
59,281,052		59,281,052
(42,506,897)		(42,506,897)
(30,428,436)		(30,428,436)
(2,419,872)		(2,419,872)
<u>(293,630,329)</u>		<u>(293,630,329)</u>
	(1,557,631)	(1,557,631)
	(106,569)	(106,569)
	4,128,112	4,128,112
	(639,222)	(639,222)
	29,146,636	29,146,636
	<u>30,971,326</u>	<u>30,971,326</u>
<u>(293,630,329)</u>	<u>30,971,326</u>	<u>(262,659,003)</u>
41,787,498		41,787,498
189,238,160		189,238,160
26,717,576		26,717,576
12,217,409		12,217,409
102,559		102,559
749,027		749,027
115,792,652		115,792,652
227,689	1,226,119	1,453,808
5,756,461		5,756,461
(1,410,120)	1,410,120	
<u>391,178,911</u>	<u>2,636,239</u>	<u>393,815,150</u>
97,548,582	33,607,565	131,156,147
<u>1,493,985,820</u>	<u>790,745,320</u>	<u>2,284,731,140</u>
<u>\$ 1,591,534,402</u>	<u>\$ 824,352,885</u>	<u>\$ 2,415,887,287</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Pooled Cash and Investments	\$ 681,357	\$ 284,200	\$ 73,872,060	\$ 74,837,617
Cash & Investments with Fiscal Agents	888,716	5,483	27,024,318	27,918,517
Cash & Investments with Fiscal Agents - Restricted			8,836,679	8,836,679
Taxes Receivable, Net	18,113,955			18,113,955
Accounts Receivable, Net	29,637,382	1,193,957	758,192	31,589,531
Special Assessments Receivable			1,283,369	1,283,369
Notes & Loans Receivable	8,856,919		23,990,127	32,847,046
Due from Other Agencies	20,357,690	3,215,334	23,186,819	46,759,843
Interfund Receivable	25,542,534		2,324,440	27,866,974
Grants & Entitlements Receivable		7,560,487	10,217,268	17,777,755
Interest Receivable	133,948		200,953	334,901
Inventories	497,511	3,157,034		3,654,545
Long Term Investments			2,094,399	2,094,399
Other Assets		1,368,883		1,368,883
Total assets	<u>\$ 104,710,012</u>	<u>\$ 16,785,378</u>	<u>\$ 173,788,624</u>	<u>\$ 295,284,014</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9,377,520	\$ 3,781,661	\$ 12,765,697	\$ 25,924,878
Accrued Payroll Liabilities	10,633,717	257,675	1,009,388	11,900,780
Interfund Payable	2,324,440	5,185,525	20,357,009	27,866,974
Due to Other Agencies	339,327	278,808	5,315	623,450
Refundable Deposits	4,438,500	3,841	587,315	5,029,656
Bonds & Interest Payable, including Special Assessments			25,764,023	25,764,023
Advances from Grantors		74,764	3,004,302	3,079,066
Total liabilities	<u>27,113,504</u>	<u>9,582,274</u>	<u>63,493,049</u>	<u>100,188,827</u>
Deferred inflows:				
Unavailable Revenues	23,234,137		21,757,269	44,991,406
Total deferred inflows	<u>23,234,137</u>		<u>21,757,269</u>	<u>44,991,406</u>
Fund balances:				
Nonspendable	7,885,432	4,115,915		12,001,347
Restricted	4,337,530		76,975,091	81,312,621
Committed	27,692,762	2,798,947	2,388,978	32,880,687
Assigned	1,680,900	288,242	9,270,828	11,239,970
Unassigned	12,765,747		(96,591)	12,669,156
Total fund balances	<u>54,362,371</u>	<u>7,203,104</u>	<u>88,538,306</u>	<u>150,103,781</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 104,710,012</u>	<u>\$ 16,785,378</u>	<u>\$ 173,788,624</u>	<u>\$ 295,284,014</u>

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

CITY OF TUCSON, ARIZONA
Reconciliation of the Balance Sheet for
Governmental Funds to the Statement of Net Position
June 30, 2013

Total Governmental Fund Balances (pg.20)	\$	150,103,781
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Capital Assets Net of Accumulated Depreciation		2,011,797,293
Deferred Inflows not recognized in the current period and therefore are not reported in the governmental funds.		
Loss on Refunding of Debt		10,920,209
Liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds. These liabilities consist of:		
Bonds and Notes Payable	(343,892,264)	
Capital Leases	(233,346,221)	
Compensated Absences	(33,761,517)	
OPEB Liabilities	(7,137,794)	
Other Long-term Debt	(21,279,884)	
Total Long-term Liabilities	(639,417,680)	
Interest payable on long-term debt is not reported in governmental funds.		(34,556)
Unavailable 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.		44,902,939
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 Position.		13,262,416
Net Position of Governmental Activities (pg. 17)	\$	1,591,534,402

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, 2013

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 239,677,853	\$	\$ 28,207,641	\$ 267,885,494
Licenses and Permits	20,617,308		43,250	20,660,558
Fines and Forfeitures	12,179,820		672,196	12,852,016
Developer Fees			7,865,777	7,865,777
Use of Money and Property	815,214	363,377	1,296,444	2,475,035
Federal Grants and Contributions		72,535,485	74,631,880	147,167,365
Other Agencies	120,279,479	10,813,186	101,341,662	232,434,327
Charges for Services	42,616,114	13,940,587	6,826,339	63,383,040
Special Assessments			390,049	390,049
Contributions from Outside Sources			365,031	365,031
Miscellaneous	1,579,369	1,615,005	3,296,997	6,491,371
Total revenues	<u>437,765,157</u>	<u>99,267,640</u>	<u>224,937,266</u>	<u>761,970,063</u>
Expenditures:				
Current -				
Elected and Official	20,461,550		1,758,670	22,220,220
Support Services	33,533,949			33,533,949
Public Safety/Neighborhood Services	283,591,343		75,455,957	359,047,300
Operations and Development	16,709,338	71,490,196	44,923,600	133,123,134
Non-Departmental	22,708,316		2,384,888	25,093,204
Capital Outlay	3,344,087	21,376,529	6,847,139	31,567,755
Capital Projects	1,893,339	46,524,394	66,083,023	114,500,756
Debt service -				
Principal	10,850,408		16,904,505	27,754,913
Interest	10,184,320		19,662,441	29,846,761
Fiscal Agent Fees			6,138	6,138
Debt Issuance Costs	56,327		587,457	643,784
Total expenditures	<u>403,332,977</u>	<u>139,391,119</u>	<u>234,613,818</u>	<u>777,337,914</u>
Excess (deficiency) of revenues over expenditures	<u>34,432,180</u>	<u>(40,123,479)</u>	<u>(9,676,552)</u>	<u>(15,367,851)</u>
Other financing sources (uses):				
Bond Issuance			54,500,000	54,500,000
Capital Leases			1,150,000	1,150,000
Premium on Debt Issuance			4,008,299	4,008,299
Refunded Bond Escrow Agent			(37,576,983)	(37,576,983)
Transfers In	1,600,000	40,014,435	3,829,966	45,444,401
Transfers Out	(44,081,028)		(160,306)	(44,241,334)
Total other financing sources (uses)	<u>(42,481,028)</u>	<u>40,014,435</u>	<u>25,750,976</u>	<u>23,284,383</u>
Changes in fund balances	<u>(8,048,848)</u>	<u>(109,044)</u>	<u>16,074,424</u>	<u>7,916,532</u>
Fund balances, beginning of year	62,411,219	7,312,148	72,463,882	142,187,249
Fund balances, end of year	<u>\$ 54,362,371</u>	<u>\$ 7,203,104</u>	<u>\$ 88,538,306</u>	<u>\$ 150,103,781</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, 2013

Net Change in Fund Balances - Total Governmental Funds (pg. 22)	\$	7,916,532
<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		146,068,511
Depreciation Expense		<u>(59,341,609)</u>
		86,726,902
<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 position differs by the cost of the assets sold.</p>		
Proceeds on the sale of an asset		(2,381,262)
Gain on the sale of an asset		1,079,890
Loss on the sale of an asset		<u>(1,141,582)</u>
		(2,442,954)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		16,782,101
Transfer of Assets to Enterprise Funds		(210,169)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments:</p>		
Debt Proceeds		(55,650,000)
Repayment of Debt Principal		<u>27,538,666</u>
		(28,111,334)
Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Position.		
Extinguishment of Debt	36,070,000	36,070,000
<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		(4,008,299)
Accrued Interest Expense		14,856
Amortization of Premium/Discount on Debt		<u>2,271,045</u>
		(1,722,398)
<p>Expenses in the Statement of Activities that do not use current financial resources are not reported as expenditures in the funds.</p>		
Change in Other Long-term Debt		(21,279,884)
Change in Compensated Absences Liability		(1,794,789)
Change in OPEB Liability		(1,299,514)
<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>		
		<u>6,914,089</u>
Change in Net Position of Governmental Activities (pg. 19)	\$	<u><u>97,548,582</u></u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Pooled Cash and Investments	\$ 27,403,698	\$ 34,858,183	\$ 8,730,251	\$ 70,992,132	\$ 7,711,094
Cash & Investments - Restricted		25,648,303		25,648,303	
Cash & Investments with Fiscal Agent - Restricted		29,961,616	204,945	30,166,561	96,495
Accounts Receivable, Net	3,379,024	25,851,083	208,657	29,438,764	97,161
Due from Other Agencies	73,328		9,041	82,369	25,726
Interest Receivable	99,667	134,336	31,434	265,437	61,327
Inventories		3,369,926	226,208	3,596,134	740,127
Other Assets		414,218		414,218	386,604
Total current assets	30,955,717	120,237,665	9,410,536	160,603,918	9,118,534
Noncurrent assets:					
Long Term Accounts Receivable		451,895	46,281	498,176	
Long Term Notes Receivable			63,512,949	63,512,949	
Other Assets - Restricted		277,732		277,732	29,496,811
Land & Construction in Progress	11,196,009	182,004,872	13,833,562	207,034,443	12,227,810
Other Capital Assets, Net	19,556,421	1,008,398,649	35,726,995	1,063,682,065	7,720,630
Water Rights		52,126,968		52,126,968	
Total noncurrent assets	30,752,430	1,243,260,116	113,119,787	1,387,132,333	49,445,251
Total assets	61,708,147	1,363,497,781	122,530,323	1,547,736,251	58,563,785
DEFERRED OUTFLOWS					
Loss on Refunding of Debt		14,391,845		14,391,845	
Total deferred outflows		14,391,845		14,391,845	
LIABILITIES					
Current liabilities:					
Accounts Payable	1,384,023	1,591,365	627,577	3,602,965	2,462,396
Accrued Payroll Liabilities	567,712	1,410,704	132,604	2,111,020	497,247
Accrued Interest Payable			27,436	27,436	
Due to Other Agencies	1,202	1,459,671	26,354	1,487,227	3,160
Refundable Deposits	53,788	1,737,864	495,346	2,286,998	
Current Portion of Bonds Payable		24,381,439		24,381,439	1,289,300
Current Portion of Contracts Payable	121,000			121,000	
Claims Payable					9,996,704
Remediation Obligations					211,200
Current Portion of Compensated Absences	608,131	1,744,436	254,480	2,607,047	
Liabilities Payable from Restricted Assets		33,908,678		33,908,678	
Customer Advances			141,792	141,792	
Current portion of Long Term Liabilities	740,330			740,330	
Total current liabilities	3,476,186	66,234,157	1,705,589	71,415,932	14,460,007
Noncurrent liabilities:					
Unearned Revenue					
Bonds Payable		518,857,361		518,857,361	13,889,400
Contracts Payable	10,593,000			10,593,000	
Loans Payable			7,369,981	7,369,981	
Claims Payable					33,824,142
Remediation Obligations					637,900
Compensated Absences	701,672	1,889,494	195,268	2,786,434	
Other Post-employment Benefits	419,502	972,264	45,706	1,437,472	
Long Term Liabilities	44,220,917			44,220,917	
Total non-current liabilities	55,935,091	521,719,119	7,610,955	585,265,165	48,351,442
Total liabilities	59,411,277	587,953,276	9,316,544	656,681,097	62,811,449
DEFERRED INFLOWS					
Unavailable revenue		61,694	63,522,340	63,584,034	
Total deferred inflows		61,694	63,522,340	63,584,034	
NET POSITION					
Net Investment in Capital Assets	20,038,430	718,490,057	49,560,557	788,089,044	4,769,740
Restricted for Debt Service		29,961,616		29,961,616	
Restricted for Capital					96,495
Restricted for Self Insurance Mandates					29,496,811
Restricted for Grants and Entitlements			7,972,122	7,972,122	
Unrestricted	(17,741,560)	41,422,983	(7,841,240)	15,840,183	(38,610,710)
Total net position	\$ 2,296,870	\$ 789,874,656	\$ 49,691,439	\$ 841,862,965	\$ (4,247,664)
Reconciliation to government-wide Statement of Net Position					
Adjustment to consolidate internal service activities	(14,659,962)	(2,441,407)	(408,711)	(17,510,080)	
Total Net Position - Business Type	\$ (12,363,092)	\$ 787,433,249	\$ 49,282,728	\$ 824,352,885	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds			Total	Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds		Internal Service Funds
Operating revenues:					
Charges for Services	\$ 47,241,057	\$ 158,837,025	\$ 10,826,407	\$ 216,904,489	\$ 62,440,590
Federal Grants and Contributions			6,511,555	6,511,555	
Miscellaneous	1,405,798	159,974	284,799	1,850,571	312,535
Total operating revenues	<u>48,646,855</u>	<u>158,996,999</u>	<u>17,622,761</u>	<u>225,266,615</u>	<u>62,753,125</u>
Operating expenses:					
Personal Services	15,381,053	32,445,019	7,050,122	54,876,194	16,113,420
Contractual Services	17,166,178	48,192,814	8,478,623	73,837,615	17,332,221
Commodities	4,985,219	6,956,102	1,983,666	13,924,987	17,023,688
Cost of Goods Sold			212,785	212,785	
Benefits and Claims					5,341,773
Depreciation	5,272,851	29,543,101	2,204,107	37,020,059	2,679,395
Total operating expenses	<u>42,805,301</u>	<u>117,137,036</u>	<u>19,929,303</u>	<u>179,871,640</u>	<u>58,490,497</u>
Operating income (loss)	<u>5,841,554</u>	<u>41,859,963</u>	<u>(2,306,542)</u>	<u>45,394,975</u>	<u>4,262,628</u>
Nonoperating revenues (expenses):					
Property Taxes					1,112,190
Other Agencies					370,843
Investment Income	20,252	546,254	65,988	632,494	31,252
Gain (loss) on Sale of Property/Equipment	271,514	320,686	1,425	593,625	31,566
Federal Grants and Contributions	242,256	809,711		1,051,967	
Interest Expense	(293,622)	(20,720,386)	(54,867)	(21,068,875)	(596,531)
Debt Issuance Costs	(304,389)	(65,200)		(369,589)	(205,117)
Other Non-operating Income (Expense)		(1,498,124)		(1,498,124)	
Total nonoperating revenues (expenses)	<u>(63,989)</u>	<u>(20,607,059)</u>	<u>12,546</u>	<u>(20,658,502)</u>	<u>744,203</u>
Income (loss) before capital contributions and transfers	<u>5,777,565</u>	<u>21,252,904</u>	<u>(2,293,996)</u>	<u>24,736,473</u>	<u>5,006,831</u>
Capital Contributions		8,162,154		8,162,154	948,245
Transfers In			210,278	210,278	266,655
Transfers Out	(1,436)	(1,600,000)	(807,816)	(2,409,252)	(8,824)
Special Item			3,609,094	3,609,094	
Changes in net position	<u>5,776,129</u>	<u>27,815,058</u>	<u>717,560</u>	<u>34,308,747</u>	<u>6,212,907</u>
Total net position, beginning of year, restated	<u>(3,479,259)</u>	<u>762,059,598</u>	<u>48,973,879</u>	<u>807,554,218</u>	<u>(10,460,571)</u>
Total net position, end of year	<u>\$ 2,296,870</u>	<u>\$ 789,874,656</u>	<u>\$ 49,691,439</u>	<u>\$ 841,862,965</u>	<u>\$ (4,247,664)</u>
Reconciliation to government-wide Statement of Activities					
Changes in net position	5,776,129	27,815,058	717,560	34,308,747	
Adjustment to consolidate internal service activities	(1,357,687)	598,518	57,987	(701,182)	
Changes in net position - Business-type activities	<u>\$ 4,418,442</u>	<u>\$ 28,413,576</u>	<u>\$ 775,547</u>	<u>\$ 33,607,565</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, 2013**

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 47,544,845	\$ 160,550,066	\$ 10,927,136	\$ 219,022,047	\$ 62,414,637
Cash Payments to Suppliers for Goods and Services	(21,467,822)	(56,628,542)	(10,455,937)	(88,552,301)	(35,128,066)
Cash Payments to Employees for Services	(14,982,142)	(31,547,812)	(6,932,645)	(53,462,599)	(16,079,820)
Subsidy from Federal Grant			6,751,792	6,751,792	
Other Operating Revenues	1,405,798		29,329	1,435,127	289,669
Cash Payments to Claimants					(8,011,202)
Net Cash Provided (Used) by Operating Activities	<u>12,500,679</u>	<u>72,373,712</u>	<u>319,675</u>	<u>85,194,066</u>	<u>3,485,218</u>
Cash Flows from Noncapital Financing Activities:					
Property Taxes					1,112,190
Interfund Transfers		(1,600,000)	130,277	(1,469,723)	266,655
Advances from Other Funds			(199,068)	(199,068)	
Subsidy from Federal Grant	219,800	847,385		1,067,185	370,843
Interest Paid on Advances			(29,950)	(29,950)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>219,800</u>	<u>(752,615)</u>	<u>(98,741)</u>	<u>(631,556)</u>	<u>1,749,688</u>
Cash Flows from Capital and Related Financing Activities:					
Bond Issuance		18,639,268		18,639,268	
Acquisition and Construction of Capital Assets	(4,909,959)	(69,780,232)	(20,264)	(74,710,455)	(456,452)
Principal Paid on Capital Debt	(317,185)	(19,560,293)		(19,877,478)	(1,279,346)
Interest Paid on Capital Debt	(482,209)	(10,543,403)	(54)	(11,025,666)	(593,134)
Fiscal Agent Fees Paid on Capital Debt		(2,236,937)		(2,236,937)	
Landfill Closure Costs	(1,659,448)			(1,659,448)	
Capital Contributions-System Equity fee		3,162,872		3,162,872	
Proceeds from Sale of Assets/Equipment	271,514	320,686	1,425	593,625	37,104
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,097,287)</u>	<u>(79,998,039)</u>	<u>(18,893)</u>	<u>(87,114,219)</u>	<u>(2,291,828)</u>
Cash Flows from Investing Activities:					
Interest on Investments	(73,452)	362,577	36,901	326,026	31,702
Proceeds from Sale of Investments					24,700,000
Purchase of Investments					(29,365,972)
Net Cash Provided (Used) by Investing Activities	<u>(73,452)</u>	<u>362,577</u>	<u>36,901</u>	<u>326,026</u>	<u>(4,634,270)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>5,549,740</u>	<u>(8,014,365)</u>	<u>238,942</u>	<u>(2,225,683)</u>	<u>(1,691,192)</u>
Cash and Cash Equivalents - July 1	<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>
Cash and Cash Equivalents - June 30	<u>\$ 27,403,698</u>	<u>\$ 90,468,102</u>	<u>\$ 8,935,196</u>	<u>\$ 126,806,996</u>	<u>\$ 7,667,593</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, 2013**

	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)	\$ 5,841,554	\$ 41,859,963	\$ (2,306,542)	\$ 45,394,975	\$ 4,262,628
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	5,272,851	29,543,101	2,204,107	37,020,059	2,679,395
Provision for Landfill Closure	944,455			944,455	
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable	288,217	1,042,593	(186,790)	1,144,020	(49,195)
Inventory		(1,232,106)	108,672	(1,123,434)	409,873
Due from Other Agencies			240,237	240,237	375
Other Assets		101,508		101,508	(42,214)
Increase (Decrease) in Liabilities:					
Accounts Payable	(259,570)	(287,187)	93,926	(452,831)	(900,262)
Accrued Payroll Liabilities	259,501	602,490	11,413	873,404	33,599
Accrued Compensated Absences Accrued	69,911	106,714	40,887	217,512	
Other Post-Employment Benefits	69,500	188,003	2,771	260,274	
Unavailable Revenue			6,912	6,912	
Customer/Refundable Deposits	15,572	510,474	7,260	533,306	(167)
Claims and Judgments Payable					(2,669,429)
Remediation Obligation					(241,358)
Due to Other Agencies	(1,312)	(61,841)	16,374	(46,779)	1,973
Other Operating Liabilities			80,448	80,448	
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,500,679</u>	<u>\$ 72,373,712</u>	<u>\$ 319,675</u>	<u>\$ 85,194,066</u>	<u>\$ 3,485,218</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets	(1,436)	4,999,282	(18,675)	4,979,171	939,421
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ (1,436)</u>	<u>\$ 4,999,282</u>	<u>\$ (18,675)</u>	<u>\$ 4,979,171</u>	<u>\$ 939,421</u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Pension Trust	Agency
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 1,316,498	\$ 3,906,939
Accounts Receivable, Net		9,966,419
Employer Contributions Receivable	1,314,431	
Employee Contributions Receivable	366,823	
Interest & Dividends Receivable	1,268,705	
Due from Brokers	4,068,711	
Short Term Investments	13,080,955	
Securities Lending Cash Collateral	23,753,680	
U.S. Treasuries, Agencies & Other		
Governmental Bonds	71,125,198	
Bonds and Preferred Stock	41,827,473	
U.S. Equity	308,993,186	
International Bonds & Other Fixed		
Income Instruments	28,681,485	
International Equity & Comingled		
Equity Funds	85,706,293	
Real Estate	48,776,932	
Infrastructure	39,415,536	
Other Capital Assets, Net	12,678	
Total assets	669,708,584	13,873,358
<u>LIABILITIES</u>		
Accounts Payable	288,374	945,739
Accrued Payroll Liabilities	6,858	
Due to Other Agencies	39,246	12,927,619
Due to Securities Borrowers	23,753,680	
Due to Brokers	4,574,236	
Total liabilities	28,662,394	13,873,358
<u>NET POSITION</u>		
Held in trust	\$ 641,046,190	\$

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

CITY OF TUCSON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	Pension Trust
Additions:	
Employer Contributions	\$ 34,523,315
Employee Contributions	10,214,562
Contributions from Other Sources	
Other Plans	
Net Increase (Decrease) in Fair Value of Investment	73,705,613
Interest, Dividends and Other Income	11,332,643
Securities Lending Income	184,733
Less: Investment Activity Expense	(3,805,860)
Less: Securities Lending Expense	(78,604)
Miscellaneous Additions	98,400
Total additions	126,174,802
Deductions:	
Payments to Participants	62,191,480
Refunds and Transfers to Other Plans	2,631,220
Administrative Expense	689,253
Total deductions	65,511,953
Changes in net position	60,662,849
Net position, beginning of year	580,383,341
Net position, end of year	\$ 641,046,190

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, 2013

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 unit discussed below have been included in the City's reporting entity because of the significance its operational or financial relationship 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, Finance Department, PO Box 27450, Tucson, AZ 85726.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position 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 Position reports the assets, deferred outflows, deferred inflows, and liabilities of the primary government. The net position section of this statement represents the residual amount of assets plus deferred outflows less their associated liabilities and deferred inflows. The net position section is divided into three categories. The first category is *Net Investment in Capital Assets*, which includes capital assets, deferred outflows, inflows attributable to the acquisition, construction, or improvement of capitals, net of accumulated depreciation, and any outstanding debt associated with the capital assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Position*, 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 Position*, and this represents resources 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, 2013

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, deferred outflows, liabilities, deferred inflows, and fund balance/net position, 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 funds 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 General Obligation, 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, 2013

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 Tucson Golf Enterprise 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, 2013

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.

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, which are adjusted annually. Under the State statutes, the city must either use the State's expenditure limitation or follow an alternative expenditure limitation, which must be voter approved. The City is under the State approved expenditure limitation that includes two voter approved increases in the base. The voters passed an increase of \$800 thousand in November 1981 and an additional \$46.9 million in November 1987.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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. The City Charter requires the City Manager to prepare a written estimate of the funds required to conduct the business and affairs of the City. The estimate, which is the recommended budget, is due on or before the first Monday in May of each year or on such date fixed by the Mayor and Council. The recommended budget may be increased or decreased until tentatively adopted by Mayor and Council.
2. Public hearings are conducted on the recommended budget.
3. State statutes require the City to prepare a full and complete statement of the estimated expenditures and revenues for the fiscal year. Mayor and Council tentatively adopt the budget for the following fiscal year. After the adoption of the tentative budget, total appropriations cannot be increased.
4. A Public hearing is held on the budget as tentatively adopted and on the proposed property tax levy.
5. 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, Public Safety-Neighborhood Services, Operations and Development, Support Services, Pension Services and Non-Departmental. Transfers between purposes, such as Neighborhood Services and Support Services, can be made upon Mayor and Council approval.
6. All appropriations lapse at year-end.
7. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2013.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

I. Accounts/Notes Receivable

Accounts Receivables of the major and non-major governmental and proprietary funds and fiduciary funds as of June 30, 2013, are reported in the accompanying basic financial statements net of allowance for doubtful accounts, as follows:

Fund	Receivables	Allowance for Doubtful Accounts	Net
Governmental Activities:			
General Fund	\$ 29,675,744	\$ 38,362	\$ 29,637,382
Mass Transit Fund	1,193,957		1,193,957
Internal Service Funds	112,304	15,143	97,161
Non-major Governmental Funds	758,192		758,192
Total Governmental Activities	31,740,197	53,505	31,686,692
Business-Type Activities:			
Environmental Services Fund	3,663,225	284,201	3,379,024
Water Utility Fund	26,478,174	627,091	25,851,083
Non-major Business-Type Fund	218,554	9,897	208,657
Total Business-Type Activities	30,359,953	921,189	29,438,764
Total All Funds	\$ 62,100,150	\$ 974,694	\$ 61,125,456

The Water Utility Funds' assets and revenues include \$12,676,875 for water sales delivered, but unbilled at June 30, 2013.

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. As of June 30, 2013, these loans totaled \$5,710,332. 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, 2013

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 GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. Interest costs capitalized during the fiscal year for the City's water utility fund was \$9,550,970. 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, 2013.

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 Position. Bond premiums and discounts, as well as 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. Bond issue costs are expensed to the period incurred. 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, 2013

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 Position. 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 5.2% 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, 2013

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, 2013, 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	\$ 515,451	\$ 3,157,034	\$	\$ 3,672,485
Prepaid Expenditures		958,881		958,881
Golf Long-term Loan	7,369,981			7,369,981
Total Nonspendable	<u>7,885,432</u>	<u>4,115,915</u>		<u>12,001,347</u>
Restricted:				
Debt Service			5,314,890	5,314,890
Capital Projects			62,647,177	62,647,177
Donations			776,158	776,158
Federal Grants			8,236,866	8,236,866
Public Safety	4,337,530			4,337,530
Total Restricted	<u>4,337,530</u>		<u>76,975,091</u>	<u>81,312,621</u>
Committed To:				
Transportation	315,565		2,374,207	2,689,772
Parks and Recreation	1,467,847			1,467,847
Public Housing	354,757			354,757
Public Safety	1,070,930			1,070,930
Economic Development	1,034,959			1,034,959
Stabilization Fund	22,836,507			22,836,507
Transit		2,798,947		2,798,947
Other Purposes	612,197		14,771	626,968
Total Committed	<u>27,692,762</u>	<u>2,798,947</u>	<u>2,388,978</u>	<u>32,880,687</u>
Assigned To:				
Transportation			9,241,828	9,241,828
Management Contingencies	1,333,340			1,333,340
Transit		29,042		29,042
Other Purposes	347,560	259,200	29,000	635,760
Total Assigned	<u>1,680,900</u>	<u>288,242</u>	<u>9,270,828</u>	<u>11,239,970</u>
Unassigned:				
	<u>12,765,747</u>		<u>(96,591)</u>	<u>12,669,156</u>
Total Fund Balances	<u>\$ 54,362,371</u>	<u>\$ 7,203,104</u>	<u>\$ 88,538,306</u>	<u>\$ 150,103,781</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 Position 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 \$5,480 and is included in restricted net position 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 real and personal property attaches on the first day of January preceding assessment and levy.

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, 2013

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, which was recalculated in 2006 due to a subsequent constitutional amendment. 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 \$10,000 paid during the prior fiscal year.

Note 3 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2013, the following funds had deficit fund balances or net position:

Self Insurance Fund	\$	(12,635,103)
General Services Fund	\$	(1,974,255)
General Obligation Bond & Interest Fund	\$	(59,463)

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 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 Fund will clear next fiscal year.

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.

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2013:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 213,417,008	\$ (29,004,425)	\$ 184,412,583
Investments	692,836,589	115,360	692,951,949
Total	\$ 906,253,597	\$ (28,889,065)	\$ 877,364,532
	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Pooled Cash and Investments	\$ 153,540,843	\$ 5,223,437	\$ 158,764,280
Investments	31,591,210	661,360,739	692,951,949
Cash & Investments Restricted	25,648,303		25,648,303
Total	\$ 210,780,356	\$ 666,584,176	\$ 877,364,532

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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 typically rated by one or more nationally recognized statistical-rating organizations (NRSROs) i.e., Moody's/Standard & Poors. These obligations may consist of the U.S. Government Treasuries, Agencies and instrumentalities, money market funds consisting of primarily U.S. Governmental issues, repurchase agreements, negotiable and non-negotiable bank certificates of deposit (CDs), commercial paper rated P-2/A-2 or better, corporate bonds and notes rated A2/A or better, and the State of Arizona Local Government Investment Pool. Operating and capital projects funds may be invested for a maximum of five 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 at fair value net of accruals. 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, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

	Fair Value
U.S. Issues not on Securities Loan:	
U.S. Treasuries, Agencies & Other Governmental Bonds	\$ 213,210,424
Corporate Bonds & Other Fixed Income Instruments	68,895,931
U.S. Equity & Comingled Equity Funds	300,360,416
Non-U.S. Issues not on Securities Loan:	
International Bonds & Other Fixed Income Instruments	28,225,870
International Equity & Comingled Equity Funds	85,134,686
Subtotal	695,827,327
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Treasuries, Agencies & Other Governmental Bonds	8,326,891
Corporate Bonds & Other Fixed Income Instruments	5,125,088
U.S. Equity	8,632,770
International Bonds & Other Fixed Income Instruments	455,615
International Equity	571,607
Subtotal	23,111,971
Securities Lending Short-Term Collateral Investment Pool	23,753,680
Money Market Funds/Short-Term Investments	75,368,151
Real Estate & Comingled Real Estate Funds	48,776,932
Infrastructure Investment Funds	39,415,536
Subtotal	187,314,299
Total Deposits and Investments	\$ 906,253,597

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's 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 P-1/A-1 (Moody's/Standard & Poors) with maturities not to exceed 180 days or rated P-2/A-2 with maturities not to exceed 90 days; 3) Bonds, notes and debentures issued by U.S. corporations rated at least A2/A; 4) Money market funds, non-negotiable CDs, etc., that are 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 A2/A or better at the minimum State of Arizona mandated required 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 or a U.S. Agency, not more than 5% of the portfolio shall be invested in securities of any one issuer; 6) A minimum of 15% of the portfolio shall be invested in highly liquid securities such as money market funds; 7) Not more than 25% of the portfolio shall be invested in medium-term corporate notes, commercial paper and negotiable CDs; 8) not more than 20% of the portfolio shall be invested in Arizona municipal securities; 9) not more than 25% of the portfolio shall be invested in 144A securities (applicable to large institutional investors only), subject to meeting all the investment policy requirements described above.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following credit risk structure as of June 30, 2013:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash & Cash Equivalents:				
Wells Fargo Government MM Fund	1	Aaa	\$ 36,709,502	18.57%
U.S. Treasury Notes	9	Aaa	99,946,096	50.55%
U.S. Agency & Municipal Bonds	4	Aaa	18,874,811	9.55%
Negotiable Certificates of Deposit	5	Aa1	17,736,547	8.97%
Commercial Paper	2	P-1	9,989,916	5.05%
U.S. Corporate Bonds	6	Aa3	14,456,999	7.31%
TOTAL	<u>27</u>		<u>\$ 197,713,871</u>	<u>100%</u>

Footnotes:

(1) Per Moody's Investors Service, Inc. (Moody's)

The City also maintains investments and cash funds in specific accounts outside of the investment pool account to meet certain operational and legal requirements which are reported as follows, at fair value net of accruals. As of June 30, 2013, these funds consisted of: a U.S. Treasury Note with a fair market value of \$29,496,811, a U.S. Agency Bond with a fair market value of \$2,094,399 and various other operational accounts totaling \$15,703,137. 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 has given 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 a least Ba1/BB+; 3) Money market instruments must be rated in one of the two highest categories by a NRSRO; 4) The minimum rating of individual issues should be Caa2/CCC as rated by Moody's, Standard & Poors or Fitch; 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken.

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, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2013:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash and Cash Equivalents:				
Cash & Short Term Investment Funds	3	A1	\$ 12,965,595	
Subtotal	3		12,965,595	8.39%
U.S. Treasury Notes & Bonds	4	Aaa	9,517,763	6.16%
U.S. Agency & Other Governmental Obligations:				
Municipal Bonds	6	Baa2	3,887,102	
BlackRock U.S. Debt Fund	1	Aa2	57,720,333	
Subtotal	7		61,607,435	39.85%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	5	Baa3	949,693	
Fixed Income Swaps & Options	27	Aa2	(111,410) (2)	
Banking & Finance	10	Ba2	4,924,624	
Health Care	2	Ba1	1,181,853	
Oil, Gas & Chemicals	4	Ba3	1,454,573	
Food, Beverage & Tobacco	2	Baa2	1,076,110	
Transportation	3	Baa2	1,091,487	
Utilities	5	Ba2	747,657	
Other Corporate Issues	20	Ba2	8,527,977	
PIMCO Private Mortgage Sector Fund	1	Aa1	21,984,909	
Subtotal	79		41,827,473	27.06%
International Bonds & Other Fixed Income Instruments	109	Baa2	28,681,485	18.54%
TOTAL	202		\$ 154,599,751	100%

Footnotes:

(1) Per Moody's Investors Service, Inc. (Moody's)

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

D. Interest Rate Risk

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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

1) Investment maturities shall be scheduled to enable the City to meet all operating requirements which may be reasonably anticipated; 2) A minimum of 15% of the portfolio shall be invested in highly liquid securities with a maturity of six months or less to meet the day-to-day operations of the City; 3) Surplus and idle money not related to the day-to-day operation of the City may be invested in authorized investments with a final maturity not exceeding five years from the date of investment.

The City's investment pool account had the following maturity structure as of June 30, 2013:

<u>Investment Type/Maturity</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<u>Cash & Cash Equivalents</u>		
Wells Fargo Government MM Fund	\$ 36,709,502	
	36,709,502	18.57%
<u>Less Than 1 Year</u>		
U.S. Treasury Notes	17,522,328	
Commercial Paper	9,989,916	
Negotiable Certificates of Deposit	2,202,200	
	29,714,444	15.03%
<u>Between 1 to 2 Years</u>		
U.S. Treasury Notes	24,488,752	
U.S. Agencies	3,593,772	
Negotiable Certificates of Deposit	15,534,347	
U.S. Corporate Bonds	3,536,225	
	47,153,096	23.85%
<u>Between 2 to 3 Years</u>		
U.S. Treasury Notes	57,935,016	
U.S. Agencies	13,783,355	
U.S. Corporate Bonds	10,920,774	
	82,639,145	41.80%
<u>Between 3 to 5 Years</u>		
Municipal Bonds	1,497,684	
	1,497,684	0.75%
TOTAL	\$ 197,713,871	100%

Effective Duration: 1.86 Years

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following maturity structure as of June 30, 2013:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Fair Value</u>
	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Cash & Short Term Investment Fund	\$ 12,965,595	\$	\$	\$	\$ 12,965,595
U.S. Treasury Issues			7,211,512	2,306,251	9,517,763
U.S. Agency & Other Governmental Obligations				3,887,102	3,887,102
BlackRock U.S. Debt Fund			57,720,333		57,720,333
Corporate & Other Fixed Income Instruments	553,834	32,659,090	5,950,081	2,664,468	41,827,473
International Bonds & Other Fixed Income Instruments	377,102	10,376,066	14,905,638	3,022,679	28,681,485
TOTAL	<u>\$ 13,896,531</u>	<u>\$ 43,035,156</u>	<u>\$ 85,787,564</u>	<u>\$ 11,880,500</u>	<u>\$ 154,599,751</u>

Effective Duration:

Active Account 5.4 years
Passive Account 5.1 years

Note: The information indicated has been presented using the specific identification method

E. Foreign Currency Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The exposure to foreign currency risk is currently limited to some of the investments within the TSRS pension fund. The TSRS Board has given the fund's international equity managers discretion to invest in a broad array of common and preferred stocks, convertibles and warrants of companies headquartered outside of the United States in order to meet or exceed their agreed upon investment return benchmarks. However, the following specific investment policy guidelines pertain to these managers: 1) Investments in any single country market should not exceed more than 4 times the weight of the country in the benchmark index or 50% of portfolio assets, whichever is lower; 2) If a country has a greater than 50% weight in the index, the maximum exposure to that country in the portfolio may be as high as its weight in the index; 3) No more than 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, 2013

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2013:

Currency Type	Cash & Cash Equivalents (1)	Fixed Income (1)	Equity	Real Estate	Infra- structure	Foreign Exchange Contracts (2)	Fair Value	Percent of Total
Australian Dollar	\$ 91,930	\$ 203,888	\$	\$	\$	\$ (348,540)	\$ (52,722)	-0.008%
Brazil Real						522,594	522,594	0.082%
Canadian Dollar	480		769,221				769,701	0.121%
Euro Currency Unit	75,846	3,267,650	16,765,910		22,267,969	(3,461,999)	38,915,376	6.109%
Hong Kong Dollar			2,506,118				2,506,118	0.393%
Japanese Yen	22,882		7,122,797			88,030	7,233,709	1.136%
Mexican New Peso	20,985	(131,411)				747,354	636,928	0.100%
Norwegian Krone						45,786	45,786	0.007%
Polish Zloty						88,622	88,622	0.014%
British Pound Sterling	(77,172)	2,248,994	11,199,855			(1,396,403)	11,975,274	1.880%
Russian Rubel						(2,686)	(2,686)	0.000%
S. African Comm Rand	73,347					(61,305)	12,042	0.002%
Singapore Dollar			1,069,597				1,069,597	0.168%
South Korean Won			930,873				930,873	0.146%
Swedish Krona			527,239				527,239	0.083%
Swiss Franc			5,328,112				5,328,112	0.836%
U.S. Dollar	12,757,297	136,045,035	348,479,756	48,776,932	17,147,567	3,307,443	566,514,030	88.931%
TOTAL	<u>\$ 12,965,595</u>	<u>\$141,634,156</u>	<u>\$394,699,478</u>	<u>\$ 48,776,932</u>	<u>\$39,415,536</u>	<u>\$ (471,104)</u>	<u>\$637,020,593</u>	<u>100%</u>
	2.04%	22.23%	61.96%	7.66%	6.19%	-0.08%	100%	

Footnotes:

- (1) A negative value in 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.
- (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, 2013, the carrying amount and fair value of securities on loan was \$23,111,971. 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, 2013

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, 2013, 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 actively managed external fixed income manager as of June 30, 2013. Changes in Fair Value is included as part of the overall Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Position, Fiduciary Fund – Pension Trust. Fair Value is included as part of investments listed under Corporate Bonds & Other Fixed Income Instruments in the Statement of Fiduciary Funds Net Position, 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	(23,500,000)	\$ (12,924)	\$ (119,153)	Interest Rate
Currency Forwards (Net)	15,620,518	\$ (221,516)	\$ (3,777,310)	Foreign Currency
Credit Default Swaps	14,720,000	\$ 101,656	\$ (219,773)	Credit
Interest Rate Swaps	26,900,000	\$ (51,188)	\$ (48,178)	Interest Rate

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 this Note. 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, 2013. These are necessary to cover short term timing differences between cash outflows and inflows for specific funds. 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 Position.

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 25,542,534	\$ 2,324,440
Mass Transit Fund		5,185,525
Other Non-major Governmental Funds	<u>2,324,440</u>	<u>20,357,009</u>
Total Governmental Funds	<u>\$ 27,866,974</u>	<u>\$ 27,866,974</u>

The due from/to Other Agencies balances at June 30, 2013 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 Position.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 20,357,690	\$ 339,327
Mass Transit Fund	3,215,334	278,808
Other Non-major Governmental Funds	<u>23,186,819</u>	<u>5,315</u>
Total Governmental Funds	46,759,843	623,450
Internal Service Funds:		
General Services	5,183	762
Fleet Services	<u>20,543</u>	<u>2,398</u>
Total Internal Service Funds	25,726	3,160
Enterprise Funds:		
Water Utility		1,459,671
Environmental Services	73,328	1,202
Other Non-major Enterprise Funds	<u>9,041</u>	<u>26,354</u>
Total Enterprise Funds	82,369	1,487,227
Fiduciary Funds:		
Sewer User Fee Fund		<u>12,927,619</u>
Total Fiduciary Funds		12,927,619
Total All Funds	<u>\$ 46,867,938</u>	<u>\$ 15,041,456</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 and other transfers between the Internal Service Funds, Enterprise Funds, and Governmental Funds of \$4,338,346 are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2013, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,600,000	\$ 44,081,028
Mass Transit Fund	40,014,435	
Other Non-major Governmental Funds	<u>3,829,966</u>	<u>160,306</u>
Total Governmental Funds	45,444,401	44,241,334
Internal Service Funds:		
Fleet Services	<u>266,655</u>	
Total Internal Service Funds	266,655	
Enterprise Funds:		
Water Utility		1,600,000
Other Non-major Enterprise Funds	<u>210,278</u>	<u>80,000</u>
Total Enterprise Funds	210,278	1,680,000
Total All Funds	<u>\$ 45,921,334</u>	<u>\$ 45,921,334</u>

An interfund loan was established between the General Fund and the Tucson Golf Enterprise Fund for \$7,369,981 to cover operating cash deficits. This was previously treated as a short-term due to/from transaction, the change was made due to the long-term resolution of the deficit. The loan is included in Notes and Loans Receivable in the General Fund with a nonspendable fund balance restriction and a Loans Payable in the Tucson Golf Enterprise Fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 699,805,347	\$ 15,939,502	\$ (1,624,391)	\$ 714,120,458
Construction-in-Progress	470,952,035	118,541,234	(6,323,002)	583,170,267
Capital Assets being Depreciated:				
Buildings and Improvements	521,276,036	6,105,190	(1,798,186)	525,583,040
Equipment	282,800,653	26,259,307	(12,961,991)	296,097,969
Infrastructure	821,249,998	217,386		821,467,384
Totals at Historical Cost	2,796,084,069	167,062,619	(22,707,570)	2,940,439,118
Less Accumulated Depreciation for:				
Buildings and Improvements	215,826,548	18,268,820	(1,587,334)	232,508,034
Equipment	194,915,688	21,491,756	(12,523,700)	203,883,744
Infrastructure	450,041,179	22,260,428		472,301,607
Total Accumulated Depreciation	860,783,415	62,021,004	(14,111,034)	908,693,385
Governmental Activities Capital Assets, Net	\$ 1,935,300,654	\$ 105,041,615	\$ (8,596,536)	\$ 2,031,745,733
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				\$ 2,647,070
Support Services				2,588,812
Public Safety/Neighborhood Services				14,946,214
Operations and Development				40,630,100
Non-Departmental				1,208,808
Total Depreciation Expense				\$ 62,021,004
Business-Type Activities:				
Non-depreciated Assets				
Land	\$ 70,760,489	\$	\$ (727,815)	\$ 70,032,674
Construction-in-Progress	109,954,641	71,646,253	(44,599,125)	137,001,769
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	211,798,050	7,980,323		219,778,373
Equipment	80,564,576	5,643,394	(4,029,104)	82,178,866
Distribution and Collection Systems	1,276,773,519	39,537,207		1,316,310,726
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	1,803,165,581	124,807,177	(49,356,044)	1,878,616,714
Less Accumulated Depreciation for:				
Buildings and Improvements	108,724,777	6,783,612		115,508,389
Equipment	53,482,382	7,584,582	(3,783,896)	57,283,068
Distribution and Collective Systems	359,142,578	22,651,865		381,794,443
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	522,537,075	37,020,059	(3,783,896)	555,773,238
Business-Type Activities Capital Assets, Net	\$ 1,280,628,506	\$ 87,787,118	\$ (45,572,148)	\$ 1,322,843,476

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

The following is a summary of changes in long-term debt as of June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 209,071,010	\$ 20,000,000	\$ (15,621,010)	\$ 213,450,000	\$ 18,690,000
Street & Highway Revenue Bonds	110,280,000	34,500,000	(36,070,000)	108,710,000	11,660,000
Certificates of Participation	238,376,000	3,614,000	(10,984,000)	231,006,000	14,349,000
Special Assessment Bonds	2,469,000		(463,000)	2,006,000	429,000
Clean Renewable Energy Bonds	16,458,000		(1,279,300)	15,178,700	1,289,300
Unamortized Amount:					
on Premiums	18,264,911	4,173,781	(2,195,419)	20,243,273	
on Discounts	(550,730)		33,722	(517,008)	
Total Bonds and Notes Payable	<u>594,368,191</u>	<u>62,287,781</u>	<u>(66,579,007)</u>	<u>590,076,965</u>	<u>46,417,300</u>
Other Liabilities:					
Capital Leases	1,660,877	1,150,000	(470,656)	2,340,221	277,609
Other Long-term Debt		21,279,884		21,279,884	106,000
Other Post Employment Benefits	5,838,280	1,299,514		7,137,794	
Compensated Absences	31,966,728	16,595,702	(14,800,913)	33,761,517	17,437,357
Remediation	1,090,458		(241,358)	849,100	211,200
Claims and Judgments	46,490,275	5,341,773	(8,011,202)	43,820,846	9,996,704
Total Other Liabilities	<u>87,046,618</u>	<u>45,666,873</u>	<u>(23,524,129)</u>	<u>109,189,362</u>	<u>28,028,870</u>
Governmental Activities Long Term Liabilities	<u>\$ 681,414,809</u>	<u>\$ 107,954,654</u>	<u>\$ (90,103,136)</u>	<u>\$ 699,266,327</u>	<u>\$ 74,446,170</u>
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 511,581,211	\$ 83,872,540	\$ (77,348,570)	\$ 518,105,181	\$ 24,381,439
Certificate of Participation	14,429,000		(3,715,000)	10,714,000	121,000
Unamortized Amount:					
Bond Premiums	19,144,497	8,201,021	(2,211,899)	25,133,619	
Total Bonds and Notes Payable	<u>545,154,708</u>	<u>92,073,561</u>	<u>(83,275,469)</u>	<u>553,952,800</u>	<u>24,502,439</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	38,491,239	1,553,240	(1,170,186)	38,874,293	740,330
Remediation	7,185,000		(1,098,046)	6,086,954	
Capital Leases	517,185		(517,185)		
Other Post Employment Benefits	1,177,197	260,275		1,437,472	
Compensation Absences	5,113,565	732,702	(452,786)	5,393,481	2,607,047
Loans Payable		7,369,981		7,369,981	
Total Other Liabilities	<u>52,484,186</u>	<u>9,916,198</u>	<u>(3,238,203)</u>	<u>59,162,181</u>	<u>3,347,377</u>
Business-type Activities Long Term Liabilities	<u>\$ 597,638,894</u>	<u>\$ 101,989,759</u>	<u>\$ (86,513,672)</u>	<u>\$ 613,114,981</u>	<u>\$ 27,849,816</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013.

Years ending June 30,	Governmental Activites	Business-Type Activites
2014	\$ 25,881,557	\$ 617,406
2015	26,135,408	614,429
2016	26,043,686	752,624
2017	26,184,598	753,598
2018	26,035,974	790,460
2019-2023	115,808,316	5,743,573
2024-2028	66,536,834	5,791,775
2029-2032	14,362,108	1,047,900
Total Minimum Lease Payments	<u>326,988,481</u>	<u>16,111,765</u>
Less: Amount Representing Interest (interest rates range: 2.0% to 6.52%)	<u>93,642,260</u>	<u>5,397,765</u>
Present Value of Net Minimum Lease Payments	<u>\$ 233,346,221</u>	<u>\$ 10,714,000</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$76,147,417), improvements other than buildings (\$26,959,800), and equipment (\$58,610,777).

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 \$2,313,834. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2013, were as follows:

Years ending June 30,	
2014	\$ 2,336,554
2015	2,139,502
2016	2,094,625
2017	2,027,734
2018	1,492,668
2019-2023	7,479,866
2024-2028	3,653,336
2029-2033	1,116,343
2034-2038	1,107,184
2039-2043	1,125,653
2044-2048	1,153,795
2049-2053	<u>1,182,639</u>
Total Minimum Future Lease Payments	<u>\$26,909,899</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013 to July 1, 2026. 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, 2013 to July 1, 2026. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2013 bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2013
1984 Series G (1994)	7.625	2014	\$ 21,540,000	\$ 3,140,000
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	5.25-5.5	2021	26,470,000	25,550,000
1994 Series D (1998)	6.25	2014	11,010,000	2,250,000
2000 Series B (2001)	4.625-5.75	2016	26,680,000	3,500,000
2003 Refunding	3.375-3.600	2020	22,465,000	420,000
2000 Series D (2004)	5.00	2014	15,000,000	1,500,000
2005 Series Refunding	3.75-5.00	2020	34,240,000	33,780,000
2005-B Series Refunding	3.00-4.50	2021	21,725,000	3,420,000
2000-E Series (2005)	3.625 -3.75	2016	25,815,000	8,500,000
2006 Series Refunding	4.00-5.00	2021	50,525,000	50,525,000
2007 Series Refunding	5.00	2019	19,190,000	18,655,000
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	1.1-3.2	2020	11,315,000	10,885,000
2012-A Series (2013)	4.00-5.00	2026	20,000,000	20,000,000
Total			<u>\$ 366,300,000</u>	<u>\$ 213,450,000</u>

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2013
1994 Series F (2001) & 2000 Series A (2001)	6.00	2014	\$ 15,500,000	\$ 1,750,000
2000 Series C (2004)	4.125	2014	8,500,000	1,100,000
2005 Series Refunding	5.00	2018	39,995,000	39,490,000
2000-D Series (2005)	5.00	2016	6,000,000	450,000
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
2013 Refunding	3.00 - 5.00	2022	34,500,000	34,500,000
Total			<u>\$ 135,915,000</u>	<u>\$ 108,710,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013
1993 Refunding	5.50	2014	\$ 35,360,000	\$ 1,705,000
2000 Series A (2001)	5.00	2014	37,800,000	500,000
2000 Series D (2004)	4.125 - 4.25	2014	18,765,000	500,000
1994 Series A (1996)	6.0 - 8.0	2018	33,000,000	1,250,000
2009 Refunding	5.00	2019	2,815,000	2,815,000
2007 Refunding	5.00	2021	31,460,000	30,855,000
2005 Refunding	5.00	2022	55,110,000	19,395,000
2006 Refunding	3.50 - 4.25	2024	85,460,000	82,055,000
2005 Series A (2005)	3.50 - 4.45	2025	31,665,000	2,060,000
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	2.75-5.0	2032	30,965,000	30,965,000
2005 Series B (2007)	4.375 - 5.00	2032	35,765,000	35,765,000
Water System Revenue Obligations 2012	2.00 - 5.00	2033	31,555,000	30,565,000
2012 Refunding Series A	4.00 - 5.00	2018	36,120,000	36,120,000
2012 Refunding Series B	.571 - 1.767	2016	14,635,000	10,145,000
2013A Refunding	2.00 - 5.00	2025	34,280,000	34,280,000
2013B Refunding	.614 - 2.75	2022	18,825,000	18,825,000
Water System Revenue Obligation, Series 2013	1.50 - 5.00	2030	21,065,000	21,065,000
Jr Lien Water System Refunding Bond 2012	1.90	2021	15,245,000	12,950,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	4,594,965
2004 Water Infrastructure Finance Authority (WIF5)	3.146-3.147	2023	3,000,000	1,796,373
2004 Water Infrastructure Finance Authority (WIF6)	3.255	2023	2,500,000	1,507,416
2005 Water Infrastructure Finance Authority (WIF7)	3.113	2024	2,997,000	1,943,150
2006 Water Infrastructure Finance Authority (WIF8)	3.424	2026	2,500,000	1,808,487
2006 Water Infrastructure Finance Authority (WIF9)	3.210	2026	2,000,000	1,438,190
2007 Water Infrastructure Finance Authority (WIF10)	3.208	2026	6,500,000	4,674,203
2008 Water Infrastructure Finance Authority (WIF11)	3.552	2027	17,800,000	13,693,802
2009A Water Infrastructure Finance Authority (WIF13)	3.375	2028	2,500,000	2,125,259
2009B Water Infrastructure Finance Authority (WIF12)	3.600	2028	1,000,000	811,942
2010 Water Infrastructure Finance Authority (WIF14)	2.928	2030	2,750,000	1,055,222 *
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	13,181,950 *
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	3,089,221 *
Total			<u>\$ 736,307,000</u>	<u>\$ 518,105,181</u>

* WIFA loans not fully drawn down during FY 2013. The balance of the loans will be recognized in FY 2014.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 9 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2013 is \$2,006,000 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 \$1,624,070 in the Special Assessment Bond & Interest Fund at June 30, 2013 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

The City entered into lease agreements with Bank 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
2014	\$ 18,690,000	\$ 9,913,504	\$ 11,660,000	\$ 5,042,562	\$ 429,000	\$ 92,606
2015	20,060,000	8,936,644	12,965,000	4,544,350	438,000	70,064
2016	23,735,000	8,029,758	13,465,000	4,017,800	447,000	47,072
2017	25,665,000	6,868,971	14,015,000	3,441,750	399,000	25,125
2018	23,345,000	5,693,153	14,570,000	2,778,700	257,000	8,340
2019-2023	81,955,000	12,015,219	42,035,000	5,272,000	36,000	946
2024-2026	20,000,000	1,680,000				
Totals	\$ 213,450,000	\$ 53,137,249	\$ 108,710,000	\$ 25,097,162	\$ 2,006,000	\$ 244,153

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewable Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 1,289,300	\$ 553,516	\$ 23,606,241	\$ 22,324,083
2015	1,309,300	513,188	29,329,799	21,331,414
2016	1,319,300	471,866	30,803,139	20,316,540
2017	1,334,300	429,834	32,309,436	19,096,485
2018	1,349,300	387,092	33,203,788	17,885,989
2019-2023	6,397,200	1,262,664	184,557,096	68,035,966
2024-2028	2,180,000	186,872	123,033,262	31,556,278
2029-2033			61,262,420	6,543,560
Totals	\$ 15,178,700	\$ 3,805,032	\$ 518,105,181	\$ 207,090,315

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 \$90,750,000, General Obligation debt of \$20,755,000 and Certificates of Participation \$23,375,000.

On May 21, 2013 and June 5, 2013, the City issued \$53,105,000 Water System Revenue Refunding Bonds Series 2013A and 2013B respectively, to refund Tax-Exempt Bonds Series 2001A Refunding; Taxable Water System Revenue Refunding Bonds Series 2005A; and Series 2005; and to pay costs related to the issuance of the bonds. The interest rate on Series A and Series B ranges from 2% to 5% and 1% to 2.75% respectively, with a final maturity due July 1, 2025 and July 1, 2022. Debt service payments are scheduled semi-annually at amounts ranging from \$175,000 to \$5,470,000. The economic gain resulting from refunds is \$3,563,837 (based upon NPV from delivery date). The difference in cash flow requirements to service the prior debt of \$71,086,787 and the cash flows to service the new debt of \$67,468,852 is \$3,617,935.

On June 19, 2013 the City issued \$34,500,000 Senior Lien Street and Highway User Revenue Refunding Bonds Series 2013A to refund or partially refund: Jr. HURF Bonds; Series 1994-D (1998), 1994-E (2000), Projects of 2004 & 2000 (2001), Series 2000-B (2003), Series 2003-A (2003A REF), Series 2005, (2005REF), and Sr. HURF Bonds; Series 2000-C (2004), and Series 2000-D (2005) and to pay costs associated with the issuance of the bonds. Interest rates range from 2% to 5%, with a final maturity due July 1, 2022. Debt service principal payments are scheduled annually for five years then a final payment in the ninth year. Payment amounts range from \$530,750 to \$11,145,750. The economic gain resulting from the refunds is \$811,906 (based upon NPV from delivery date). The difference in cash flow requirements to service the prior debt of \$40,071,075 and the cash flows to service the new debt of \$41,726,287 is \$(1,655,212).

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, 2013. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2013. 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, 2013

Note 11 – LANDFILLS (continued):

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

<u>Landfill Site</u>	<u>Landfill Capacity Used as of 6/30/2013</u>	<u>Estimated Closure/Post- Closure Costs</u>	<u>Liability Recognized at 6/30/13</u>	<u>Estimated Closure/ Postclosure Cost to be Recognized in Future Years</u>	<u>Estimated Remaining Life in Years</u>
Los Reales	90 %	\$ 33,547,000	\$ 30,296,293	\$ 3,250,707	60
Harrison	100 %	4,615,000	4,615,000		
Irvington	100 %	2,128,000	2,128,000		
Mullins	100 %	1,835,000	1,835,000		
Totals		<u>\$ 42,125,000</u>	<u>\$ 38,874,293</u>	<u>\$ 3,250,707</u>	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management has started accumulating a portion of net position to address the closure/post-closure liability (\$4,846,387) and construction of new landfill cells (\$5,946,600).

The June 30, 2013, liability for closure and post-closure costs is \$38,874,293 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 *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) that provide retirement benefits, as well as death and disability benefits to public safety employees. The PSPRS acts as a common investment and administrative agent that is jointly administered by Board of Trustees and 237 Local Boards. Financial statements are issued by PSPRS and are available online at www.psprs.com.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

The *Elected Officials' Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan that provides retirement and death and disability benefits. The EORP was established by Title 38, Chapter 5, and Article 3 of the Arizona Revised Statutes and is administered by the Board of Trustees of PSPRS. At June 30, 2013, the City had 7 covered officials. Covered payroll for the year then ended was \$186,000 (out of the total City payroll of \$217,795,048). 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 1,280 participants as of June 30, 2013. 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 13.97% of the annual required contribution for the system as calculated by the actuary through payroll deduction. Future changes to employee contribution rates are limited to a maximum annual increase not to exceed 2.5% of base pay. For fiscal year 2013 the rate of contribution for employees hired after June 30, 2006 was 13.98%. All employee contribution rates are calculated by the actuary.

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 29.94% and for employees hired after June 30, 2006 the contribution rate is 20.96%. If an employee leaves covered employment before attaining five years of service credit, the accumulated employee contributions plus interest are refunded to the employee or designated beneficiary.

Employees covered by the *Public Safety Personnel Retirement System* contribute 9.55% 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, 2013, the required employer contribution rates were 41.44% and 42.61%, respectively, for Police and Fire. The health insurance premium portion of the contribution rate was actuarially set at 2.57% and 2.47%, 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, 2013

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 2013 the City's portion of the retiree medical insurance was \$9,644,044 and the retiree life insurance was \$278,844.

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 Contribution (ARC)	Employer contributions	Interest on Net OPEB	ARC Adjustment	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Liability)
2013	\$ 17,055,336	\$ 15,481,278	\$ 315,696	\$ (279,963)	\$ 1,609,791	91.4%	\$ 8,575,266
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

C. Funding Status

The following table provides the funded status of the plans as of the most recent valuation date of June 30, 2013 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 2013 - 2014 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						
2013	\$ 600,330	\$ 948,562	\$ 348,232	63.3 %	\$ 125,858	276.7 %
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
Police						
2013	322,449	651,957	329,509	49.5	27,032	557.8
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
Fire						
2013	195,657	413,655	217,998	47.3	34,905	624.6
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
OPEB (City)						
2013	0	239,474	239,474	0.0	227,365	105.3
2012	0	216,365	216,365	0.0	241,495	89.6
2011	0	136,277	136,277	0.0	232,052	58.7

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 Required Contribution	Percentage of APC Contributed	Net Pension and OPEB Obligation
TSRS	2013	\$ 35,714	100 %	\$ 0
	2012	33,863	100	0
	2011	34,523	100	0
Police	2013	21,626	100	0
	2012	19,318	100	0
	2011	18,246	100	0
Fire	2013	14,011	100	0
	2012	12,272	100	0
	2011	11,200	100	0
OPEB (City)	2013	17,041	90.0	8,575
	2012	16,183	92.1	7,015
	2011	7,556	98.2	5,741

(est.) - Estimated Annual Required Contribution

	Actuarial Information			
	TSRS	APSPRS		OPEB
		Police	Fire	
Actuarial Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013	July 1, 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	20 Years	23 years for underfunded 20 years for overfunded	23 years for underfunded 20 years for overfunded	30 years for unfunded actuarial accrued liability
Asset Valuation Method	Smoothed Market	7-Year Smoothed Market	7-Year Smoothed Market	N/A
Actuarial Assumptions:				
Investment Rate of Return	7.75%	7.85%	7.85%	4.50%
Projected Salary Increases*	3.50% - 7.50%	4.5%-8.5%	4.5% - 8.5%	N/A
Inflation	3.50%	4.5%	4.5%	8.5%**
Cost-of-Living Adjustment	None	None	None	N/A

* Projected salary increases include inflation

** Medical/Drug cost trend rate

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Beginning of fiscal year liability	\$ 46,490,275	\$ 45,325,514
Current year claims and changes in estimates	5,341,773	12,781,420
Claim Payments	<u>(8,011,202)</u>	<u>(11,616,659)</u>
Balance at fiscal year end	<u>\$ 43,820,846</u>	<u>\$ 46,490,275</u>

Note 14 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$518,105,181 in utility system revenue outstanding bonds and obligations. 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 2033. Annual principal and interest payments on the bonds are expected to require less than 58.6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$725,195,496. Principal and interest paid for the current year and total customer net revenues were \$46,379,393 and \$79,079,026, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$108,710,000 in outstanding Street and Highway Bonds. Proceeds from the bonds provided financing for the construction, acquiring rights-of-way and for maintaining City streets and highways. The bonds are payable solely from H.U.R.F. revenues and are payable through 2022. Fiscal Year 2013 annual principal and interest payments on the bonds required 13.3% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$133,807,162. Principal and interest paid for the current year and total H.U.R.F. revenues were \$5,437,808 and \$40,613,665, respectively.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 \$2,162,580. In addition, commodity charges, which are designed to cover CAWCD operating and maintenance expenses, are based on the quantity of CAP water taken by the City. The commodity charge for the year was \$18,093,586.

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 and low-income housing tax credits from the State of Arizona. 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 \$26,827,077 at June 30, 2013.

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 City has made certain commitments to ensure eligibility for the tax credits, and therefore, has potential associated liability. The likelihood of such liabilities occurring are considered remote by the City.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 \$23,226,729 at June 30, 2013.

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 and as amended on September 1, 2003, 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 various rates, was \$3,667,925 at June 30, 2013.

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 \$2,045,679 at June 30, 2013.

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, 2013

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 \$7,719,217 at June 30, 2013.

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 \$1,885,000 at June 30, 2013.

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 \$2,050,000 at June 30, 2013.

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, 2013, the City intended to honor \$107,469,408 of outstanding encumbrances in the new year.

General Fund	\$ 4,268,050
Mass Transit	3,283,545
Nonmajor Governmental Funds	99,917,813
Total	<u>\$ 107,469,408</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 order to resolve variety of lawsuits between the City and the District, the City Mayor and Council and the District Board signed an agreement of February 7, 2013. In this agreement the two entities agreed to cancel/pay various loans and advances. The agreement on the Depot Garage will require the City to pay the District, in recognition for monies spent for the construction of the garage and to relinquish any claims on future revenues, \$21,279,884 between fiscal year 2013 through 2050. The terms of the agreement specifies that the City will retain ownership, be solely responsible for the operation and maintenance, and shall be solely responsible for any issues with all third parties relating to the design, construction and operation of the garage. The City will not sell or lease the entire garage without prior written consent from the District. The District will continue to satisfy the existing debt service obligation.

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.

Note 17 – SPECIAL ITEM, TUCSON GOLF ENTERPRISE FUND

Special items are significant transactions that are within the control of management and are either unusual in nature or infrequent in nature. Over the past nine years, the Golf Enterprise Fund has experienced significant cash flow problems that were covered by the City's General Fund. To improve this situation, management in conjunction with Mayor and Council initiated several proposals that are under consideration. Mayor and Council directed the transfer of the Certificate of Participation obligation of \$3,609,094 and associated debt service payments from the Golf Enterprise Fund to the General Fund.

Note 18 – NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS

The City of Tucson implemented several GASB pronouncements that are disclosed below:

Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and 34". This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component unit (blending vs. discrete) presentation, and certain disclosure requirements. This pronouncement did not impact the preparation of these financial statements.

Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement codifies into GASB accounting and financial reporting standards (the 'legacy' standards) from the private-sector. This pronouncement did not impact the preparation of these financial statements.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 18 – NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS
(Continued):

Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures.

Statement No. 65, “Items Previously Reports as Assets and Liabilities”. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources outflows of resources, or inflow of resources.

Statements No. 63 and 65 did impact the preparation of these financial statements. Items that were presented as liabilities are now presented on the face of the financial statements as deferred inflows. Since the Entity-wide statements present two fiscal year comparisons, the prior fiscal year (2012) is reclassified to show deferred inflows/outflows as appropriate. Statement 65 also required bond issue costs to be expensed when occurred instead of amortized over the life of the bond issue as required under previous guidance. This change will require a restatement of the beginning net position as listed below:

	Governmental Activities		Business-type Activities		Total	
	Previously Reported	Restated	Previously Reported	Restated	Previously Reported	Restated
Invested in Capital Assets	\$ 1,350,013,946	\$ 1,350,013,946	\$ 769,213,845	\$ 769,213,845	\$ 2,119,227,791	\$ 2,119,227,791
Restricted for:						
Debt Service	3,060,076	3,060,076	28,096,950	28,096,950	31,157,026	31,157,026
Capital	48,031,256	48,031,256	96,821	96,821	48,128,077	48,128,077
Self-Insurance Mandates	24,830,840	24,830,840			24,830,840	24,830,840
Transportation	12,143,352	12,143,352			12,143,352	12,143,352
Grants and Entitlements	24,175,120	24,175,120			24,175,120	24,175,120
Other Purposes	6,392,825	6,392,825	8,145,781	8,145,781	14,538,606	14,538,606
Unrestricted	33,108,497	25,338,405	(10,391,767)	(14,808,077)	22,716,730	10,530,328
Total Net Position	<u>\$ 1,501,755,912</u>	<u>\$ 1,493,985,820</u>	<u>\$ 795,161,630</u>	<u>\$ 790,745,320</u>	<u>\$ 2,296,917,542</u>	<u>\$ 2,284,731,140</u>
	<u>Water Utility Fund</u>					
	Previously Reported	Restated				
Invested in Capital Assets	\$ 700,566,150	\$ 700,566,150				
Restricted for:						
Debt Service	28,096,950	28,096,950				
Capital						
Unrestricted	37,812,808	33,396,498				
Total Net Position	<u>\$ 766,475,908</u>	<u>\$ 762,059,598</u>				

CITY OF TUCSON, ARIZONA



**Required
Supplementary
Information**

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 236,062,750	\$ 242,339,630	\$ 239,677,853	\$ (2,661,777)
Licenses and Permits	21,080,620	21,080,620	20,617,308	(463,312)
Fines and Forfeitures	13,812,280	13,812,280	12,179,820	(1,632,460)
Use of Money and Property	715,310	715,310	815,214	99,904
Other Agencies	118,814,330	120,203,000	120,279,479	76,479
Charges for Services	41,189,530	42,326,530	42,616,114	289,584
Miscellaneous	1,081,190	841,970	1,579,369	737,399
Total revenues	432,756,010	441,319,340	437,765,157	(3,554,183)
Expenditures:				
Current -				
Elected and Official	21,490,660	21,454,380	20,461,550	992,830
Support Services	32,051,320	33,378,920	33,533,949	(155,029)
Public Safety/Neighborhood Services	285,597,680	285,091,321	283,591,343	1,499,978
Operations and Development	17,292,410	16,906,965	16,709,338	197,627
Non-Departmental	21,836,400	21,836,400	22,708,316	(871,916)
Capital Outlay	3,364,360	4,140,846	3,344,087	796,759
Capital Projects	112,600	297,567	1,893,339	(1,595,772)
Debt service -				
Principal	1,392,410	10,850,410	10,850,408	2
Interest	11,021,920	11,186,640	10,184,320	1,002,320
Fiscal Agent Fees				
Issuance Costs of Debt			56,327	(56,327)
Total expenditures	394,159,760	405,143,449	403,332,977	1,810,472
Excess (deficiency) of revenues over expenditures	38,596,250	36,175,891	34,432,180	(1,743,711)
Other financing sources (uses):				
Refunding Proceeds	9,416,000			
Premium on Debt Issuance				
Transfers In	1,600,000	1,600,000	1,600,000	
Refunded Bond Escrow Agent	(9,416,000)			
Transfers Out	(43,833,580)	(43,833,580)	(44,081,028)	(247,448)
Total other financing sources (uses)	(42,233,580)	(42,233,580)	(42,481,028)	(247,448)
Change in fund balances	(3,637,330)	(6,057,689)	(8,048,848)	(1,991,159)
Fund balances, July 1, 2012			62,411,219	62,411,219
Fund balances (deficits), June 30, 2013	\$ (3,637,330)	\$ (6,057,689)	\$ 54,362,371	\$ 60,420,060

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

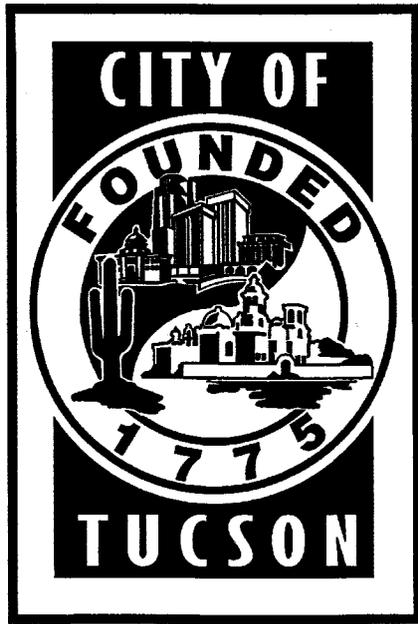
CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of Money and Property	\$ 120,000	\$ 120,000	\$ 363,377	\$ 243,377
Federal Grants and Contributions	81,039,200	81,039,200	72,535,485	(8,503,715)
Other Agencies	10,709,400	10,709,400	10,813,186	103,786
Charges for Services	15,700,200	15,700,200	13,940,587	(1,759,613)
Miscellaneous	338,000	338,000	1,615,005	1,277,005
Total revenues	<u>107,906,800</u>	<u>107,906,800</u>	<u>99,267,640</u>	<u>(8,639,160)</u>
Expenditures:				
Current -				
Elected and Official				
Support Services				
Public Safety/Neighborhood Services				
Operations and Development	73,208,790	72,351,880	71,490,196	861,684
Non-Departmental				
Capital Outlay	19,089,600	20,250,720	21,376,529	(1,125,809)
Capital Projects	56,039,200	55,073,370	46,524,394	8,548,976
Debt Service -				
Principal				
Interest				
Total expenditures	<u>148,337,590</u>	<u>147,675,970</u>	<u>139,391,119</u>	<u>8,284,851</u>
Excess (deficiency) of revenues over expenditures	<u>(40,430,790)</u>	<u>(39,769,170)</u>	<u>(40,123,479)</u>	<u>(354,309)</u>
Other financing sources (uses):				
Transfers In	40,430,790	40,430,790	40,014,435	(416,355)
Total other financing sources (uses)	<u>40,430,790</u>	<u>40,430,790</u>	<u>40,014,435</u>	<u>(416,355)</u>
Changes in fund balances		<u>661,620</u>	<u>(109,044)</u>	<u>(770,664)</u>
Fund balances (deficit), beginning of year			7,312,148	7,312,148
Fund balances (deficit), end of year	<u>\$</u>	<u>\$ 661,620</u>	<u>\$ 7,203,104</u>	<u>\$ 6,541,484</u>

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

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, 2013

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 14,500,504	\$ 3,227,288	\$ 56,144,268	\$ 73,872,060
Cash & Investments with Fiscal Agents	1,260,295	25,764,023		27,024,318
Cash & Investments with Fiscal Agents - Restricted			8,836,679	8,836,679
Accounts Receivable, Net	741,258		16,934	758,192
Special Assessments Receivable		1,283,369		1,283,369
Notes & Loans Receivable	23,990,127			23,990,127
Due from Other Agencies	3,266,187		19,920,632	23,186,819
Interfund Receivable	2,324,440			2,324,440
Grants & Entitlements Receivable	10,217,268			10,217,268
Interest Receivable	56,104	13,761	131,088	200,953
Long Term Investments	2,094,399			2,094,399
Total assets	\$ 58,450,582	\$ 30,288,441	\$ 85,049,601	\$ 173,788,624
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 5,857,046	\$ 1,175	\$ 6,907,477	\$ 12,765,698
Accrued Payroll Liabilities	1,009,388			1,009,388
Interfund Payable	4,804,152	59,088	15,493,768	20,357,008
Due to Other Agencies	4,136		1,179	5,315
Refundable Deposits	563,622	23,693		587,315
Bonds & Interest Payable, including Special Assessments		25,764,023		25,764,023
Advances from Grantors	3,004,302			3,004,302
Total liabilities	15,242,646	25,847,979	22,402,424	63,493,049
Deferred inflows:				
Unavailable revenues	20,477,835	1,279,434		21,757,269
Total deferred inflows	20,477,835	1,279,434		21,757,269
Fund balances:				
Nonspendable				
Restricted	11,107,423	3,220,491	62,647,177	76,975,091
Committed	2,388,978			2,388,978
Assigned	9,270,828			9,270,828
Unassigned	(37,128)	(59,463)		(96,591)
Total fund balances	22,730,101	3,161,028	62,647,177	88,538,306
Total liabilities, deferred inflows and fund balances	\$ 58,450,582	\$ 30,288,441	\$ 85,049,601	\$ 173,788,624

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	ParkWise	Convention Center Fund	H.U.R.F. Fund
<u>ASSETS</u>			
Pooled Cash and Investments	\$ 4,800	\$ 578,406	\$ 9,354,460
Cash & Investments with Fiscal Agents			193,433
Accounts Receivable, Net	133,912	9,969	419,839
Notes & Loans Receivable			
Due from Other Agencies			3,175,040
Interfund Receivable			2,324,440
Grants & Entitlements Receivable			
Interest Receivable	2,430		48,598
Long-term Investments	2,094,399		
Total assets	\$ 2,235,541	\$ 588,375	\$ 15,515,810
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 69,462	\$ 154,427	\$ 3,183,981
Accrued Payroll Liabilities	15,446	33,157	681,196
Interfund Payable	72,258		
Due to Other Agencies	66		844
Refundable Deposits	21,038	371,791	33,754
Advances from Grantors			
Total liabilities	178,270	559,375	3,899,775
Deferred inflows:			
Unavailable revenues			
Total deferred inflows			
Fund balances:			
Restricted	2,094,399		
Committed			2,374,207
Assigned		29,000	9,241,828
Unassigned	(37,128)		
Total fund balances	2,057,271	29,000	11,616,035
Total liabilities, deferred inflows and fund balances	\$ 2,235,541	\$ 588,375	\$ 15,515,810

Civic Contribution Fund	Community Development Block Grants Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	HOME Affordable Housing Fund
\$ 825,795	\$ 50,000	\$	\$ 3,687,043	\$
	360,233			152,090
30,000			147,538	
	5,484,589			18,505,538
		91,147		
	1,376,920	1,239,102	33,108	1,653,570
5,076				
<u>\$ 860,871</u>	<u>\$ 7,271,742</u>	<u>\$ 1,330,249</u>	<u>\$ 3,867,689</u>	<u>\$ 20,311,198</u>
\$ 69,902	\$ 408,426	\$ 373,089	\$ 144,939	\$ 1,200,460
	32,527	8,575	47,276	6,805
	132,751	948,585		598,395
40	2,877			
	807		136,232	
	24,433			
<u>69,942</u>	<u>601,821</u>	<u>1,330,249</u>	<u>328,447</u>	<u>1,805,660</u>
	1,972,297			18,505,538
	<u>1,972,297</u>			<u>18,505,538</u>
776,158	4,697,624		3,539,242	
14,771				
<u>790,929</u>	<u>4,697,624</u>		<u>3,539,242</u>	
<u>\$ 860,871</u>	<u>\$ 7,271,742</u>	<u>\$ 1,330,249</u>	<u>\$ 3,867,689</u>	<u>\$ 20,311,198</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013
(Concluded)

	Other Federal Grants Fund	Non-Federal Grants Fund	Totals
<u>ASSETS</u>			
Pooled Cash and Investments	\$	\$	\$ 14,500,504
Cash & Investments with Fiscal Agents	554,539		1,260,295
Accounts Receivable, Net			741,258
Notes & Loans Receivable			23,990,127
Due from Other Agencies			3,266,187
Interfund Receivable			2,324,440
Grants & Entitlements Receivable	4,675,252	1,239,316	10,217,268
Interest Receivable			56,104
Long-term Investments			2,094,399
Total assets	\$ 5,229,791	\$ 1,239,316	\$ 58,450,582
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 244,500	\$ 7,860	\$ 5,857,046
Accrued Payroll Liabilities	169,056	15,350	1,009,388
Interfund Payable	2,644,685	407,478	4,804,152
Due to Other Agencies	82	227	4,136
Refundable Deposits			563,622
Advances from Grantors	2,171,468	808,401	3,004,302
Total liabilities	5,229,791	1,239,316	15,242,646
Deferred inflows:			
Unavailable revenues			20,477,835
Total deferred inflows			20,477,835
Fund balances:			
Restricted			11,107,423
Committed			2,388,978
Assigned			9,270,828
Unassigned			(37,128)
Total fund balances			22,730,101
Total liabilities, deferred inflows and fund balances	\$ 5,229,791	\$ 1,239,316	\$ 58,450,582

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2013

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 1,638,021	\$	\$ 1,589,267	\$ 3,227,288
Cash & Investments with Fiscal Agents	51,882	22,994,116	2,718,025	25,764,023
Special Assessments Receivable	1,283,369			1,283,369
Interest Receivable	6,057		7,704	13,761
Total assets	<u>\$ 2,979,329</u>	<u>\$ 22,994,116</u>	<u>\$ 4,314,996</u>	<u>\$ 30,288,441</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 250	\$ 375	\$ 550	\$ 1,175
Interfund Payable		59,088		59,088
Refundable Deposits	23,693			23,693
Bonds & Interest Payable, including Special Assessments	51,882	22,994,116	2,718,025	25,764,023
Total liabilities	<u>75,825</u>	<u>23,053,579</u>	<u>2,718,575</u>	<u>25,847,979</u>
Deferred inflows:				
Unavailable revenues	1,279,434			1,279,434
Total deferred inflows	<u>1,279,434</u>			<u>1,279,434</u>
Fund balances:				
Restricted	1,624,070		1,596,421	3,220,491
Unassigned		(59,463)		(59,463)
Total fund balances	<u>1,624,070</u>	<u>(59,463)</u>	<u>1,596,421</u>	<u>3,161,028</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,979,329</u>	<u>\$ 22,994,116</u>	<u>\$ 4,314,996</u>	<u>\$ 30,288,441</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013

	2000 General Obligation Fund	2013 General Obligation Fund	Capital Improvements Fund
<u>ASSETS</u>			
Pooled Cash and Investments	\$ 500,998	\$ 20,438,209	\$
Cash & Investments with Fiscal Agents - Restricted			8,836,679
Accounts Receivable, Net			
Due from Other Agencies			3,470,247
Interest Receivable	4,219	9,052	
Total assets	<u>\$ 505,217</u>	<u>\$ 20,447,261</u>	<u>\$ 12,306,926</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 150,919	\$	\$ 875,777
Interfund Payable			5,072,657
Due to Other Agencies			1,179
Total liabilities	<u>150,919</u>	<u></u>	<u>5,949,613</u>
Fund balances:			
Restricted	<u>354,298</u>	<u>20,447,261</u>	<u>6,357,313</u>
Total fund balances	<u>354,298</u>	<u>20,447,261</u>	<u>6,357,313</u>
Total liabilities and fund balances	<u>\$ 505,217</u>	<u>\$ 20,447,261</u>	<u>\$ 12,306,926</u>

Development Fee Fund	Regional Transportation Authority Fund	Totals
\$ 35,205,061	\$	\$ 56,144,268
		8,836,679
	16,934	16,934
	16,450,385	19,920,632
117,817		131,088
<u>\$ 35,322,878</u>	<u>\$ 16,467,319</u>	<u>\$ 85,049,601</u>
\$ 57,760	\$ 5,823,021	\$ 6,907,477
	10,421,111	15,493,768
		1,179
<u>57,760</u>	<u>16,244,132</u>	<u>22,402,424</u>
35,265,118	223,187	62,647,177
<u>35,265,118</u>	<u>223,187</u>	<u>62,647,177</u>
<u>\$ 35,322,878</u>	<u>\$ 16,467,319</u>	<u>\$ 85,049,601</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, 2013

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 28,207,641	\$	\$ 28,207,641
Licenses and Permits	43,250			43,250
Fines and Forfeitures	668,873	3,323		672,196
Developer Fees			7,865,777	7,865,777
Use of Money and Property	1,151,650	2,763	142,031	1,296,444
Federal Grants and Contributions	74,631,880			74,631,880
Other Agencies	34,966,007	7,035,674	59,339,981	101,341,662
Charges for Services	6,826,339			6,826,339
Special Assessments		390,049		390,049
Contributions from Outside Sources	365,031			365,031
Miscellaneous	2,985,886		311,111	3,296,997
Total revenues	<u>121,638,916</u>	<u>35,639,450</u>	<u>67,658,900</u>	<u>224,937,266</u>
Expenditures:				
Current -				
Elected and Official	1,758,670			1,758,670
Public Safety/Neighborhood Services	75,356,785		99,172	75,455,957
Operations and Development	39,972,762		4,950,838	44,923,600
Non-Departmental	2,378,868		6,020	2,384,888
Capital Outlay	1,584,340		5,262,799	6,847,139
Capital Projects	5,589,293		60,493,730	66,083,023
Debt service -				
Principal	820,495	16,084,010		16,904,505
Interest	834,229	17,808,896	1,019,316	19,662,441
Fiscal Agent Fees		6,138		6,138
Debt Issuance Costs	94,250	275,335	217,872	587,457
Total expenditures	<u>128,389,692</u>	<u>34,174,379</u>	<u>72,049,747</u>	<u>234,613,818</u>
Excess (deficiency) of revenues over expenditures	<u>(6,750,776)</u>	<u>1,465,071</u>	<u>(4,390,847)</u>	<u>(9,676,552)</u>
Other financing sources (uses):				
Bond Issuance		34,500,000	20,000,000	54,500,000
Capital Leases	1,150,000			1,150,000
Premium on Debt Issuance		3,352,319	655,980	4,008,299
Transfers In	3,691,887	30,028	108,051	3,829,966
Refunded Bond Escrow Agent		(37,576,983)		(37,576,983)
Transfers Out	(130,278)		(30,028)	(160,306)
Total other financing sources (uses)	<u>4,711,609</u>	<u>305,364</u>	<u>20,734,003</u>	<u>25,750,976</u>
Change in fund balances	<u>(2,039,167)</u>	<u>1,770,435</u>	<u>16,343,156</u>	<u>16,074,424</u>
Fund balances, beginning of year	24,769,268	1,390,593	46,304,021	72,463,882
Fund balances, end of year	<u>\$ 22,730,101</u>	<u>\$ 3,161,028</u>	<u>\$ 62,647,177</u>	<u>\$ 88,538,306</u>



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	<u>ParkWise</u>	<u>Convention Center Fund</u>	<u>H.U.R.F. Fund</u>
Revenues:			
Licenses and Permits	\$	\$	\$ 43,250
Fines and Forfeitures	668,873		
Use of Money and Property	54,002	65,019	697,375
Federal Grants and Contributions			
Other Agencies			33,577,991
Charges for Services	2,805,918	3,270,132	738,576
Contributions from Outside Sources			
Miscellaneous	6,502	11,123	2,886,482
Total revenues	<u>3,535,295</u>	<u>3,346,274</u>	<u>37,943,674</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety/Neighborhood Services		5,716,324	
Operations and Development	2,338,724		37,200,773
Non-Departmental		1,287,918	100,580
Capital Outlay			29,454
Capital Projects		1,040,196	1,406,704
Debt service -			
Principal	653,000		167,495
Interest	747,119		3,240
Debt Issuance Costs		94,250	
Total expenditures	<u>3,738,843</u>	<u>8,138,688</u>	<u>38,908,246</u>
Excess (deficiency) of revenues over expenditures	<u>(203,548)</u>	<u>(4,792,414)</u>	<u>(964,572)</u>
Other financing sources (uses):			
Capital Leases		1,150,000	
Transfers In		3,642,049	
Transfers Out			
Total other financing sources (uses)		<u>4,792,049</u>	
Change in fund balances	<u>(203,548)</u>	<u>(365)</u>	<u>(964,572)</u>
Fund balances (deficits), beginning of year	2,260,819	29,365	12,580,607
Fund balances (deficits), end of year	<u>\$ 2,057,271</u>	<u>\$ 29,000</u>	<u>\$ 11,616,035</u>

Civic Contribution Fund	Community Development Block Grants Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	HOME Affordable Housing Fund	Other Federal Grants Fund
\$	\$	\$	\$	\$	\$
5,480	296,326		28,105		5,343
	9,847,397	4,297,107	38,528,391	5,222,158	16,736,827
			11,713		
365,031			79,387		2,392
<u>370,511</u>	<u>10,143,723</u>	<u>4,297,107</u>	<u>38,647,596</u>	<u>5,222,158</u>	<u>16,744,562</u>
445					1,745,516
977,462	7,762,519	4,261,651	38,963,523	5,222,158	11,266,337
2,901					430,364
43,000					947,370
128,430					1,374,214
283,422	1,744,348				978,369
	15,280		68,590		
<u>1,435,660</u>	<u>9,522,147</u>	<u>4,261,651</u>	<u>39,032,113</u>	<u>5,222,158</u>	<u>16,742,170</u>
(1,065,149)	621,576	35,456	(384,517)		2,392
49,838		(130,278)			
<u>49,838</u>		<u>(130,278)</u>			
(1,015,311)	621,576	(94,822)	(384,517)		2,392
1,806,240	4,076,048	94,822	3,923,759		(2,392)
<u>\$ 790,929</u>	<u>\$ 4,697,624</u>	<u>\$</u>	<u>\$ 3,539,242</u>	<u>\$</u>	<u>\$</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, 2013
(Concluded)

	Non-Federal Grants Fund	Totals
Revenues:		
Licenses and Permits	\$	\$ 43,250
Fines and Forfeitures		668,873
Use of Money and Property		1,151,650
Federal Grants and Contributions		74,631,880
Other Agencies	1,388,016	34,966,007
Charges for Services		6,826,339
Contributions from Outside Sources		365,031
Miscellaneous		2,985,886
Total revenues	1,388,016	121,638,916
Expenditures:		
Current -		
Elected and Official	12,709	1,758,670
Public Safety/Neighborhood Services	1,186,811	75,356,785
Operations and Development		39,972,762
Non-Departmental		2,378,868
Capital Outlay	52,242	1,584,340
Capital Projects	136,254	5,589,293
Debt service -		
Principal		820,495
Interest		834,229
Debt Issuance Costs		94,250
Total expenditures	1,388,016	128,389,692
Excess (deficiency) of revenues over expenditures		(6,750,776)
Other financing sources (uses):		
Capital Leases		1,150,000
Transfers In		3,691,887
Transfers Out		(130,278)
Total other financing sources (uses)		4,711,609
Change in fund balances		(2,039,167)
Fund balances (deficits), beginning of year		24,769,268
Fund balances (deficits), end of year	\$	\$ 22,730,101

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
Revenues:				
Taxes	\$	\$ 28,207,641	\$	\$ 28,207,641
Fines and Forfeitures	3,323			3,323
Use of Money and Property	2,763			2,763
Other Agencies			7,035,674	7,035,674
Special Assessments	390,049			390,049
Total revenues	<u>396,135</u>	<u>28,207,641</u>	<u>7,035,674</u>	<u>35,639,450</u>
Expenditures:				
Debt service -				
Principal	463,000	15,621,010		16,084,010
Interest	115,553	12,255,535	5,437,808	17,808,896
Fiscal Agent Fees	2,750	2,838	550	6,138
Debt Issuance Costs			275,335	275,335
Total expenditures	<u>581,303</u>	<u>27,879,383</u>	<u>5,713,693</u>	<u>34,174,379</u>
Excess (deficiency) of revenues over expenditures	<u>(185,168)</u>	<u>328,258</u>	<u>1,321,981</u>	<u>1,465,071</u>
Other financing sources (uses):				
Bond Issuance			34,500,000	34,500,000
Premium on Debt Issuance			3,352,319	3,352,319
Transfers In		30,028		30,028
Refunded Bond Escrow Agent			(37,576,983)	(37,576,983)
Total other financing sources (uses)		<u>30,028</u>	<u>275,336</u>	<u>305,364</u>
Change in fund balances	<u>(185,168)</u>	<u>358,286</u>	<u>1,597,317</u>	<u>1,770,435</u>
Fund balances, beginning of year	1,809,238	(417,749)	(896)	1,390,593
Fund balances (deficits), end of year	<u>\$ 1,624,070</u>	<u>\$ (59,463)</u>	<u>\$ 1,596,421</u>	<u>\$ 3,161,028</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2013

	Capital Improvements Fund	2000 General Obligation Fund	2013 General Obligation Fund
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property	3,158	4,526	9,153
Other Agencies	9,447,085		
Miscellaneous			
Total revenues	<u>9,450,243</u>	<u>4,526</u>	<u>9,153</u>
Expenditures:			
Current -			
Public Safety/Neighborhood Services		98,324	
Operations and Development	4,189,538		
Non-Departmental	6,020		
Capital Outlay	14,864		
Capital Projects	13,432,913	1,492,484	
Debt service -			
Interest	1,019,316		
Debt Issuance Costs			217,872
Total expenditures	<u>18,662,651</u>	<u>1,590,808</u>	<u>217,872</u>
Excess (deficiency) of revenues over expenditures	<u>(9,212,408)</u>	<u>(1,586,282)</u>	<u>(208,719)</u>
Other financing sources (uses):			
Bond Issuance			20,000,000
Premium on Debt Issuance			655,980
Transfers In			
Transfers Out		(30,028)	
Total other financing sources (uses)		<u>(30,028)</u>	<u>20,655,980</u>
Change in fund balances	<u>(9,212,408)</u>	<u>(1,616,310)</u>	<u>20,447,261</u>
Fund balances, beginning of year	15,569,721	1,970,608	
Fund balances, end of year	<u>\$ 6,357,313</u>	<u>\$ 354,298</u>	<u>\$ 20,447,261</u>

Development Fee Fund	Regional Transportation Authority Fund	Totals
\$ 7,865,777	\$	\$ 7,865,777
28,886	96,308	142,031
	49,892,896	59,339,981
	311,111	311,111
<u>7,894,663</u>	<u>50,300,315</u>	<u>67,658,900</u>
848		99,172
	761,300	4,950,838
		6,020
	5,247,935	5,262,799
1,500,440	44,067,893	60,493,730
		1,019,316
		217,872
<u>1,501,288</u>	<u>50,077,128</u>	<u>72,049,747</u>
<u>6,393,375</u>	<u>223,187</u>	<u>(4,390,847)</u>
		20,000,000
		655,980
108,051		108,051
		(30,028)
<u>108,051</u>		<u>20,734,003</u>
<u>6,501,426</u>	<u>223,187</u>	<u>16,343,156</u>
28,763,692		46,304,021
<u>\$ 35,265,118</u>	<u>\$ 223,187</u>	<u>\$ 62,647,177</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2013

	Tucson Golf Enterprise Fund	Public Housing Fund	Non-PHA Asset Management Fund	Totals
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 4,450	\$ 7,451,698	\$ 1,274,103	\$ 8,730,251
Cash & Investments with Fiscal Agent - Restricted		162,282	42,663	204,945
Accounts Receivable, Net	24,671	170,990	12,996	208,657
Due from Other Agencies		9,041		9,041
Interest Receivable		27,334	4,100	31,434
Inventories	122,423	103,785		226,208
Total current assets	151,544	7,925,130	1,333,862	9,410,536
Noncurrent assets:				
Long Term Accounts Receivable		44,476	1,805	46,281
Long Term Notes Receivable		63,512,949		63,512,949
Deferred Charges				
Land & Construction in Progress	2,701,865	8,580,617	2,551,080	13,833,562
Other Capital Assets, Net	13,701,768	14,024,846	8,000,381	35,726,995
Total noncurrent assets	16,403,633	86,162,888	10,553,266	113,119,787
Total assets	16,555,177	94,088,018	11,887,128	122,530,323
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	156,929	421,607	49,041	627,577
Accrued Payroll Liabilities	41,416	84,980	6,208	132,604
Accrued Interest Payable	26,959	321	156	27,436
Due to Other Agencies	26,322	32		26,354
Refundable Deposits		465,186	30,160	495,346
Current Portion of Compensated Absences	89,858	132,672	31,950	254,480
Customer Advances	141,792			141,792
Total current liabilities	483,276	1,104,798	117,515	1,705,589
Noncurrent liabilities:				
Loans Payable	7,369,981			7,369,981
Compensated Absences	93,821	101,447		195,268
Other Post-employment Benefits	45,706			45,706
Total non-current liabilities	7,509,508	101,447		7,610,955
Total liabilities	7,992,784	1,206,245	117,515	9,316,544
<u>DEFERRED INFLOWS</u>				
Unavailable Revenues		63,522,340		63,522,340
Total deferred inflows		63,522,340		63,522,340
<u>NET POSITION</u>				
Net Investment in Capital Assets	16,403,633	22,605,463	10,551,461	49,560,557
Restricted for Grants and Entitlements		6,753,970	1,218,152	7,972,122
Unrestricted	(7,841,240)			(7,841,240)
Total net position	\$ 8,562,393	\$ 29,359,433	\$ 11,769,613	\$ 49,691,439

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Tucson Golf Enterprise Fund	Public Housing Fund	Non-PHA Asset Management Fund	Totals
Operating revenues:				
Charges for Services	\$ 5,982,052	\$ 3,759,556	\$ 1,084,799	\$ 10,826,407
Federal Grants and Contributions		6,302,391	209,164	6,511,555
Miscellaneous	29,329	246,744	8,726	284,799
Total operating revenues	<u>6,011,381</u>	<u>10,308,691</u>	<u>1,302,689</u>	<u>17,622,761</u>
Operating expenses:				
Personal Services	3,039,976	3,735,220	274,926	7,050,122
Contractual Services	1,671,164	6,049,255	758,204	8,478,623
Commodities	1,027,737	875,110	80,819	1,983,666
Cost of Goods Sold	212,785			212,785
Depreciation	702,061	1,206,737	295,309	2,204,107
Total operating expenses	<u>6,653,723</u>	<u>11,866,322</u>	<u>1,409,258</u>	<u>19,929,303</u>
Operating loss	<u>(642,342)</u>	<u>(1,557,631)</u>	<u>(106,569)</u>	<u>(2,306,542)</u>
Nonoperating revenues (expenses):				
Investment Income		10,447	55,541	65,988
Gain (loss) on Sale of Property/ Equipment		1,425		1,425
Interest Expense	(54,867)			(54,867)
Amortization of Issuance Costs				
Total nonoperating revenues (expenses)	<u>(54,867)</u>	<u>11,872</u>	<u>55,541</u>	<u>12,546</u>
Income (loss) before capital contributions, transfers and special items	<u>(697,209)</u>	<u>(1,545,759)</u>	<u>(51,028)</u>	<u>(2,293,996)</u>
Capital Contributions				
Transfers In		210,278		210,278
Transfers Out	(709,141)		(98,675)	(807,816)
Special Items	3,609,094			3,609,094
Change in net position	<u>2,202,744</u>	<u>(1,335,481)</u>	<u>(149,703)</u>	<u>717,560</u>
Total net position, beginning of year	6,359,649	30,694,914	11,919,316	48,973,879
Total net position, end of year	<u>\$ 8,562,393</u>	<u>\$ 29,359,433</u>	<u>\$ 11,769,613</u>	<u>\$ 49,691,439</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Tucson Golf Enterprise Fund	Public Housing Fund	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 5,957,549	\$ 3,881,063	\$ 1,088,524	\$ 10,927,136
Cash Payments to Suppliers for Goods and Services	(2,789,006)	(6,833,970)	(832,961)	(10,455,937)
Cash Payments to Employees for Services	(2,957,733)	(3,736,435)	(238,477)	(6,932,645)
Subsidy from Federal Grant		6,542,628	209,164	6,751,792
Other Operating Revenues	29,329			29,329
Net Cash Provided (Used) by Operating Activities	<u>240,139</u>	<u>(146,714)</u>	<u>226,250</u>	<u>319,675</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Transfers		210,277	(80,000)	130,277
Advances from Other Funds	(199,068)			(199,068)
Interest Paid on Advances	(29,950)			(29,950)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(229,018)</u>	<u>210,277</u>	<u>(80,000)</u>	<u>(98,741)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(11,067)		(9,197)	(20,264)
Interest Paid on Capital Debt	(54)			(54)
Proceeds from Sale of Assets/Equipment		1,425		1,425
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,121)</u>	<u>1,425</u>	<u>(9,197)</u>	<u>(18,893)</u>
Cash Flows from Investing Activities:				
Interest on Investments		(14,587)	51,488	36,901
Net Cash Provided (Used) by Investing Activities		<u>(14,587)</u>	<u>51,488</u>	<u>36,901</u>
Net Increase (Decrease) in Cash and Cash Equivalents		<u>50,401</u>	<u>188,541</u>	<u>238,942</u>
Cash and Cash Equivalents - July 1	<u>4,450</u>	<u>7,563,579</u>	<u>1,128,225</u>	<u>8,696,254</u>
Cash and Cash Equivalents - June 30	<u>\$ 4,450</u>	<u>\$ 7,613,980</u>	<u>\$ 1,316,766</u>	<u>\$ 8,935,196</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (642,342)	\$ (1,557,631)	\$ (106,569)	\$ (2,306,542)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	702,061	1,206,737	295,309	2,204,107
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	(24,671)	(155,624)	(6,495)	(186,790)
Due from Other Agencies		240,237		240,237
Inventory	27,422	81,250		108,672
Increase (Decrease) in Liabilities:				
Accounts Payable	78,901	8,807	6,218	93,926
Accrued Payroll Liabilities	(808)	7,722	4,499	11,413
Accrued Compensated Absences Accrued		8,937	31,950	40,887
Other Post-Employment Benefits	2,771			2,771
Unavailable Revenue		5,759	1,153	6,912
Customer/Refundable Deposits		7,075	185	7,260
Due to Other Agencies	16,357	17		16,374
Other Operating Liabilities	80,448			80,448
Net Cash Provided (Used) by Operating Activities	<u>\$ 240,139</u>	<u>\$ (146,714)</u>	<u>\$ 226,250</u>	<u>\$ 319,675</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets			(18,675)	(18,675)
Total Noncash Investing, Capital, and Financing Activities:	<u>\$</u>	<u>\$</u>	<u>\$ (18,675)</u>	<u>\$ (18,675)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2013

	<u>Fleet Services</u>	<u>Self Insurance Fund</u>	<u>General Services Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 2,763,585	\$ 2,755,813	\$ 2,191,696	\$ 7,711,094
Cash & Investments with Fiscal Agent - Restricted			96,495	96,495
Accounts Receivable, Net	97,161			97,161
Due from Other Agencies	20,543		5,183	25,726
Interest Receivable	2,040	52,125	7,162	61,327
Inventories	740,127			740,127
Other Assets		386,604		386,604
Total current assets	<u>3,623,456</u>	<u>3,194,542</u>	<u>2,300,536</u>	<u>9,118,534</u>
Noncurrent assets:				
Other Assets - Restricted		29,496,811		29,496,811
Land & Construction in Progress	404,366	30,242	11,793,202	12,227,810
Other Capital Assets, Net	7,302,256	115,129	303,245	7,720,630
Total noncurrent assets	<u>7,706,622</u>	<u>29,642,182</u>	<u>12,096,447</u>	<u>49,445,251</u>
Total assets	<u>11,330,078</u>	<u>32,836,724</u>	<u>14,396,983</u>	<u>58,563,785</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	837,070	780,430	844,896	2,462,396
Accrued Payroll Liabilities	128,916	21,451	346,880	497,247
Due to Other Agencies	2,398		762	3,160
Current Portion of Bonds Payable			1,289,300	1,289,300
Claims Payable		9,996,704		9,996,704
Remediation Obligations		211,200		211,200
Total current liabilities	<u>968,384</u>	<u>11,009,785</u>	<u>2,481,838</u>	<u>14,460,007</u>
Noncurrent liabilities:				
Bonds Payable			13,889,400	13,889,400
Claims Payable		33,824,142		33,824,142
Remediation Obligations		637,900		637,900
Total non-current liabilities		<u>34,462,042</u>	<u>13,889,400</u>	<u>48,351,442</u>
Total liabilities	<u>968,384</u>	<u>45,471,827</u>	<u>16,371,238</u>	<u>62,811,449</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	7,706,622	145,371	(3,082,253)	4,769,740
Restricted for Capital			96,495	96,495
Restricted for Self Insurance Mandates		29,496,811		29,496,811
Unrestricted	2,655,072	(42,277,285)	1,011,503	(38,610,710)
Total net position	<u>\$ 10,361,694</u>	<u>\$ (12,635,103)</u>	<u>\$ (1,974,255)</u>	<u>\$ (4,247,664)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
Operating revenues:				
Charges for Services	\$ 25,362,814	\$ 18,121,952	\$ 18,955,824	\$ 62,440,590
Miscellaneous	289,669	153	22,713	312,535
Total operating revenues	<u>25,652,483</u>	<u>18,122,105</u>	<u>18,978,537</u>	<u>62,753,125</u>
Operating expenses:				
Personal Services	5,749,722	1,218,345	9,145,353	16,113,420
Contractual Services	6,528,311	4,283,178	6,520,732	17,332,221
Commodities	14,748,896	79,078	2,195,714	17,023,688
Benefits and Claims		5,341,773		5,341,773
Depreciation	2,623,366	11,087	44,942	2,679,395
Total operating expenses	<u>29,650,295</u>	<u>10,933,461</u>	<u>17,906,741</u>	<u>58,490,497</u>
Operating income (loss)	<u>(3,997,812)</u>	<u>7,188,644</u>	<u>1,071,796</u>	<u>4,262,628</u>
Nonoperating revenues (expenses):				
Property Taxes		1,112,190		1,112,190
Other Agencies			370,843	370,843
Investment Income	3,008	28,244		31,252
Gain (loss) on Sale of Property/ Equipment	31,566			31,566
Interest Expense	(46)		(596,485)	(596,531)
Issuance Costs			(205,117)	(205,117)
Total nonoperating revenues (expenses)	<u>34,528</u>	<u>1,140,434</u>	<u>(430,759)</u>	<u>744,203</u>
Income (loss) before capital contributions and transfers	<u>(3,963,284)</u>	<u>8,329,078</u>	<u>641,037</u>	<u>5,006,831</u>
Capital Contributions	948,245			948,245
Transfers In	266,655			266,655
Transfers Out		(8,824)		(8,824)
Change in net position	<u>(2,748,384)</u>	<u>8,320,254</u>	<u>641,037</u>	<u>6,212,907</u>
Total net position, beginning of year	13,110,078	(20,955,357)	(2,615,292)	(10,460,571)
Total net position, end of year	<u>\$ 10,361,694</u>	<u>\$ (12,635,103)</u>	<u>\$ (1,974,255)</u>	<u>\$ (4,247,664)</u>

**CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Fleet Services	Self Insurance Fund	General Services Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 25,297,228	\$ 18,122,106	\$ 18,995,303	\$ 62,414,637
Cash Payments to Suppliers for Goods and Services	(21,577,041)	(4,116,160)	(9,434,865)	(35,128,066)
Cash Payments to Employees for Services	(5,734,378)	(1,221,473)	(9,123,969)	(16,079,820)
Other Operating Revenues	289,669			289,669
Cash Payments to Claimants		(8,011,202)		(8,011,202)
Net Cash Provided (Used) by Operating Activities	<u>(1,724,522)</u>	<u>4,773,271</u>	<u>436,469</u>	<u>3,485,218</u>
Cash Flows from Noncapital Financing Activities:				
Property Taxes		1,112,190		1,112,190
Interfund Transfers	266,655			266,655
Subsidy from Federal Grant			370,843	370,843
Net Cash Provided (Used) by Noncapital Financing Activities	<u>266,655</u>	<u>1,112,190</u>	<u>370,843</u>	<u>1,749,688</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(60,078)	(34,945)	(361,429)	(456,452)
Principal Paid on Capital Debt	(46)		(1,279,300)	(1,279,346)
Interest Paid on Capital Debt			(593,134)	(593,134)
Proceeds from Sale of Assets/Equipment	37,104			37,104
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(23,020)</u>	<u>(34,945)</u>	<u>(2,233,863)</u>	<u>(2,291,828)</u>
Cash Flows from Investing Activities:				
Interest on Investments	1,596	40,424	(10,318)	31,702
Proceeds from Sale of Investments		24,700,000		24,700,000
Purchase of Investments		(29,365,972)		(29,365,972)
Net Cash Provided (Used) by Investing Activities	<u>1,596</u>	<u>(4,625,548)</u>	<u>(10,318)</u>	<u>(4,634,270)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,479,291)</u>	<u>1,224,968</u>	<u>(1,436,869)</u>	<u>(1,691,192)</u>
Cash and Cash Equivalents - July 1	<u>4,242,876</u>	<u>1,530,845</u>	<u>3,585,064</u>	<u>9,358,785</u>
Cash and Cash Equivalents - June 30	<u>\$ 2,763,585</u>	<u>\$ 2,755,813</u>	<u>\$ 2,148,195</u>	<u>\$ 7,667,593</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (3,997,812)	\$ 7,188,644	\$ 1,071,796	\$ 4,262,628
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,623,366	11,087	44,942	2,679,395
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	(65,961)		16,766	(49,195)
Inventory	409,873			409,873
Other Assets		(42,214)		(42,214)
Due from Other Agencies	375			375
Increase (Decrease) in Liabilities:				
Accounts Payable	(711,595)	529,836	(718,503)	(900,262)
Accrued Payroll Liabilities	15,344	(3,128)	21,383	33,599
Customer/Refundable Deposits		(167)		(167)
Claims and Judgments Payable		(2,669,429)		(2,669,429)
Remediation Obligation		(241,358)		(241,358)
Due to Other Agencies	1,888		85	1,973
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,724,522)</u>	<u>\$ 4,773,271</u>	<u>\$ 436,469</u>	<u>\$ 3,485,218</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	948,245	(8,824)		939,421
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ 948,245</u>	<u>\$ (8,824)</u>	<u>\$</u>	<u>\$ 939,421</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Sewer User Fee Fund				
Assets				
Pooled Cash and Investments	\$ 2,354,344	\$ 125,967,125	\$ 125,360,269	\$ 2,961,200
Accounts Receivable, Net	9,002,794	124,360,336	123,396,711	9,966,419
Total assets	\$ 11,357,138	\$ 250,327,461	\$ 248,756,980	\$ 12,927,619
Liabilities				
Due to Other Agencies	\$ 11,357,138	\$ 252,950,500	\$ 251,380,019	\$ 12,927,619
Total liabilities	\$ 11,357,138	\$ 252,950,500	\$ 251,380,019	\$ 12,927,619
Employee Prepaid Insurance Fund				
Assets				
Pooled Cash and Investments	\$ 2,840,711	\$ 66,236,892	\$ 68,131,864	\$ 945,739
Total assets	\$ 2,840,711	\$ 66,236,892	\$ 68,131,864	\$ 945,739
Liabilities				
Accounts Payable	\$ 2,840,711	\$ 62,742,763	\$ 64,637,735	\$ 945,739
Total liabilities	\$ 2,840,711	\$ 62,742,763	\$ 64,637,735	\$ 945,739
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Pooled Cash and Investments	\$	\$ 4,917,810	\$ 4,917,810	\$
Total assets	\$	\$ 4,917,810	\$ 4,917,810	\$
Liabilities				
Due to Other Agencies	\$	\$ 4,917,810	\$ 4,917,810	\$
Total liabilities	\$	\$ 4,917,810	\$ 4,917,810	\$
Totals				
Assets				
Pooled Cash and Investments	\$ 5,195,055	\$ 197,121,827	\$ 198,409,943	\$ 3,906,939
Accounts Receivable, Net	9,002,794	124,360,336	123,396,711	9,966,419
Total assets	\$ 14,197,849	\$ 321,482,163	\$ 321,806,654	\$ 13,873,358
Liabilities				
Accounts Payable	\$ 2,840,711	\$ 62,742,763	\$ 64,637,735	\$ 945,739
Due to Other Agencies	11,357,138	257,868,310	256,297,829	12,927,619
Total liabilities	\$ 14,197,849	\$ 320,611,073	\$ 320,935,564	\$ 13,873,358

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, 2013

	ParkWise		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	990,000	668,873	(321,127)
Use of Money and Property	394,300	54,002	(340,298)
Federal Grants and Contributions			
Other Agencies			
Charges for Services	2,744,360	2,805,918	61,558
Contributions from Outside Sources			
Miscellaneous		6,502	6,502
Total revenues	<u>4,128,660</u>	<u>3,535,295</u>	<u>(593,365)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Public Safety/Neighborhood Services			
Operations and Development	2,473,887	2,338,724	135,163
Non-Departmental			
Capital Outlay	32,000		32,000
Capital Projects			
Debt service -			
Principal	653,000	653,000	
Interest	779,700	747,119	32,581
Debt Issuance Costs			
Total expenditures	<u>3,938,587</u>	<u>3,738,843</u>	<u>199,744</u>
Excess (deficiency) of revenues over expenditures	<u>190,073</u>	<u>(203,548)</u>	<u>(393,621)</u>
Other financing sources (uses):			
Capital Lease Proceeds			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>190,073</u>	<u>(203,548)</u>	<u>(393,621)</u>
Fund balances, beginning of year		2,260,819	2,260,819
Fund balances (deficits), end of year	<u>\$ 190,073</u>	<u>\$ 2,057,271</u>	<u>\$ 1,867,198</u>

Convention Center Fund			H.U.R.F. Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 43,250	\$ 43,250
50,000	65,019	15,019	291,280	697,375	406,095
3,407,000	3,270,132	(136,868)	33,696,950	33,577,991	(118,959)
	11,123	11,123	478,000	738,576	260,576
<u>3,457,000</u>	<u>3,346,274</u>	<u>(110,726)</u>	<u>100,000</u>	<u>2,886,482</u>	<u>2,786,482</u>
			<u>34,566,230</u>	<u>37,943,674</u>	<u>3,377,444</u>
5,552,760	5,716,324	(163,564)	42,309,921	37,200,773	5,109,148
1,307,030	1,287,918	19,112	100,580	100,580	
	1,040,196	(1,040,196)	32,070	29,454	2,616
	94,250	(94,250)	4,409,018	1,406,704	3,002,314
<u>6,859,790</u>	<u>8,138,688</u>	<u>(1,278,898)</u>	167,500	167,495	5
			3,250	3,240	10
			<u>47,022,339</u>	<u>38,908,246</u>	<u>8,114,093</u>
<u>(3,402,790)</u>	<u>(4,792,414)</u>	<u>(1,389,624)</u>	<u>(12,456,109)</u>	<u>(964,572)</u>	<u>11,491,537</u>
3,402,790	1,150,000	1,150,000	1,832,900		(1,832,900)
	3,642,049	239,259	<u>1,832,900</u>		<u>(1,832,900)</u>
<u>3,402,790</u>	<u>4,792,049</u>	<u>1,389,259</u>			
	(365)	(365)	<u>(10,623,209)</u>	<u>(964,572)</u>	<u>9,658,637</u>
	29,365	29,365		12,580,607	12,580,607
<u>\$</u>	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ (10,623,209)</u>	<u>\$ 11,616,035</u>	<u>\$ 22,239,244</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, 2013
(Continued)

	Civic Contribution Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	8,000	5,480	(2,520)
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	308,380	365,031	56,651
Miscellaneous			
Total revenues	<u>316,380</u>	<u>370,511</u>	<u>54,131</u>
Expenditures:			
Current -			
Elected and Official		445	(445)
Support Services			
Public Safety/Neighborhood Services	889,961	977,462	(87,501)
Operations and Development		2,901	(2,901)
Non-Departmental		43,000	(43,000)
Capital Outlay	55,440	128,430	(72,990)
Capital Projects	657,407	283,422	373,985
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>1,602,808</u>	<u>1,435,660</u>	<u>167,148</u>
Excess (deficiency) of revenues over expenditures	<u>(1,286,428)</u>	<u>(1,065,149)</u>	<u>221,279</u>
Other financing sources (uses):			
Capital Lease Proceeds			
Transfers In		49,838	49,838
Transfers Out			
Total other financing sources (uses)		<u>49,838</u>	<u>49,838</u>
Change in fund balances	<u>(1,286,428)</u>	<u>(1,015,311)</u>	<u>271,117</u>
Fund balances, beginning of year		1,806,240	1,806,240
Fund balances (deficits), end of year	<u><u>\$ (1,286,428)</u></u>	<u><u>\$ 790,929</u></u>	<u><u>\$ 2,077,357</u></u>

Community Development Block Grants Fund			Miscellaneous Housing Grant Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
10,593,510	9,847,397	(746,113)	4,650,420	4,297,107	(353,313)
<u>10,593,510</u>	<u>10,143,723</u>	<u>(449,787)</u>	<u>4,650,420</u>	<u>4,297,107</u>	<u>(353,313)</u>
8,635,470	7,762,519	872,951	4,224,870	4,261,651	(36,781)
2,085,451	1,744,348	341,103			
	15,280	(15,280)			
<u>10,720,921</u>	<u>9,522,147</u>	<u>1,198,774</u>	<u>4,224,870</u>	<u>4,261,651</u>	<u>(36,781)</u>
<u>(127,411)</u>	<u>621,576</u>	<u>748,987</u>	<u>425,550</u>	<u>35,456</u>	<u>(390,094)</u>
			<u>(130,278)</u>	<u>(130,278)</u>	
			<u>(130,278)</u>	<u>(130,278)</u>	
<u>(127,411)</u>	<u>621,576</u>	<u>748,987</u>	<u>295,272</u>	<u>(94,822)</u>	<u>(390,094)</u>
	4,076,048	4,076,048		94,822	94,822
<u>\$ (127,411)</u>	<u>\$ 4,697,624</u>	<u>\$ 4,825,035</u>	<u>\$ 295,272</u>	<u>\$</u>	<u>\$ (295,272)</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, 2013
(Continued)

	Public Housing Section 8 Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property		28,105	28,105
Federal Grants and Contributions	38,043,200	38,528,391	485,191
Other Agencies			
Charges for Services		11,713	11,713
Contributions from Outside Sources			
Miscellaneous	38,500	79,387	40,887
Total revenues	<u>38,081,700</u>	<u>38,647,596</u>	<u>565,896</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Public Safety/Neighborhood Services	40,023,200	38,963,523	1,059,677
Operations and Development			
Non-Departmental			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest		68,590	(68,590)
Debt Issuance Costs			
Total expenditures	<u>40,023,200</u>	<u>39,032,113</u>	<u>991,087</u>
Excess (deficiency) of revenues over expenditures	<u>(1,941,500)</u>	<u>(384,517)</u>	<u>1,556,983</u>
Other financing sources (uses):			
Capital Lease Proceeds			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>(1,941,500)</u>	<u>(384,517)</u>	<u>1,556,983</u>
Fund balances, beginning of year		3,923,759	3,923,759
Fund balances (deficits), end of year	<u>\$ (1,941,500)</u>	<u>\$ 3,539,242</u>	<u>\$ 5,480,742</u>

HOME Affordable Housing Fund			Other Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
6,564,420	5,222,158	(1,342,262)	28,245,107	16,736,827	(11,508,280)
				5,343	5,343
				2,392	2,392
<u>6,564,420</u>	<u>5,222,158</u>	<u>(1,342,262)</u>	<u>28,245,107</u>	<u>16,744,562</u>	<u>(11,500,545)</u>
			2,091,777	1,745,516	346,261
5,300,760	5,222,158	78,602	15,704,831	11,266,337	4,438,494
			1,335,970	430,364	905,606
			900,000	947,370	(47,370)
			1,771,426	1,374,214	397,212
			4,950,109	978,369	3,971,740
<u>5,300,760</u>	<u>5,222,158</u>	<u>78,602</u>	<u>26,754,113</u>	<u>16,742,170</u>	<u>10,011,943</u>
<u>1,263,660</u>		<u>(1,263,660)</u>	<u>1,490,994</u>	<u>2,392</u>	<u>(1,488,602)</u>
<u>1,263,660</u>		<u>(1,263,660)</u>	<u>1,490,994</u>	<u>2,392</u>	<u>(1,488,602)</u>
				(2,392)	(2,392)
<u>\$ 1,263,660</u>	<u>\$</u>	<u>\$ (1,263,660)</u>	<u>\$ 1,490,994</u>	<u>\$</u>	<u>\$ (1,490,994)</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, 2013
(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	2,286,080	1,388,016	(898,064)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>2,286,080</u>	<u>1,388,016</u>	<u>(898,064)</u>
Expenditures:			
Current -			
Elected and Official	231,920	12,709	219,211
Support Services			
Public Safety/Neighborhood Services	1,782,905	1,186,811	596,094
Operations and Development			
Non-Departmental			
Capital Outlay	164,925	52,242	112,683
Capital Projects	141,000	136,254	4,746
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>2,320,750</u>	<u>1,388,016</u>	<u>932,734</u>
Excess (deficiency) of revenues over expenditures	<u>(34,670)</u>		<u>34,670</u>
Other financing sources (uses):			
Capital Lease Proceeds			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>(34,670)</u>		<u>34,670</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year	<u>\$ (34,670)</u>	<u>\$</u>	<u>\$ 34,670</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 43,250	\$ 43,250
990,000	668,873	(321,127)
743,580	1,151,650	408,070
88,096,657	74,631,880	(13,464,777)
35,983,030	34,966,007	(1,017,023)
6,629,360	6,826,339	196,979
308,380	365,031	56,651
138,500	2,985,886	2,847,386
<u>132,889,507</u>	<u>121,638,916</u>	<u>(11,250,591)</u>
2,323,697	1,758,670	565,027
82,114,757	75,356,785	6,757,972
46,119,778	39,972,762	6,147,016
2,307,610	2,378,868	(71,258)
2,055,861	1,584,340	471,521
12,242,985	5,589,293	6,653,692
820,500	820,495	5
782,950	834,229	(51,279)
	94,250	(94,250)
<u>148,768,138</u>	<u>128,389,692</u>	<u>20,378,446</u>
<u>(15,878,631)</u>	<u>(6,750,776)</u>	<u>9,127,855</u>
	1,150,000	1,150,000
5,235,690	3,691,887	(1,543,803)
(130,278)	(130,278)	
<u>5,105,412</u>	<u>4,711,609</u>	<u>(393,803)</u>
<u>(10,773,219)</u>	<u>(2,039,167)</u>	<u>8,734,052</u>
	24,769,268	24,769,268
<u>\$ (10,773,219)</u>	<u>\$ 22,730,101</u>	<u>\$ 33,503,320</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, 2013

	<u>Special Assessment Bond & Interest Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures	5,440	3,323	(2,117)
Use of Money and Property	5,800	2,763	(3,037)
Other Agencies			
Special Assessments	408,710	390,049	(18,661)
Total revenues	<u>419,950</u>	<u>396,135</u>	<u>(23,815)</u>
Expenditures:			
Debt service -			
Principal	463,000	463,000	
Interest	115,550	115,553	(3)
Fiscal Agent Fees		2,750	(2,750)
Debt Issuance Costs			
Total expenditures	<u>578,550</u>	<u>581,303</u>	<u>(2,753)</u>
Excess (deficiency) of revenues over expenditures	<u>(158,600)</u>	<u>(185,168)</u>	<u>(26,568)</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Transfers In			
Refunded Bond Escrow Agent			
Transfers Out			
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Change in fund balances	<u>(158,600)</u>	<u>(185,168)</u>	<u>(26,568)</u>
Fund balances, beginning of year		1,809,238	1,809,238
Fund balances (deficits), end of year	<u>\$ (158,600)</u>	<u>\$ 1,624,070</u>	<u>\$ 1,782,670</u>

General Obligation Bond & Interest Fund			Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 28,754,300	\$ 28,207,641	\$ (546,659)	\$	\$	\$
			7,361,140	7,035,674	(325,466)
<u>28,754,300</u>	<u>28,207,641</u>	<u>(546,659)</u>	<u>7,361,140</u>	<u>7,035,674</u>	<u>(325,466)</u>
15,496,010	15,621,010	(125,000)	5,436,050	5,437,808	(1,758)
12,560,280	12,255,535	304,745		550	(550)
	2,838	(2,838)	215,000	275,335	(60,335)
<u>28,056,290</u>	<u>27,879,383</u>	<u>176,907</u>	<u>5,651,050</u>	<u>5,713,693</u>	<u>(62,643)</u>
<u>698,010</u>	<u>328,258</u>	<u>(369,752)</u>	<u>1,710,090</u>	<u>1,321,981</u>	<u>(388,109)</u>
			12,265,000	34,500,000	22,235,000
	30,028	30,028		3,352,319	3,352,319
			(12,050,000)	(37,576,983)	(25,526,983)
			(1,832,900)		1,832,900
	<u>30,028</u>	<u>30,028</u>	<u>(1,617,900)</u>	<u>275,336</u>	<u>1,893,236</u>
<u>698,010</u>	<u>358,286</u>	<u>(339,724)</u>	<u>92,190</u>	<u>1,597,317</u>	<u>1,505,127</u>
	(417,749)	(417,749)		(896)	(896)
<u>\$ 698,010</u>	<u>\$ (59,463)</u>	<u>\$ (757,473)</u>	<u>\$ 92,190</u>	<u>\$ 1,596,421</u>	<u>\$ 1,504,231</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, 2013
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 28,754,300	\$ 28,207,641	\$ (546,659)
Fines and Forfeitures	5,440	3,323	(2,117)
Use of Money and Property	5,800	2,763	(3,037)
Other Agencies	7,361,140	7,035,674	(325,466)
Special Assessments	408,710	390,049	(18,661)
Total revenues	<u>36,535,390</u>	<u>35,639,450</u>	<u>(895,940)</u>
Expenditures:			
Debt service -			
Principal	15,959,010	16,084,010	(125,000)
Interest	18,111,880	17,808,896	302,984
Fiscal Agent Fees		6,138	(6,138)
Debt Issuance Costs	215,000	275,335	(60,335)
Total expenditures	<u>34,285,890</u>	<u>34,174,379</u>	<u>111,511</u>
Excess (deficiency) of revenues over expenditures	<u>2,249,500</u>	<u>1,465,071</u>	<u>(784,429)</u>
Other financing sources (uses):			
Bond Issuance	12,265,000	34,500,000	22,235,000
Premium on Debt Issuance		3,352,319	3,352,319
Transfers In		30,028	30,028
Refunded Bond Escrow Agent	(12,050,000)	(37,576,983)	(25,526,983)
Transfers Out	(1,832,900)		1,832,900
Total other financing sources (uses)	<u>(1,617,900)</u>	<u>305,364</u>	<u>1,923,264</u>
Change in fund balances	<u>631,600</u>	<u>1,770,435</u>	<u>1,138,835</u>
Fund balances, beginning of year		1,390,593	1,390,593
Fund balances (deficits), end of year	<u>\$ 631,600</u>	<u>\$ 3,161,028</u>	<u>\$ 2,529,428</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, 2013

	Capital Improvements Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		3,158	3,158
Other Agencies	16,088,900	9,447,085	(6,641,815)
Miscellaneous	10,963,000		(10,963,000)
Total revenues	<u>27,051,900</u>	<u>9,450,243</u>	<u>(17,601,657)</u>
Expenditures:			
Current -			
Public Safety/Neighborhood Services			
Operations and Development	5,700,900	4,189,538	1,511,362
Non-Departmental		6,020	(6,020)
Capital Outlay	24,040	14,864	9,176
Capital Projects	15,722,957	13,432,913	2,290,044
Debt Service -			
Interest		1,019,316	(1,019,316)
Debt Issuance Costs			
Total expenditures	<u>21,447,897</u>	<u>18,662,651</u>	<u>2,785,246</u>
Excess (deficiency) of revenues over expenditures	<u>5,604,003</u>	<u>(9,212,408)</u>	<u>(14,816,411)</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>5,604,003</u>	<u>(9,212,408)</u>	<u>(14,816,411)</u>
Fund balances, beginning of year		15,569,721	15,569,721
Fund balances (deficits), end of year	<u>\$ 5,604,003</u>	<u>\$ 6,357,313</u>	<u>\$ 753,310</u>

2000 General Obligation Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	4,526	4,526
1,185,300		(1,185,300)
<u>1,185,300</u>	<u>4,526</u>	<u>(1,180,774)</u>
110,336	98,324	12,012
1,548,116	1,492,484	55,632
<u>1,658,452</u>	<u>1,590,808</u>	<u>67,644</u>
<u>(473,152)</u>	<u>(1,586,282)</u>	<u>(1,113,130)</u>
	(30,028)	(30,028)
	<u>(30,028)</u>	<u>(30,028)</u>
<u>(473,152)</u>	<u>(1,616,310)</u>	<u>(1,143,158)</u>
	1,970,608	1,970,608
<u>\$ (473,152)</u>	<u>\$ 354,298</u>	<u>\$ 827,450</u>

2013 General Obligation Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	9,153	9,153
	217,872	(217,872)
	<u>217,872</u>	<u>(217,872)</u>
	(208,719)	(208,719)
	20,000,000	20,000,000
	655,980	655,980
	<u>20,655,980</u>	<u>20,655,980</u>
	20,447,261	20,447,261
<u>\$</u>	<u>\$ 20,447,261</u>	<u>\$ 20,447,261</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, 2013
(Concluded)

	Development Fee Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$ 3,971,470	\$ 7,865,777	\$ 3,894,307
Use of Money and Property	80,000	28,886	(51,114)
Other Agencies			
Miscellaneous			
Total revenues	<u>4,051,470</u>	<u>7,894,663</u>	<u>3,843,193</u>
Expenditures:			
Current -			
Public Safety/Neighborhood Services	247,391	848	246,543
Operations and Development			
Non-Departmental			
Capital Outlay			
Capital Projects	7,165,035	1,500,440	5,664,595
Debt Service -			
Interest			
Debt Issuance Costs			
Total expenditures	<u>7,412,426</u>	<u>1,501,288</u>	<u>5,911,138</u>
Excess (deficiency) of revenues over expenditures	<u>(3,360,956)</u>	<u>6,393,375</u>	<u>9,754,331</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Transfers In		108,051	108,051
Transfers Out			
Total other financing sources (uses)		<u>108,051</u>	<u>108,051</u>
Change in fund balances	<u>(3,360,956)</u>	<u>6,501,426</u>	<u>9,862,382</u>
Fund balances, beginning of year		28,763,692	28,763,692
Fund balances (deficits), end of year	<u>\$ (3,360,956)</u>	<u>\$ 35,265,118</u>	<u>\$ 38,626,074</u>

Regional Transportation Authority Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	96,308	96,308	3,971,470	7,865,777	3,894,307
86,721,950	49,892,896	(36,829,054)	80,000	142,031	62,031
	311,111	311,111	102,810,850	59,339,981	(43,470,869)
86,721,950	50,300,315	(36,421,635)	12,148,300	311,111	(11,837,189)
			119,010,620	67,658,900	(51,351,720)
			357,727	99,172	258,555
1,764,150	761,300	1,002,850	7,465,050	4,950,838	2,514,212
				6,020	(6,020)
2,829,100	5,247,935	(2,418,835)	2,853,140	5,262,799	(2,409,659)
84,785,800	44,067,893	40,717,907	109,221,908	60,493,730	48,728,178
				1,019,316	(1,019,316)
				217,872	(217,872)
89,379,050	50,077,128	39,301,922	119,897,825	72,049,747	47,848,078
(2,657,100)	223,187	2,880,287	(887,205)	(4,390,847)	(3,503,642)
				20,000,000	20,000,000
				655,980	655,980
				108,051	108,051
				(30,028)	(30,028)
				20,734,003	20,734,003
(2,657,100)	223,187	2,880,287	(887,205)	16,343,156	17,230,361
				46,304,021	46,304,021
\$ (2,657,100)	\$ 223,187	\$ 2,880,287	\$ (887,205)	\$ 62,647,177	\$ 63,534,382

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENVIRONMENTAL SERVICES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Environmental Services		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 47,160,380	\$ 47,241,057	\$ 80,677
Miscellaneous	908,100	1,405,798	497,698
Total operating revenues	<u>48,068,480</u>	<u>48,646,855</u>	<u>578,375</u>
Operating expenses:			
Personal Services	16,054,225	15,381,053	673,172
Contractual Services	18,961,760	17,166,178	1,795,582
Commodities	5,288,850	4,985,219	303,631
Depreciation/Amortization	5,272,851	5,272,851	(5,272,851)
Total operating expenses	<u>40,304,835</u>	<u>42,805,301</u>	<u>(2,500,466)</u>
Operating Income (Loss)	<u>7,763,645</u>	<u>5,841,554</u>	<u>(1,922,091)</u>
Nonoperating revenues (expenses):			
Investment Income	50	20,252	20,202
Gain (Loss) on Sale of Property/Equipment	500,000	271,514	(228,486)
Other Agencies	361,900	242,256	(119,644)
Interest Expense	(392,820)	(293,622)	99,198
Amortization of Cost Issuance	(304,389)	(304,389)	(304,389)
Total nonoperating revenues (expenses)	<u>469,130</u>	<u>(63,989)</u>	<u>(533,119)</u>
Income (Loss) before capital contributions and transfers	<u>8,232,775</u>	<u>5,777,565</u>	<u>(2,455,210)</u>
Capital Contribution			
Transfer In			
Transfer Out		(1,436)	(1,436)
Changes in net position	<u>\$ 8,232,775</u>	<u>5,776,129</u>	<u>\$ (2,456,646)</u>
Total net position, beginning of year		(3,479,259)	
Total net position, end of year		<u>\$ 2,296,870</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
TUCSON GOLF ENTERPRISE FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Tucson Golf Enterprise Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 6,585,320	\$ 5,982,052	\$ (603,268)
Miscellaneous Revenue		29,329	29,329
Total operating revenues	<u>6,585,320</u>	<u>6,011,381</u>	<u>(573,939)</u>
Operating expenses:			
Personal Services	3,085,810	3,039,976	45,834
Contractual Services	1,828,100	1,671,164	156,936
Commodities	1,120,210	1,027,737	92,473
Cost of Goods Sold	191,680	212,785	(21,105)
Depreciation		702,061	(702,061)
Total operating expenses	<u>6,225,800</u>	<u>6,653,723</u>	<u>(427,923)</u>
Operating income (loss)	<u>359,520</u>	<u>(642,342)</u>	<u>(1,001,862)</u>
Nonoperating revenues (expenses):			
Interest Expense		(54,867)	(54,867)
Total nonoperating revenues (expenses)		<u>(54,867)</u>	<u>(54,867)</u>
Income (loss) before capital contributions and transfers	<u>359,520</u>	<u>(697,209)</u>	<u>(1,056,729)</u>
Transfers Out		(709,141)	(709,141)
Special Items		3,609,094	3,609,094
Changes in net position	<u>\$ 359,520</u>	<u>2,202,744</u>	<u>\$ 1,843,224</u>
Total net position, beginning of year		6,359,649	
Total net position, end of year		<u>\$ 8,562,393</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PUBLIC HOUSING FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Public Housing (AMP) Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 3,758,299	\$ 3,759,556	\$ 1,257
Federal Grants and Contributions	6,461,074	6,302,391	(158,683)
Miscellaneous	8,240	246,744	238,504
Total operating revenues	<u>10,227,613</u>	<u>10,308,691</u>	<u>81,078</u>
Operating expenses:			
Personal Services	10,949,225	3,735,220	7,214,005
Contractual Services		6,049,255	(6,049,255)
Commodities		875,110	(875,110)
Depreciation/Amortization		1,206,737	(1,206,737)
Total operating expenses	<u>10,949,225</u>	<u>11,866,322</u>	<u>(917,097)</u>
Operating Income (Loss)	<u>(721,612)</u>	<u>(1,557,631)</u>	<u>(836,019)</u>
Nonoperating revenues (expenses):			
Investment Income	12,050	10,447	(1,603)
Gain (Loss) on Sale of Property/Equipment		1,425	1,425
Total nonoperating revenues (expenses)	<u>12,050</u>	<u>11,872</u>	<u>(178)</u>
Income (Loss) before capital contributions and transfers	<u>(709,562)</u>	<u>(1,545,759)</u>	<u>(836,197)</u>
Transfers In	847,776	210,278	(637,498)
Transfers Out	<u>(458,466)</u>		<u>458,466</u>
Changes in net position	<u>\$ (320,252)</u>	<u>(1,335,481)</u>	<u>\$ (1,015,229)</u>
Total net position, beginning of year		30,694,914	
Total net position, end of year		<u>\$ 29,359,433</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
HCD NON-PHA ASSET MGMT FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 1,343,760	\$ 1,084,799	\$ (258,961)
Federal Grants and Contributions	209,000	209,164	164
Miscellaneous		8,726	8,726
Total operating revenues	<u>1,552,760</u>	<u>1,302,689</u>	<u>(250,071)</u>
Operating expenses:			
Personal Services	255,300	274,926	(19,626)
Contractual Services	858,559	758,204	100,355
Commodities	82,651	80,819	1,832
Depreciation		295,309	(295,309)
Total operating expenses	<u>1,196,510</u>	<u>1,409,258</u>	<u>(212,748)</u>
Operating Income (Loss)	<u>356,250</u>	<u>(106,569)</u>	<u>(462,819)</u>
Nonoperating revenues (expenses):			
Investment Income		55,541	55,541
Total nonoperating revenues (expenses)		<u>55,541</u>	<u>55,541</u>
Income (Loss) before capital contributions and transfers	<u>356,250</u>	<u>(51,028)</u>	<u>(407,278)</u>
Transfers Out	<u>(80,000)</u>	<u>(98,675)</u>	<u>(18,675)</u>
Changes in net position	<u>\$ 276,250</u>	<u>(149,703)</u>	<u>\$ (425,953)</u>
Total net position, beginning of year		11,919,316	
Total net position, end of year		<u>\$ 11,769,613</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER UTILITY - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 166,082,000	\$ 158,837,025	\$ (7,244,975)
Miscellaneous	800,000	159,974	640,026
Total operating revenues	<u>166,882,000</u>	<u>158,996,999</u>	<u>(6,604,949)</u>
Operating expenses:			
Personal Services	35,536,036	32,445,019	(3,091,017)
Contractual Services	56,145,726	48,192,814	(7,952,912)
Commodities	9,247,294	6,956,102	(2,291,192)
Depreciation/Amortization		29,543,101	29,543,101
Total operating expenses	<u>100,929,056</u>	<u>117,137,036</u>	<u>16,207,980</u>
Operating Income (Loss)	<u>65,952,944</u>	<u>41,859,963</u>	<u>24,092,981</u>
Nonoperating revenues (expenses):			
Investment Income	85,000	546,254	461,254
Gain (Loss) on Sale of Property/Equipment	50,000	320,686	270,686
Federal Grants and Contributions	865,000	51,715	(813,285)
Non-Grant Contributions		757,996	757,996
Interest Expense	(24,278,060)	(20,720,386)	3,557,674
Issuance Costs		(65,200)	(65,200)
Other Nonoperating Income (Expenses)	(124,080)	(1,498,124)	(1,374,044)
Total nonoperating revenues (expenses)	<u>(23,402,140)</u>	<u>(20,607,059)</u>	<u>2,795,081</u>
Income (Loss) before capital contributions and transfers	<u>42,550,804</u>	<u>21,252,904</u>	<u>(21,297,900)</u>
Capital Contributions	2,671,000	8,162,154	5,491,154
Transfers Out		(1,600,000)	(1,600,000)
Changes in net position	<u>\$ 45,221,804</u>	<u>27,815,058</u>	<u>\$ (17,406,746)</u>
Total net position, beginning of year		762,059,598	
Total net position, end of year		<u>\$ 789,874,656</u>	



**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2013**

Revenues:

Sale of Water:		
Potable Water Sales	\$	124,717,042
Reclaimed Water Sales		9,295,896
Central Arizona Project Surcharge		14,405,779
Connection Fees		1,882,366
Environmental and Sewer Billing Services		3,400,518
TCE Clean Up Reimbursement		584,977
Plan Review and Inspection Fees		666,842
Other		4,043,578

Non-Operating Income:

Impact Fees	\$	3,162,872	
Investment Earnings - Operating Fund		129,353	
Investment Earnings - Debt Service		7,160	
Federal Non-Grant Contributions (BABS)		809,711	
Proceeds from Sale of Property/Equipment		320,686	
Proceeds from Property Equipment Rental		409,741	
Total Non-Operating Income		<u>4,839,523</u>	
Total Revenues			<u>163,836,521</u>

Operation and Maintenance Expenses:

Director's Office		5,474,080	
Business Services		3,639,232	
Customer Services		7,675,728	
Water Operations		19,863,174	
Planning and Engineering		7,501,616	
Quality Management		9,692,770	
Power - Potable System		11,834,217	
Power - Reclaimed System		1,373,352	
CAP Water Purchases:			
Commodity	18,093,586		
Capital Charges	2,162,580		
Total CAP Water Purchases		<u>20,256,166</u>	
General Expenses		4,336,205	
Capitalized Operation and Maintenance Expense		(6,889,045)	
Total Operation and Maintenance Expense			<u>84,757,495</u>

Net Revenue Available After Operations (2)	\$	<u>79,079,026</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, 2013**

Bond Debt Service:

Senior Liens

Interest	\$	20,729,587
Principal		19,595,000
Total Debt Service for Water Revenue Bonds		40,324,587

Junior Liens (Water Infrastructure Finance Authority)

Interest		1,146,236
Principal		4,908,570
Total Debt Service for Water Infrastructure Finance Authority		6,054,806

Combined Senior and Junior Liens

Interest		21,875,823
Principal		24,503,570
Total Debt Service		46,379,393

Net Revenue Available After Operations		
Bond Debt Service for Senior Liens	\$	38,754,439

Net Revenue Available After Operations and		
Bond Debt Service for Combined Liens	\$	32,699,633

(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 \$45,509,771. 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, 2013, maximum future annual debt service coverage of senior lien debt is 174%.

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, 2013, the debt coverage on Senior Lien Annual Debt Service Requirement was 196% .

The Water Utility's Junior Lien Debt has requirements that Net Revenues Available After Operations and Senior Lien debt service payments for any fiscal year must equal or exceed 175% of the Annual Debt Service Requirement for that fiscal year. If this requirement is not met, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2013, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 640%

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, 2013, is 171%. The maximum future debt service coverage is 150%.



CITY OF TUCSON, ARIZONA



Statistical Section

Statistical Section

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

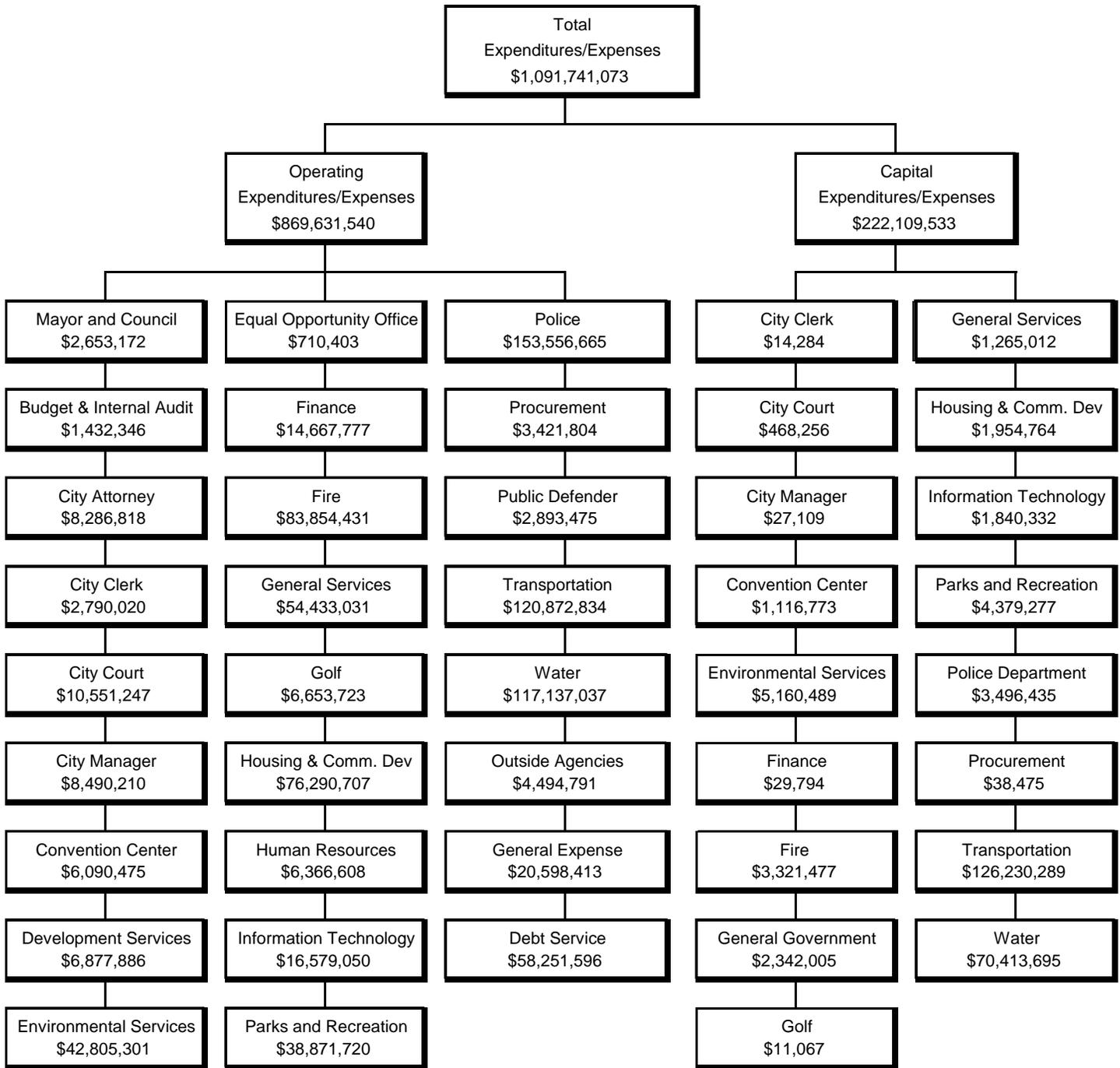
Contents

	<u>Page</u>
Financial Trends	122
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	130
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	133
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	138
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	140
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 2013

TABLE I



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

	Fiscal Year									
	2004 (1)	2005	2006 (2)	2007 (3)	2008	2009	2010	2011	2012	2013 (4)
Governmental Activities										
Net Investment in Capital Assets	\$ 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	1,450,248,757
Restricted	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	141,695,269
Unrestricted	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	(409,624)
Total Net position	\$ 1,088,087,778	1,099,169,492	1,157,353,173	1,165,071,896	1,209,419,396	1,258,979,497	1,348,630,075	1,427,570,583	1,501,755,912	1,591,534,402
Business-type Activities										
Net Investment in Capital Assets	\$ 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	788,088,044
Restricted	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	37,933,738
Unrestricted	(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)	(1,669,897)
Total Net position	\$ 559,646,121	575,863,343	566,397,280	663,746,899	661,869,195	723,687,503	736,502,913	761,048,840	795,161,630	824,351,885
Primary Government										
Net Investment in Capital Assets	\$ 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	2,238,336,801
Restricted	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	179,629,007
Unrestricted	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	(2,079,521)
Total Net position	\$ 1,647,733,899	1,675,032,835	1,723,750,453	1,828,818,795	1,871,288,591	1,982,667,000	2,085,132,988	2,188,619,423	2,296,917,542	2,415,886,287

- Notes:**
- (1) 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.
 - (2) 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.
 - (3) Restated ending FY 2007/beginning FY 2008 Net Assets for Governmental and Business-type Activities to meet new HUD reporting requirements.
 - (4) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position (see Note 18).

CITY OF TUCSON
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2004	2005(1)	2006	2007	2008	2009	2010	2011	2012	2013 (4)
Expenses										
Governmental Activities										
Elected and Official Support Services	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	22,380,772
Neighborhood Services	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	39,001,414
Public Safety/ Neighborhood Services Operations and Development	295,870,113	337,049,181	341,517,918	359,333,504	372,033,504	366,985,315	354,449,593	340,720,803	497,892,563	373,619,042
Strategic Initiatives	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	170,562,802
Non-Departmental	13,359,186	14,039,464	12,499,925	8,156,745	7,217,537	6,517,311	5,538,870			
Interest on Long-term Debt	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	45,134,817
Fiscal Agent Fees and Other	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	30,428,436
Total Governmental Activities	32,158	46,301	74,613	43,875	41,025	327,635	801,342	1,803,136	58,676	2,419,872
Business-type Activities										
Public Housing AMP (2)	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	683,547,155
Non-PHA Asset Management (3)					11,184,715	11,006,286	12,370,229	12,138,321	11,062,401	11,866,322
Environmental Services		39,484,082	42,987,747	46,037,471	53,420,043	44,676,920	48,824,879	45,752,439	48,122,885	44,760,999
Tucson Golf Enterprise Fund	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	6,650,603
Water Utility	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	138,822,228
Total Business-type Activities	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	203,509,410
Total Primary Government Expenses	\$ 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	887,056,565
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	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	8,909,982
Recreation Fees	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	5,631,054
Paramedic Services Fees	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	12,098,585
Refuse/Landfill Fees (1)	15,159,517									
Transit Fees	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	13,940,587
Other Charges for Service	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	64,077,153
Operating Grants & Contributions	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	131,713,221
Capital Grants and Contributions	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	153,546,244
Total Governmental Activities Program Revenues	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	389,916,826
Business-type Activities:										
Charges for Services:										
Public Housing AMP (2)					7,415,970	3,454,415	3,575,243	3,894,804	4,337,148	4,006,300
Non-PHA Asset Management (3)									728,920	1,093,525
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	48,646,855
Water	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	158,996,999
Tucson Golf Enterprise Fund	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	6,011,381
Operating Grants and Contributions						6,761,845	7,762,635	6,769,831	6,876,004	6,511,555
Capital Grants and Contributions	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	9,214,121
Total Business-type Activities Program Revenues	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	234,480,736
Total Primary Government Program Revenues	\$ 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	624,397,562

	Fiscal Year									
	2004	2005(1)	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expenses) Revenue	(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)	(293,630,329)
Governmental Activities	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	30,971,326
Business-type Activities	(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)	(262,659,003)
Total Primary Government Net Expense	\$ 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	\$ 41,787,498
General Revenues and Other Changes in Net Assets	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	189,238,160
Governmental Activities:	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	26,717,576
Taxes	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	12,217,409
Property Taxes	2,049,759	2,098,216	2,044,040	2,124,410	881,679	86,868	127,851	86,091	84,690	102,558
Business Privilege Taxes	713,674	740,742	721,117	731,380	670,480	702,523	732,622	760,615	743,322	749,028
Public Utility Taxes	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	115,792,652
Hotel/Transient Occupancy Taxes	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	227,689
Occupational Taxes	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	5,756,461
Liquor Taxes	(3,971,822)	(3,971,822)	59,894	(410,991)	(783,799)	(1,031,319)	(5,094,077)	1,618,501	(9,228,249)	(1,410,120)
Unrestricted Grants and Contributions	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	391,178,911
Investment Income (Loss)	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	1,226,119
Contributions to Term and Permanent Endowments										
Miscellaneous										
Transfers										
Total Governmental Activities	705,809	3,971,822	(59,894)	410,991	783,799	1,031,319	5,094,077	(1,618,501)	9,228,249	1,410,120
Business-type Activities										
Total Business-type Activities		6,873,843	2,750,010	3,997,671	3,417,674	2,783,462	5,960,096	194,663	10,967,338	2,636,239
Total Primary Government	\$ 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	\$ 393,815,150
Change in Net Position	\$ 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	\$ 97,548,582
Governmental Activities	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	33,607,565
Business-type Activities	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	131,156,147

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.

(4) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position (see Note 18).

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012	2013 (2)
General Fund										
Reserved	\$ 50,316,501	54,991,632	101,993,894	116,841,230	26,948,312	22,727,163				
Unreserved	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	7,885,432
Restricted							4,288,438	5,477,328	4,875,762	4,337,530
Committed							5,412,146	28,162,175	28,074,273	27,692,762
Assigned							11,523,823	13,264,761	18,056,275	1,680,900
Unassigned							22,836,507	11,107,980	8,668,230	12,765,747
Total General Fund	\$ 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	54,362,371
All Other Governmental Funds										
Reserved	\$ 56,832,573	68,845,203	53,211,786	58,199,299	128,066,834	103,582,644				
Unreserved, Reported In:										
Special Revenue Funds	20,146,697	9,331,994	4,648,468	(487,809)	(11,863,316)	1,099,433				
Capital Project Funds	173,256	(3,680,590)	(3,140,518)	(2,508,873)	(528,205)					
Debt Service Funds										
Total Unreserved	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		4,115,915
Restricted							68,556,717	85,453,622	59,880,453	76,975,091
Committed							3,284,544	3,360,321	3,142,812	5,187,925
Assigned							13,779,239	18,901,488	9,861,655	9,559,070
Unassigned							(1,540,527)	(177,479)	(421,037)	(96,591)
Total All Other Governmental Funds	\$ 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	95,741,410

Notes: (1) For FY 2010 GASB Statement No. 54 was implemented. See Note 2 of the Notes to Basic Financial Statements.

(2) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position (see Note 18).

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tax Revenues										
Property Taxes (2)	\$ 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	12,467,667
Public Utility Taxes (1)	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	26,717,576
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	4,332,206
Business Privilege Taxes	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	182,861,378
Transient Occupancy Taxes	9,145,984	10,768,492	10,206,786	10,963,953	10,488,453	9,270,796	8,578,730	8,865,662	8,881,638	9,018,728
Other Taxes	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	4,280,298
Total Tax Revenues	\$ 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	239,677,853
Other Agency Revenues										
Auto Lieu Taxes - State	\$ 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	19,090,499
Sales Tax - State	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	42,757,073
Urban Revenue Sharing - State	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	53,945,081
Contributions and Agency Billings (2)	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	4,486,826
Total Other Agency Revenue	\$ 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	120,279,479

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

(2) Property tax is also included in the Risk Management Internal Service Fund

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (2)
Revenues										
Taxes	\$ 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	267,885,494
Licenses and Permits	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	20,660,558
Fines and Forfeitures	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	12,852,016
Developer Fees			8,585,307	6,985,561	5,936,592	6,782,474	3,617,096	4,923,737	6,435,351	7,865,777
Use of Money and Property	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	2,475,035
Federal Grants and Contributions	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	147,167,365
Other Agencies	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	232,434,327
Charges for Services	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	63,383,040
Special Assessments	684,162	863,322	1,337,976	873,801	1,712,882	1,155,596	652,683	598,613	523,362	390,049
Miscellaneous	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	6,856,402
Total Revenues	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	761,970,063
Expenditures										
Current										
Elected and Official	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	22,220,220
Support Services	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	33,533,949
Neighborhood Services	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	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	
Public Safety/Neighborhood Services										
Operations and Development										
Strategic Initiatives	12,811,453	13,297,336	12,368,978	7,760,831	7,017,029	6,298,094	5,378,320			359,047,300
Non-Departmental	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	133,123,134
Capital Outlay	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	25,093,204
Capital Projects	62,651,586	86,727,476	58,419,415	84,542,323	94,607,634	109,248,633	95,659,440	120,926,947	105,148,263	31,567,755
Debt Service										
Principal	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	114,500,756
Interest	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	27,754,913
Fiscal Agent Fees	32,158	46,301	74,613	43,875	41,025	49,197	209,780	31,250	40,800	29,846,761
Issuance Cost of Debt	783,501	2,363,772	1,334,278	1,512,249		1,183,612	422,079	1,774,291	1,093,410	6,138
Total Expenditures	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	777,337,914
Excess of Revenues										
Over (Under) Expenditures	\$ (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)	(15,367,851)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Bond Issuance	\$ 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	54,500,000
Capital Leases	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	1,150,000
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	4,008,299
Refunded Bond Escrow Agent	(45,479)	(92,443,595)		(65,418,781)		(28,778,672)	(24,964,377)	(21,992,814)	(50,175,809)	(37,576,983)
Discount on Issuance of Debt	(143,281)					(275,753)		(252,090)		
Transfers In	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	45,444,401
Transfers Out	(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)	(44,241,334)
Total Other Financing Sources (Uses)	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	23,284,383
Contributions to Permanent or Term Endowments										
Net Change in Fund Balances	\$ 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)	7,916,532
Debt Service as a % of Noncapital Expenditures (1)	8.6%	8.0%	8.7%	9.6%	10.1%	8.8%	9.3%	8.5%	11.5%	9.1%

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

(2) Environment and Development and Neighborhood Services functions were re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.

CITY OF TUCSON
Taxable Sales by Category
Last Ten Fiscal Years

Activity	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Utilities (1)	\$ 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	652,734,781
Communications	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	178,776,316
Publishing & Printing	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	23,390,650
Restaurants	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	748,102,486
Amusements	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	38,790,874
Rentals	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	868,168,783
Contracting	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	640,461,317
Retail	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	3,924,110,940
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	235,097,277
Other	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	1,253,067
Total Business Privilege Activity	\$ 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	7,310,886,491
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**

<u>Fiscal Year</u>	<u>City's Rate</u>	<u>State's Rate (1)</u>	<u>County's Rate - RTA (2)</u>
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%
2013	2.0%	5.6%	0.5%

Notes: (1) In May 2010 Arizona voters approved a 1% increase in the State's rate for 3 years. In May 2013, the voters did not approve continuing the 1% increase.

(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.

TABLE IX

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

Business Sector	Fiscal Year 2004		Fiscal Year 2013	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility	\$ 20,224,949	11.1%	\$ 38,633,119	18.0%
Communications	6,732,336	3.7%	4,657,642	2.2%
Publishing & Printing	1,126,480	0.6%	946,299	0.4%
Restaurants	15,553,363	8.6%	20,621,721	9.6%
Amusements	999,958	0.6%	1,779,389	0.8%
Rentals	20,097,035	11.1%	20,301,115	9.4%
Contracting	16,910,748	9.3%	16,709,620	7.8%
Retail	97,038,968	53.4%	106,739,413	49.8%
Use Tax (1)	2,906,761	1.6%	4,394,355	2.0%
Other Activities	50,990	0.0%	56,254	0.0%
Total (2)	\$ 181,641,588	100%	\$ 214,838,927	100%

Notes: (1) Collection of Use Tax started in Fiscal Year 2004

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

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

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	Highway Revenue Bonds	Street & Highway Revenue Bonds	General Obligation Bonds			
2004	\$ 273,944,070	\$ 156,475,000	\$ 2,100,000	\$ 27,340,000	\$ 4,028,500	\$ 19,677,565	\$	\$ 156,475,000	\$ 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		153,515,000	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		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		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		124,665,000	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		124,150,000	191,226,000	4,192,635	7,697,512		594,837,657
2010	238,315,610	123,550,000		190,771,000	3,626,000	5,687,600		123,550,000	190,771,000	3,626,000	5,687,600		568,961,810
2011	222,360,610	122,535,000		247,651,000	3,052,000	2,875,924		122,535,000	247,651,000	3,052,000	2,875,924		616,136,834
2012	209,071,010	110,280,000		238,376,000	2,469,000	1,660,877		110,280,000	238,376,000	2,469,000	1,660,877		578,314,887
2013	213,450,000	108,710,000		231,006,000	2,006,000	2,340,221		108,710,000	231,006,000	2,006,000	2,340,221		572,690,921

Fiscal Year	Business-type Activities					Total Business-type Activities	Percentage of Personnel Income (2)	Per Capita (2)
	Water System Revenue Bonds	General Obligation Bonds (1)	Capital Leases	Certificates of Participation	Business-type Activities			
2004	\$ 364,700,666	\$	\$ 850,000	\$ 4,625,000	\$ 370,175,666	\$ 853,740,801	3.23%	\$ 1,645
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
2013	518,105,181			10,714,000	528,819,181	1,101,510,102	2.99%	2,065.72

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

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
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
2013	213,450,000		213,450,000	25,277,236,323	0.84%	400.30

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, 2013

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	\$ 505,865,000	41.33%	\$ 209,088,833
Pima Community College District	3,280,000	41.33%	1,355,720
Drexel Heights Fire District	3,380,000	94.69%	3,200,522
Tucson Unified School District No. 1	270,675,000	76.85%	208,013,738
Flowing Wells Unified School District No. 8	22,370,000	6.23%	1,393,651
Amphitheater Unified School District No. 10	83,035,000	16.35%	13,576,223
Sunnyside Unified School District No. 12	42,840,000	76.88%	32,935,392
Tanque Verde Unified School District No. 13	13,370,000	1.36%	181,832
Vail Unified School District No. 20	47,605,000	40.05%	19,065,803
Sahuarita Unified School District No. 30	45,165,000	27.00%	121,946
Other Debt (1)			
Pima Community College District Capital Leases	3,365,000	41.33%	1,390,755
Tucson Unified School District No. 1 Capital Leases	11,887,817	76.85%	9,135,787
Flowing Wells Unified School District No. 8 Capital Leases	295,711	6.23%	18,423
Sunnyside Unified School District No. 12 Capital Leases	2,925,606	76.88%	2,249,206
Vail Unified School District No. 20 Capital Leases	1,406,652	40.05%	563,364
Subtotal, Overlapping Debt			
City of Tucson, Arizona Direct Debt			572,690,921
Total Direct and Overlapping Debt			\$ <u><u>1,074,982,116</u></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.

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Tax Rate (1)	\$ 0.2089	0.3631	0.3469	0.3411	0.3296	0.3231	0.3144	0.3289	0.4297	0.4125
Secondary Tax Rate	0.9480	0.8316	0.8895	0.8846	0.8025	0.6370	0.6200	0.6261	0.7324	0.8514
Total Property Tax Rate (2)	\$ 1.1569	1.1847	1.2364	1.2257	1.1321	0.9601	0.9344	0.9550	1.1621	1.2639
Secondary Assessed Value	\$ 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	3,151,042,287
6% Limitation (3)	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	189,062,537
Less: Direct G.O. Bonds Outstanding	82,446,460	60,988,460	51,333,460	20,715,000	9,145,000	660,000				
Legal Debt Margin	\$ 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	189,062,537
Legal Debt Margin as a Percentage of the Debt Limit	43.39%	60.27%	68.58%	88.55%	95.64%	99.72%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	\$ 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	630,208,457
Less: Direct G.O. Bonds Outstanding	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	213,450,000
Legal Debt Margin	\$ 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	416,758,457
Legal Debt Margin as a Percentage of the Debt Limit	60.55%	55.01%	57.74%	56.47%	62.78%	67.47%	69.15%	71.59%	69.05%	66.13%

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

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

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		Senior Lien Annual Debt Service Coverage Ratio (1)	
				Principal	Interest	Principal	Interest	Principal	Interest		
2004	\$ 115,298,950	\$ 61,669,935	\$ 53,629,015	\$ 8,985,510	\$ 17,436,712	\$ -	\$ -	1.99	1.88	1.82	
2005	119,852,788	66,217,746	53,635,042	9,987,817	17,922,422	-	-	1.88	1.87	1.85	
2006	128,693,649	71,289,091	57,404,558	11,201,882	18,924,918	-	-	1.87	1.63	1.96	
2007	124,708,152	73,544,769	51,163,383	15,414,363	15,950,064	13,070,000	15,000,057	1.63	1.61	2.08	
2008	129,575,735	77,116,750	52,458,985	13,589,134	18,816,787	10,515,000	17,813,015	1.61	1.70	1.96	
2009	130,592,259	73,340,779	57,251,480	14,102,839	19,565,491	10,850,000	18,214,243	1.70	1.82	1.86	
2010	138,999,806	71,990,433	67,009,373	17,619,889	19,207,229	14,252,045	18,018,477	1.82	1.73	1.96	
2011	148,473,207	75,307,470	73,165,737	20,147,455	22,130,225	16,500,000	20,919,848	1.73	1.68	1.86	
2012	156,327,453	83,267,358	73,060,095	21,198,854	22,226,365	18,330,000	20,946,272	1.68	1.71	1.96	
2013	163,836,521	84,757,495	79,079,026	24,503,570	21,875,823	19,595,000	20,729,587	1.71			

Special Assessments

Fiscal Year	Special Assessments Collections		Debt Service Interest		HURF Revenues		Debt Service Interest		Highway User Fees (HURF) Coverage
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$ 683,004	\$ 212,893	\$ 526,392	\$ 187,446	\$ 46,699,213	\$ 7,752,180	\$ 5,570,000	\$ 7,752,180	3.51
2005	898,339	452,900	452,900	187,446	49,076,490	7,040,918	8,380,000	7,040,918	3.18
2006	744,351	441,600	441,600	168,055	50,371,196	7,660,318	9,250,000	7,660,318	2.98
2007	692,291	453,001	453,001	170,514	49,427,956	7,263,235	9,600,000	7,263,235	2.93
2008	1,370,171	570,887	570,887	210,457	48,918,768	6,831,205	10,000,000	6,831,205	2.91
2009	742,520	516,254	516,254	214,151	45,849,257	6,118,500	6,118,500	6,118,500	7.49
2010	677,504	566,635	566,635	200,664	43,475,000	6,150,817	6,150,817	6,150,817	7.07
2011	612,085	574,000	574,000	171,169	40,018,318	5,941,298	12,255,000	5,941,298	6.74
2012	536,157	583,000	583,000	142,025	37,160,062	6,167,389	6,167,389	6,167,389	2.02
2013	396,135	463,000	463,000	115,553	40,613,665	5,437,808	5,437,808	5,437,808	7.47

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.

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2013	533,223	37,031,000,000	69,447	7.0%

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

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

Employer	2004		2013	
	Employees	Percentage of Total Tucson Statistical Area Employment	Employees	Percentage of Total Tucson Statistical Area Employment
Raytheon Missile Systems	10,100	2.87%	12,053	3.33%
U.S.Army Intelligence Center & Fort Huachuca	11,939	3.39%	12,053	3.33%
University of Arizona	10,078	2.86%	10,330	2.86%
State of Arizona	9,753	2.77%	7,629	2.11%
Davis-Monthan Air Force Base	7,692	2.18%	6,835	1.89%
Tucson Unified School District No. 1	7,690	2.18%	6,771	1.87%
Pima County	6,987	1.98%	6,462	1.79%
City of Tucson	5,495	1.56%	6,198	1.71%
Wal-Mart Stores, Inc.	4,420	1.25%	6,000	1.66%
Tohono O'odham Nation	3,515	1.00%	5,419	1.50%
Total	77,669	22.04%	79,750	22.05%

Source: City of Tucson Certificates of Participation, Taxable Series 2004-A
City of Tucson General Obligation Bond, Tax-Exempt Series 2012-A
Arizona Workforce Web Site (CES/NAICS)

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (1)
Elected and Official	235.75	215.00	234.50	223.50	253.50	250.00	247.50	214.50	207.50	209.50
Neighborhood Services	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	
Public Safety/Neighborhood Services	799.00	1,098.50	578.00	564.50	577.50	563.50	456.00	450.00	1,159.25	2,188.75
Operations and Development	78.75	93.25	93.75	63.75	63.75	63.75				1,380.00
Strategic Initiatives	699.71	720.71	720.71	724.71	702.16	702.16	676.66	644.50	303.00	
Support Services	4.75	4.75	4.75	14.75	4.00	4.00				
Non-Departmental										
Utility Services-Environmental Services	589.00	263.00	262.00	251.00	264.00	263.00	248.00	241.00	241.00	237.00
Utility Services-Water	154.75	576.00	571.00	573.00	578.00	580.00	568.00	556.00	556.00	549.00
Golf		154.75	154.75	154.75	154.75	154.75	154.75	145.25	63.75	68.00
Total	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	4,933.75

Source: Adopted Budget - Volume I

Note 1: Environment and Development and Neighborhood Services functions were re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.

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

TABLE XVIII

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police Facilities	8	8	8	8	8	9	9	13	13	13
Fire Stations	18	20	20	20	21	21	21	21	21	21
Parks & Recreation										
Recreation/Regional Centers	17	19	18	18	18	18	18	18	18	18
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	127	125	136	136	142	142	142	142	142	142
Playfields	195	182	231	231	231	231	231	231	231	231
Swimming Pools	26	27	27	27	27	27	27	27	27	27
Transportation										
Residential (Miles)	1,347	1,355	1,355	1,378	1,378	1,384	1,384	1,384	1,604	1,604
Collectors (Miles)	101	101	101	101	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287	287	287	316	316
Interstate (Miles)	80	80	80	80	80	80	80	80	80	80
Transit										
Buses (Active Fleet)	189	189	189	196	203	230	241	240	237	252
Water										
Operable Wells	216	223	212	212	216	216	214	221	226	206
Miles of Water Mains	4,300	4,480	4,561	4,617	4,437	4,683	4,454	4,620	4,687	4,793

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Number of Construction Permits (Residential and Commercial)	5,824	5,545	6,531	5,187	3,994	2,802	2,921	2,984	2,430	2,295
Permit Revenue	\$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	\$8,909,982
Police										
Calls for Service	373,509	349,220	337,224	346,836	345,395	327,882	296,316	299,191	305,662	328,015
Calls for Service per Capita	0.72	0.67	0.62	0.64	0.62	0.60	0.54	0.57	0.56	0.62
Part I Crimes (% Cleared) (1)	13.72%	14.04%	16.30%	16.97%	19.39%	18.41%	20.43%	17.04%	17.13%	11.52%
Part II Crimes (% Cleared) (1)	87.93%	71.60%	89.05%	86.07%	94.14%	94.27%	97.90%	100.00%	93.02%	83.61%
Fire										
Emergency Responses	68,487	69,667	71,843	76,567	79,940	79,380	77,800	79,721	80,236	81,941
Inspections	2,991	3,200	2,801	2,644	3,028	7,825	8,712	8,301	8,319	6,293
Parks & Recreation										
KIDCO Registration	4,640	7,824	8,273	6,851	4,423	2,967	2,947	3,710	4,161	3,407
Class Enrollment-Other than KIDCO	30,023	35,153	35,703	19,681	10,531	19,865	7,412	18,304	19,418	17,607
Facility Rental	12,200	12,194	13,095	14,197	14,215	14,021	13,032	11,509	11,734	9,325
Zoo Visitors	376,535	434,252	439,380	467,108	504,528	529,010	514,269	524,701	585,583	549,929
Environmental Services										
Landfill Tons of Waste Collected	547,270	597,576	638,550	690,215	631,465	487,144	412,950	435,864	453,400	471,400
Tons of Material Recycled	46,489	47,608	46,034	46,918	46,096	44,480	44,622	43,534	39,000	38,000
Water										
Average Total Monthly Connections	211,466	215,785	220,571	225,048	224,129	228,157	224,562	222,736	223,139	224,284
Potable	763	868	950	993	1,086	1,053	1,061	1,087	1,087	1,082
Reclaimed	6,177	4,069	4,846	3,880	2,295	1,064	1,064	1,127	1,018	1,459
New Connections	89	99	48	55	15	17	17	0	0	9
Water Sales (1000 ccf)	47,974	47,251	49,536	46,366	46,590	44,443	43,668	42,885	41,433	41,109
Reclaimed	5,197	5,003	5,998	5,848	6,617	7,151	6,913	6,872	6,285	6,483
Transportation										
Average Response Time (working days) to Complete	7	8	10	10	2 to 4 weeks	4 to 6 weeks	4 to 6 weeks	4 to 6 weeks	42	16
Pothole Repairs	73.4%	87.9%	85.0%	79%	80%	81%	81%	67%	43%	46%
The % of Lane Miles Assessed as Satisfactory or Better	\$81.31	\$85.59	\$89.56	\$95.00	\$250.00	\$486.00	\$516.00	\$567.00	\$700.00	\$746.00
Traffic Signal Expenditure per Repair	\$5.00	\$5.28	\$5.67	\$5.91	\$6.02	\$6.44	\$6.23	\$5.78	\$6.89	\$6.20
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$0.58	\$0.63	\$0.63	\$0.53	\$0.68	\$0.59	\$0.69	\$0.74	\$0.70	\$0.64
Sun Tran's Operating Expenses per Passenger Mile										

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 inflows. An acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities.

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 an 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.

Net position. The residual of all elements presented in a statement of financial position. Net position equals assets plus deferred outflows, less liabilities and deferred inflows.

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.

Other post-retirement healthcare benefits (OPEB). Medical, dental, vision, and other health-related benefits provided to retired employees, dependents, and beneficiaries. [SGAS 26]

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.

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

