

CITY OF TUCSON, ARIZONA
Tucson, Arizona

ANNUAL EXPENDITURE LIMITATION REPORT
Year Ended June 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Accountants' Report.....	1
Annual Expenditure Limitation Report – Part I.....	2
Annual Expenditure Limitation Report – Part II.....	3
Annual Expenditure Limitation Report – Reconciliation.....	4
Notes to Annual Expenditure Limitation Report.....	5

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona
The Honorable Mayor and Members of the City Council
City of Tucson, Arizona

We have examined the accompanying Annual Expenditure Limitation Report (Report) of the City of Tucson, Arizona (the "City") for the year ended June 30, 2015. This report is the responsibility of City management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Tucson, Arizona referred to above presents, in all material respects, the Annual Expenditure Limitation Report of the City of Tucson, Arizona for the year ended June 30, 2015, based on the information prescribed by the *Uniform Expenditure Reporting System* as described in Note 1.



CliftonLarsonAllen LLP

Tucson, Arizona
March 24, 2016

CITY OF TUCSON
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2015

1. Economic Estimates Commission expenditure limitation	\$	896,353,594
2. Voter-approved alternative expenditure limitation (Approved _____)		_____
3. Enter applicable amount from Line 1 or Line 2	\$	896,353,594
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	\$	659,564,217
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, §20[2][a], Arizona Constitution)	-	_____
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, §20[2][b], Arizona Constitution)	-	_____
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, §20[2][c], Arizona Constitution)	-	_____
8. Subtotal	\$	659,564,217
9. Board-authorized excess expenditures for the previous fiscal year not declared by the Governor and not approved by the voters (Article IX, §20[2][b], Arizona Constitution)	+	_____
10. Total adjusted amount subject to the expenditure limitation	\$	659,564,217
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation.)	\$	236,789,377

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Finance Director (Chief Fiscal Officer):

Name and Title: Silvia Amparano, Finance Director, City of Tucson

Telephone Number: (520) 837-4444

Date: February 10, 2016

See accompanying notes to report.

CITY OF TUCSON
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2015

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	<u>\$ 854,067,107</u>	<u>\$ 271,381,896</u>	<u>\$ 53,595,357</u>	<u>\$ 68,262,756</u>	<u>\$ 1,247,307,116</u>
B. Less exclusions claimed:					
1. Bond proceeds--Note 5	(22,970,951)	(25,444,770)			(48,415,721)
Debt service requirements on bonded indebtedness--Note 6	(136,200,438)	(49,829,536)	(1,822,488)		(187,852,462)
Proceeds from other long-term obligations--Note 7	(1,452,268)				(1,452,268)
Debt service requirements on other long-term obligations--Note 8	(26,266,686)				(26,266,686)
2. Dividends, interest, and gains on the sale or redemption of investment securities--Note 9	(438,007)	(1,300,180)	(93,800)		(1,831,987)
3. Trustee or custodian--Note 16	(3,504,216)			(68,262,756)	(71,766,972)
4. Grants and aid from the federal government--Note 10	(85,969,993)	(6,660,322)	(310,729)		(92,941,044)
5. Grants, aid, contributions, or gifts from a private agency, organization or individual except amounts received in lieu of taxes--Note 11	(2,609,515)				(2,609,515)
6. Amounts received from the state--Note 12	(2,330,114)				(2,330,114)
7. Quasi-external interfund transactions--Note 13	(11,223,390)	(7,732,567)	(51,368,340)		(70,324,297)
8. Amounts approved by voters for purchasing land, buildings or improvements.					
9. Highway user revenues in excess of those received in fiscal year 1979-80--Note 14	(27,925,161)				(27,925,161)
10. Contracts with other political subdivisions--Note 15	(7,015,928)	(3,145,634)			(10,161,562)
11. Refunds, reimbursements, and other recoveries--Note 18	(43,865,110)				(43,865,110)
12. Total exclusions claimed	<u>(371,771,777)</u>	<u>(94,113,009)</u>	<u>(53,595,357)</u>	<u>(68,262,756)</u>	<u>(587,742,899)</u>
C. Amounts subject to the expenditure limitation (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	<u>\$ 482,295,330</u>	<u>\$ 177,268,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,564,217</u>

See accompanying notes to report.

CITY OF TUCSON
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses and applicable other financing uses reported within the basic financial statements	\$ 854,576,671	\$ 229,354,296	\$ 58,254,599	\$ 68,262,756	\$ 1,210,448,322
B. Deductions:					
1. Items not requiring use of working capital:					
IBNR recognized in the Current period--Note 2			(10,126,137)		(10,126,137)
Depreciation/Goodwill		(40,849,109)	(1,768,496)		(42,617,605)
Bad debt expense--Note 3		(896,652)			(896,652)
Landfill closure and postclosure care costs--Note 17		(2,517,207)			(2,517,207)
Other Postemployment Benefits (OPEB)--Note 17		(384,430)			(384,430)
Pension Expense--Note 17		(539,349)			(539,349)
2. Expenditures of separate legal entities established under Arizona Revised Statutes--Note 4	(509,564)				(509,564)
3. Required fees paid to Arizona Department of Revenue					
4. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements					
5. Expenditures from involuntary court judgements or settlements--Note 19			(2,500,001)		(2,500,001)
6. Total deductions	<u>(509,564)</u>	<u>(45,186,747)</u>	<u>(14,394,634)</u>		<u>(60,090,945)</u>
C. Additions:					
1. Principal payments on long-term debt		26,703,634	1,309,300		28,012,934
2. Acquisition of capital assets		53,994,718	69,755		54,064,473
3. IBNR recognized in the Current period--Note 2			8,356,337		8,356,337
Other postemployment benefits (OPEB) -- Note 17					
Landfill closure and postclosure care costs--Note 17		249,681			249,681
4. Pension expense		6,266,314			6,266,314
5. Total additions		<u>87,214,347</u>	<u>9,735,392</u>		<u>96,949,739</u>
D. Amounts reported on Part II, line A	<u>\$ 854,067,107</u>	<u>\$ 271,381,896</u>	<u>\$ 53,595,357</u>	<u>\$ 68,262,756</u>	<u>\$ 1,247,307,116</u>

See accompanying notes to report.

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

Note 1 Summary of Significant Accounting Policies:
The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.0, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses or deductions reported in the fund-based financial statements.

In accordance with the UERS requirements, a note to the AELR is presented for any exclusion claimed on Part II and each deduction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund-based financial statements. All references to financial statement amounts refer to the Statements of Net Position and Activities; the Governmental Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances; the Proprietary Funds Statements of Net Position and Revenues, Expenses, and Changes in Fund Net Position, and Cash Flow; and the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

Note 2 See CAFR page 79.

Note 3 This deduction is included in Contractual Services under object 273.

<u>Fund</u>	
Water Utility	\$ 560,077
Environmental Services	215,661
AMP Funds	67,990
Non-PHA Asset	52,924
Total	<u>\$ 896,652</u>

Note 4 This deduction for separate legal entities established under Arizona Revised Statutes consists of special assessment districts included within the City's reporting entity, but not included in the Economic Estimates Commission base limit calculations. The expenditures (CAFR page 115) are as follows:

Debt Service \$ 509,564

Note 5 Separate bond funds are established to record bond expenses for the Water Utility, Environmental Services Funds and the General Services ISF. The schedule presented below shows the final expenses by bond fund. The exclusion the Governmental Funds is \$22,970,951 (net of Use of Money and Property) for the 2012 General Obligation Capital Projects Fund (CAFR page 116).

<u>Water Funds</u>	<u>Bond Expenses</u>	<u>Fund</u>	<u>Bond Expenses</u>
Water Ser. 2012 (084)	\$ (39,537)	Environmental SVS (014)	<u>\$ 16,341</u>
Water Ser. 2015 (085)	596,783		
Water Ser. 2013 (086)	393,858		
Water Ser. 2014 (089)	24,486,024		
Water Ser. 2010 (134)	(8,699)	Total Enterprise Fund	<u>\$ 25,444,770</u>
	<u>\$ 25,428,429</u>		

Note 6 The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental and Enterprise Funds consist of principal retirement and interest payments (CAFR pages 22, 27, 115).

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Principal	\$ 33,025,000	\$ 26,703,634	\$ 1,309,300
Interest	14,184,624	21,667,269	513,188
Payment to Refunded Bond Escrow Agent (CAFR Page 22)	88,426,284		
Fiscal Agent Fees and Issuance costs	564,530	1,458,633	
Total	<u>\$ 136,200,438</u>	<u>\$ 49,829,536</u>	<u>\$ 1,822,488</u>

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Continued)

Note 7 This exclusion is for expenditures of \$1,452,268 from COPs proceeds that are included in the Capital Improvement Fund (CAFR page 116).
Net of use of money and property.

Note 8 The exclusion represents principal and interest payments for debt service requirements on COPs and Contract payables (CAFR pages 22 and 112).

	Principal & Interest	Fiscal Agent Fees & Issuance Expenditures	Total
General Fund	\$ 24,502,718	\$ 506,275	\$ 25,008,993
Park Tucson	1,257,693		1,257,693
Total	\$ 25,760,411	\$ 506,275	\$ 26,266,686

Note 9 This exclusion is claimed for expenses/expenditures from Investment Income as listed below: Non-major Governmental Funds is net of Civic Contribution and Special Assessment Bond & Interest.

	General Fund	Non-Major Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Use of Money/Property	\$ 467,589	\$ 1,445,833	\$ -	\$ -	\$ 1,913,422
Investment Income			1,300,180	93,800	1,393,980
Non-Interest	(222,357)	(1,253,058)			(1,475,415)
Total	\$ 245,232	\$ 192,775	\$ 1,300,180	\$ 93,800	\$ 1,831,987

Note 10 The City receives QECB and BAB federal contributions to subsidize debt service payments in the General Fund of \$1,045,510 Water Utility Fund of \$734,619, and \$310,729 in the General Services ISF. Environmental Services had federal contributions of \$104,984 (CAFR page 27). The following schedule presents revenues from which exclusions have been claimed for federal grants.

Governmental Funds	Community Development Block Grants Fund	Public Housing Section 8/ Home Program Funds	Miscellaneous Housing Grant Funds	Other Federal Grant Funds	Mass Transit Fund
Expenditures	\$ 7,539,137	\$ 35,355,118	\$ 4,487,467	\$ 16,364,093	\$ 92,932,201
Non-grant Rev	(343,192)	(140,112)	(73)	(4,396)	(28,072,529)
Net Grant Expnd	7,195,945	35,215,006	4,487,394	16,359,697	64,859,672
Grant Revenues	6,881,738	34,720,132	4,487,394	16,361,859	22,475,522
Exclusions	\$ 6,881,738	\$ 34,720,132	\$ 4,487,394	\$ 16,359,697	\$ 22,475,522

	General Fund	Governmental Funds Total
Expenditures	\$ 1,045,510	\$ 157,723,526
Non-grant Rev		(28,560,302)
Net Grant Expnd	1,045,510	129,163,224
Grant Revenues	1,045,510	85,972,155
Exclusions	\$ 1,045,510	\$ 85,969,993

Enterprise Funds	Public Housing Funds	Non-PHA Asset Management Fund	Water Utility Fund	Enterprise Services Fund	Enterprise Total
Expenditures	\$ 9,974,288	\$ 2,267,351	\$ 734,619	\$ 104,984	\$ 13,081,242
Non-grant Rev	(4,382,173)	(1,084,595)			(5,466,768)
Net Grant Expnd	5,592,115	1,182,756	734,619	104,984	7,614,474
Grant Revenues	5,881,411	228,604	734,619	104,984	6,949,618
Exclusions	\$ 5,592,115	\$ 228,604	\$ 734,619	\$ 104,984	\$ 6,660,322

Note 11 This exclusion is claimed for expenditures made from revenues received from private donors.

Governmental Funds	
Civic Contribution (CAFR, Page 113)	\$ 353,645
Miscellaneous-General Fund	2,255,870
Total	\$ 2,609,515

CITY OF TUCSON
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015
(Continued)

Note 12 This exclusion is claimed for expenditures made from revenues received from state grants and contributions.

Law Enforcement Training (General Fund)	\$	317,905
Non-Federal Grant Fund (CAFR, Page 114)		2,012,209
Total		\$ 2,330,114

Note 13 This exclusion is claimed for water and garbage sales between the City's Water Utility and Environmental Services Funds to other City departments and expenses paid from revenues received in the Internal Service Funds. The full exclusion was reduced to zero out Internal Service Fund expenditures. Also includes General Fund administrative charges to the Enterprise funds.

	Enterprise Funds		General Fund
City Water Utility Charges	\$ 5,878,899	Service Charges \$	\$ 11,223,390
City Garbage Charges	924,774		
Tucson Water billing services to ESD Fund	928,894		
Total	\$ 7,732,567		

Note 14 The following schedule presents revenues from which exclusions have been claimed for highway user revenues in governmental funds (CAFR pages 112 and 115):

Highway user revenues received in FY 15	\$	44,846,287
Highway user revenues received in FY 15 used for debt service		(7,900,509)
Highway user revenues received in FY 79-80		(5,858,008)
Revenues available for exclusion in FY 15		\$ 31,087,770
Actual expenditures for FY 15 (less debt service)	\$	30,221,682
Less expenditures from other revenues		(2,296,521)
Net Expenditures for FY 15		27,925,161
Excludable revenues expended in FY 15		31,087,770
Amount equal to 1979-80 revenues expended in FY 15		\$ (3,162,609)
Revenues available for exclusion in FY 15	\$	31,087,770
Revenues expended and claimed as an exclusion in FY 15		27,925,161
Unspent excludable revenues available for carryforward in future years		\$ 3,162,609

Note 15 The exclusion claimed for contracts with other political subdivisions includes charges for Mass Transit services and IGA services. For the Water Utility Enterprise Fund, \$3,145,634 is claimed for sewer billings services to Pima County.

Mass Transit Fund (Other Agencies)	\$	4,869,096
IGA Services-General Fund		2,146,832
Total		\$ 7,015,928

Note 16 The City administers the collection of amounts earned by police officers when they are functioning as off-duty officers. The City collects the money from those who employed them and then pays the police officer. Since the City acts as an agent in the collection and payment of off-duty police officers, the expenditures of \$3,504,216 are excluded in the General Fund (Revenue account 8647 and unit code 2015).

Note 17 CAFR page 54, Changes in Long-term Debt and Liabilities.

Note 18 Revenues are received for expenditures recorded by the City then billed to the appropriate agency for reimbursement.

Regional Transportation Authority Fund (CAFR, Page 117)	\$	40,358,360
Capital Improvement Fund (CAFR, Page 116)		1,505,122
Mass Transit/Street Car Funds-Other Agencies Revenue (CAFR Pg 114)		2,001,628
Total		\$ 43,865,110

Note 19 These expenses are included in the Risk Management Internal Service Fund contractual services amount (CAFR page 122).