

Comprehensive Annual Financial Report

2020

City of Tucson, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020



Prepared by: Accounting Operations,
Business Services Department



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Introductory Section





CITY OF
TUCSON

OFFICE OF THE
CITY MANAGER

January 29, 2021

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

The Comprehensive Annual Financial Report (CAFR) of the City of Tucson, Arizona, (City) for the fiscal year ended June 30, 2020, is submitted as required by Chapter XXIX of the City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity and to have the report audited by certified public accountants independent of City government. The CAFR was prepared by the City's Accounting Division in accordance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, City management is responsible for the completeness and reliability of the information. To provide a reasonable basis for making these representations, the City 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 are included.

To comply with the City Charter requirement of obtaining an annual independent audit, we engaged Heinfeld, Meech, and Company, P.C. to express an opinion on the financial statements. 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, and the City received an unmodified opinion upon completion of the audit.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments Act of 1996 and U.S. Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which superseded OMB Circular A-133 and other related documents. Heinfeld, Meech was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Single Audit Amendments Act of 1996 and related OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Due to the size and complexity of the City's financial systems, the single audit report is issued separately from this CAFR. Copies are available upon request from the City's Business Services Department, through the Accounting Division or on the City's internet site:

<https://www.tucsonaz.gov/finance>

The Report

The CAFR is presented in three sections: 1) Introductory Section, 2) Financial Section and 3) the Statistical Section. The Introductory Section includes the letter of transmittal, the City's organizational chart, and certificate of achievement.

The Financial Section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements, including the government-wide financial statements which are comprised of the Statement of Net Position and the Statement of Activities and the accompanying notes to the financial statements. The Financial Section also includes the governmental, enterprise and fiduciary fund financial statements and includes the combining and comparative fund financial statements. Required Supplementary information reports on financial position of pension funds and Other Postemployment Benefits (OPEB). Budgetary comparison schedules are also included in the Financial Section for all funds.

The Statistical Section is the last section of the CAFR and includes financial trends, revenue capacity, debt capacity, economic and demographic information, and operating information. The Letter of Transmittal and the MD&A section of the CAFR is to provide information on the financial position of the City and provide explanations of financial trends and significant differences in fund financial statements.

City Profile

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and infrastructure; as well as recreational and cultural activities. The City's five enterprise funds provide water and solid waste disposal services, golf, along with public housing management.

Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. 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. Today, Tucson is the second largest city in Arizona and the 33rd largest city in the country and has a culturally diverse population of more than 545,000.

The City is located 100 miles south of Phoenix and 60 miles from the Mexico border. Tucson's metropolitan area of one million people is surrounded by four majestic mountain ranges and nestled in the heart of the lush Sonoran Desert valley. Tucson offers residents and visitors the climate opportunities, amenities, and attractions of allowing them to experience an unparalleled quality of life.

The City operates under a Council-Manager form of government. Council member candidates are nominated in primary elections in each of six wards but are elected in citywide elections. The mayor is nominated and elected citywide. The Mayor and Council set policy and appoint a city manager to provide the general supervision and direction for city government operations.

Budget System and Controls

Like all cities in the State of Arizona, Tucson is subject to budget and related legal requirements. State law (ARS §42-17101) requires that the Mayor and Council adopt a tentative budget on or before the third Monday in July of each fiscal year. Once this tentative budget has been adopted, the expenditures may not be increased upon final

adoption. In effect, with the adoption of the tentative budget, the council has set its maximum "limits" for expenditure, but these limits may be reduced upon final adoption.

State law (ARS §42-17104, §42-17105) specifies the city or town council must adopt the final budget for the fiscal year by roll call vote at a special meeting called for that purpose. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year and shall not exceed the total amount proposed for expenditure in the published estimates (ARS §42-17106). Once adopted, no expenditures shall be made for a purpose not included in the budget. No expenditures shall be made in excess of the amounts specified for each purpose in the budget, except as provided by law. This restriction applies whether or not the city has at any time received, or has on hand, funds or revenue in excess of those required to meet expenditures incurred under the budget. Federal and bond funds are not subject to this requirement.

The City adopted a comprehensive set of financial policies that incorporate a wide range of topics including financial planning, budgetary planning, capital management, expenditure control, fund balance, revenues and collections, cash management and investments, financial reporting, and debt management. The financial goals are broad and help the City maintain an adequate financial base to sustain our serviceability despite of local or regional economic fluctuations and ensure adherence to the highest accounting and management practices. The General Fund fund balance policy, adopted by Mayor and Council, states that the City will maintain 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. As of June 30, 2020, our unassigned fund balance represents 9% of General Fund revenues and the committed fund balance for the stabilization fund is 10%; meeting the adopted policy for the first time since the Great Recession.

Local Economy

Tucson has a broad-based economy anchored in tourism, higher education, retail, military, government and various high-tech and health care employers. With 350 days of sunshine every year, tourism is a major economic engine for the Tucson community. Major world class attractions include Saguaro National Park, the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. Thousands of visitors attend annual signature events, such as the Tucson Gem and Mineral Show, El Tour de Tucson and the Tucson Rodeo and Parade (La Fiesta de los Vaqueros). These visitors generate sales in lodging, dining, retail, recreation and transportation and have an estimated local impact of \$150 million dollars.

The economic forecast is calling for expansion at a moderate pace with gains in jobs, income, and population. In 2018, retail sales increased approximately 5.3%, while personal income increased 5.7%. The preliminary estimate for the October 2018 unemployment rate is 4.4%, a slight increase from 4.0% in October 2017, and median home sale prices increasing by 3.7%.

Since the Great Recession, the City's revenues, particularly business privilege and transient occupancy taxes, were increasing at a more significant percentage than any other year. With sales tax revenues comprising approximately 41% of the City's General Fund, and retail sales being a major component, the City experienced strong sales tax growth from fiscal year 2019 amount of \$219.3 million to the fiscal year 2020 amount of \$225.9 million; a 3% increase. However, the effects of the Coronavirus Virus 2019 (COVID-19) pandemic brought uncertainty which felt like the new normal across the world.

Our financial situation, along with the rest of the nation, was affected by COVID-19 and the daily fluctuating valuations and unprecedented volatility of the financial markets. The critical element which stabilized our sales taxes was the 2018 Supreme Court decision, in *South Dakota v. Wayfair*, which overturned prior decisions that had made it impossible for states to collect sales taxes from remote (online) sellers. This

decision allowed states to collect taxes on most online sales. On May 31, 2019, Governor Doug Ducey signed Arizona H.B. 2757 adopting economic nexus standards for internet sales made into Arizona.

Long-Term Planning

The budget process drives the City's financial planning process. This process includes an annual Mayor and Council Retreat where priorities are determined from input by the community. Each department prepares an operating budget that is subjected to a detailed technical review and is adjusted for base reductions or supplementals (budget additions) based on revenue and expenditure forecasts. The budget process also includes input from the departments, the City Manager's Office, City Council, and citizens including numerous community budget hearings and engagement opportunities. The City Council formally adopts the budget for the following year normally in mid-June.

As part of the annual budget process, departments also submit five-year capital plans for review and approval based on available funding. The capital plans are updated annually and approved by the Mayor and Council and serve as the the long-term financial planning process's primary drivers.

Revenue forecasts of user fees related to enterprise funds are updated annually to determine the long-term funding availability. The enterprise departments routinely update their long-range capital and financial plans. This process is very valuable in determining the rates necessary to support the enterprise funds and their capital programs and in identifying industry trends. The process allows the enterprise departments to adjust their capital spending and operations accordingly.

Major Initiatives

Coronavirus Aid, Relief, and Economic Security Act (CARES)

The City is fortunate to receive over \$155.5 million in CARES funding from the federal government. An allocation of \$95.5 million for the Direct Economic Stimulus Funding to States, Territories, Local Tribal Governments known as the CRF was received to provide support to use for expenditures incurred due to the public health emergency with respect to COVID-19 in the face of revenue declines, allocated by population proportions. In May 2020 Mayor and Council adopted a CARES Act Strategic Plan. This Plan allocates CRF funds by category: Community Investment and Support, \$22.0 million; City Manager Allocation, \$2.5 million; Continuity of City Operations and Services, \$38.0 million; and Crisis Reserves, \$33.0 million. Each category has multiple funding allocations to either provide needed dollars to the residents and businesses or to fund necessary programs and costs from the impacts of COVID-19.

The City was also awarded a \$44.3 million grant from the Department of Transportation's Federal Transit Authority. These funds are for operating costs to maintain service in response to COVID-19, purchase personal protective equipment, as well as paying the administrative leave of operations personnel due to reductions in service.

Allocations through the Community Development Block Grant were also granted with the City's portion being \$3.3 million; \$7.3 million for Emergency Solutions Grants; \$1.5 million for Housing Choice Vouchers; and \$3.6 million for other multiple grants which fall under our Housing program.

Move Tucson

This long-term master mobility plan establishes shared transportation visions, goals, and performance measures for tracking progress. The plan will consider the needs of people who walk, bike, use public transit, drive, and deliver goods and services on City streets. The outcome of the planning process creates a list of prioritized projects and

programs that drive future funding decisions. Move Tucson is a crucial first step in creating a world class transportation system that works for all Tucsonans now and into the future.

Tucson Delivers: Parks and Connections

On November 6, 2018, the City of Tucson voters approved Proposition 407, a \$225 million bond package for capital improvements via general obligation bonds. A bond oversight commission oversees funding and monitors the progress of projects. The bond funds are dedicated to improving City park amenities (including playgrounds, sports fields, pools, splash pads, and recreation centers) and connections (pedestrian pathways, bicycle pathways, pedestrian, and bicycle safety). The first issue and sale of the bonds occurred early in the fiscal year 2021.

Certificates of Participation (COPs)

Pension liabilities arise from the retirement benefits provided to elected officials, employees, firefighters, and police officers. For Tucson, its Public Safety Personnel Retirement System (PSPRS) obligation for police and fire employees is \$1.5 billion and is the largest liability for the City and its residents. Simply defined, a pension obligation is the amount of money that will be needed, at a future date, to pay the benefits to the retirees in the system. To address the unfunded PSPRS pension liability, the Mayor and Council gave direction to move forward with the process to issue taxable Certificates of Participation in an amount not to exceed \$670 million. This is an ongoing process with the intent to sell the COPs during the fiscal year 2021.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The City was awarded a Certificate of Achievement for Excellence in Financial Reporting for its June 30, 2019, CAFR for the 38th consecutive year (fiscal years ended 1982 through 2019). A Certificate of Achievement is valid for a period of only one year. We believe our current report continues to conform to the Certificate of Achievement program requirements. We are submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

The preparation of this report would not have been possible without the talent, effort, and dedication of the Business Services Department. Special acknowledgement is made for the work of Marcela Ceballos, Finance Administrator and the many employees of other departments who responded timely to the requests for detailed information that accompanies each annual audit, as well as the continued support of Mayor and Council and the City Manager's Office.

Respectfully submitted,



Joyce K. Garland, CPA

Chief Financial Officer/Assistant City Manager

City of Tucson Officials

Mayor and Council



HONORABLE
REGINA ROMERO
Mayor



LANE SANTA CRUZ
Ward One



PAUL CUNNINGHAM
Ward Two



PAUL DURHAM
Ward Three



NIKKI LEE
Ward Four



RICHARD FIMBRES
Ward Five



STEVE KOZACHIK
Ward Six

City Administration



MICHAEL J. ORTEGA, P.E.
City Manager

JOYCE GARLAND, CPA
Assistant City Manager
Chief Financial Officer

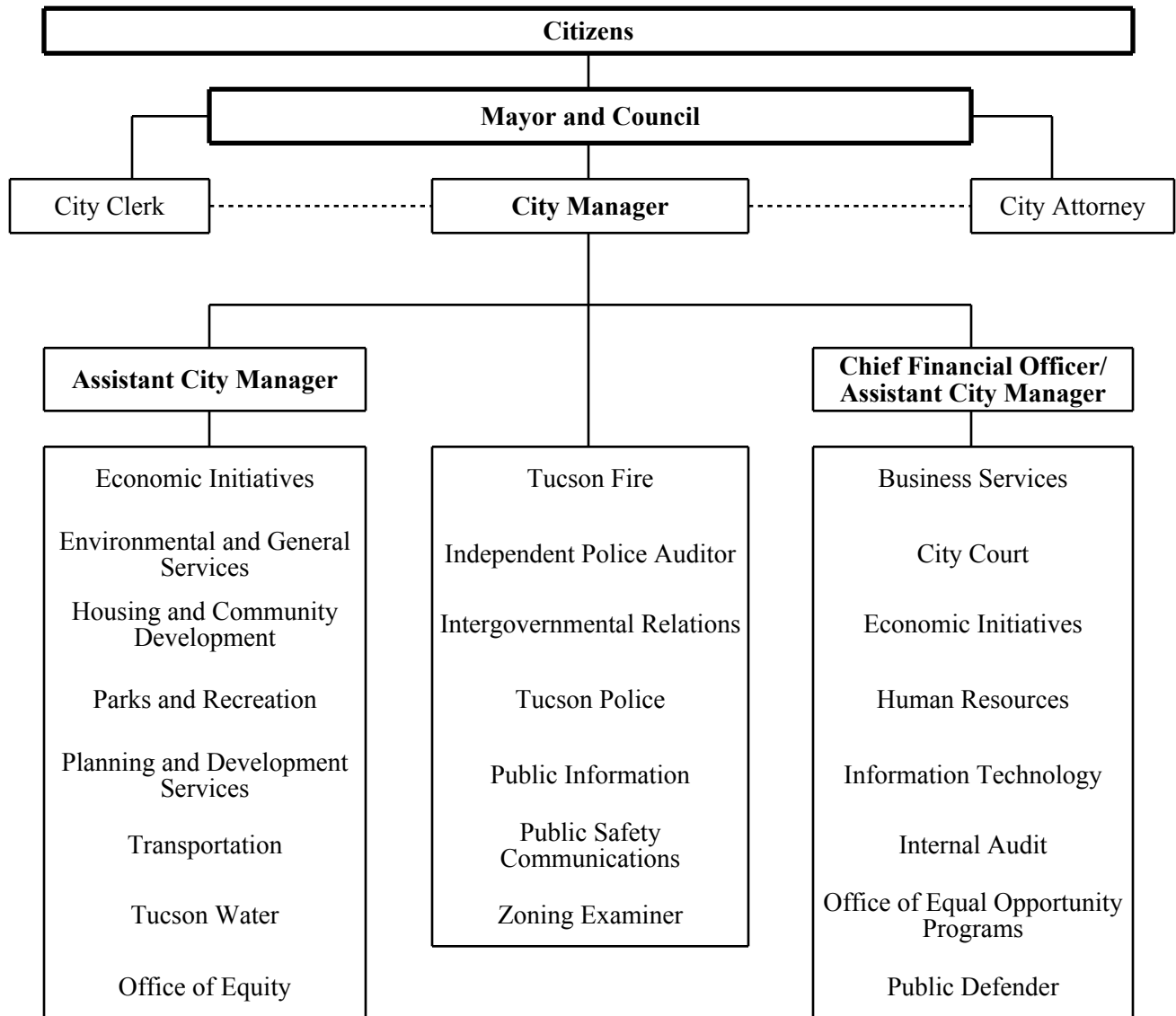
JEFFREY YATES
Director
Business Services Department
Accounting Operations Team

MARCELA CEBALLOS
Finance Administrator
Business Services Department



CITY OF TUCSON ORGANIZATION CHART

FISCAL YEAR 2020





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, 2019

Christopher P. Morill

Executive Director/CEO





Financial Section



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of 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, (City), as of and for the year ended June 30, 2020, 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.

Auditor's 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 auditor's 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, 2020, 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.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, net pension liability, and other postemployment benefit plan information, listed as Required Supplementary Information in the table of contents, 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's basic financial statements. The Introductory Section, Combining Statements and Individual Fund Financial Statements and Schedules, and Statistical Section, as 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 Statements and Individual Fund Financial Statements and Schedules 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 Statements and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section 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 January 28, 2021, on our consideration of the City of Tucson, Arizona'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tucson, Arizona's on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tucson, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
January 28, 2021



Management Discussion and Analysis





CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

INTRODUCTION

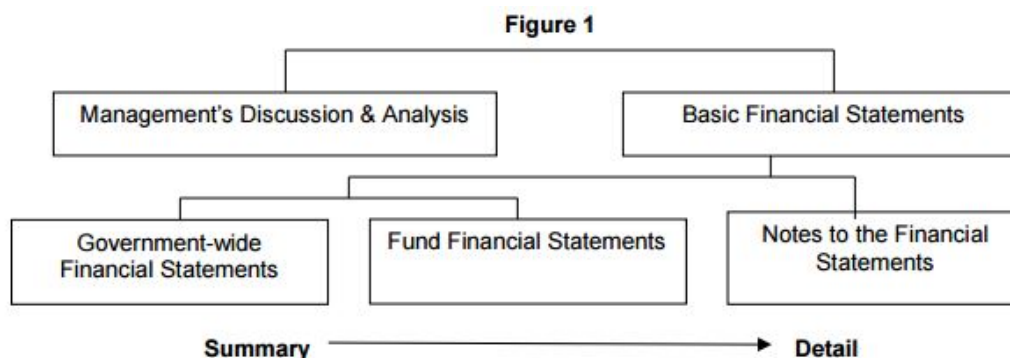
The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the City's financial performance during the fiscal year ended on June 30, 2020 and 2019. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the transmittal letter and other portions of this CAFR.

FINANCIAL HIGHLIGHTS

- On the Government-Wide Financial Statements, total assets plus deferred outflows of resources of the City exceeded its total liabilities plus deferred inflows of resources at the close of the fiscal year by \$2.002 billion (net position). Fiscal year 2020 operations resulted in an increase to net position for the City as a whole of \$198.6 million; from \$1.803 billion at June 30, 2019. Governmental Activities accounted for \$114.7 or 57.8% of the total increase to net position and Business-type Activities accounted for \$83.9 million or 42.2%.
- On the Government-Wide Financial Statements, the cash and cash equivalents for the governmental and business-type activities increased a combined total of \$193.5 million over last fiscal year's amount of \$392.7 million to \$586.2 million in fiscal year 2020. The increase is primarily due to advanced funding awarded the City under the CARES Act. The remaining funding will be spent by December 31, 2020, as stipulated by federal rules and regulations. The voter approved sales tax dedicated to zoo operations and capital improvements and public safety and road improvements also generated increases. The construction of zoo, public safety, and road improvement projects will continue during fiscal year 2021.
- As of June 30, 2020 and 2019, the City's governmental funds reported combined ending fund balance of \$397.8 million and \$285.2 million, respectively. Approximately 28.1% of the current amount (\$111.8 million); an increase of \$28.7 million from fiscal year 2019 amount of \$83.1 million is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$50.4 million or approximately 9% of total General Fund revenues of \$558.4 million exceeding the Mayor or Council adopted financial policy target of 7%. Revenues increased \$6.2 million (1.09%) over the prior fiscal year amount of \$552.2 million.
- At the end of the current fiscal year, committed fund balance for the General Fund is \$62.3 million. Of this amount, \$55 million or approximately 10% of total General Fund revenues of \$558.4 million is set aside to maintain a stabilization or "rainy day fund"; reaching the Mayor and Council adopted financial policy target of 10%. The increase amount to the stabilization from last fiscal year is \$32.2 million.
- The City's current and other liabilities increased by \$74.7 million to \$358.8 million during the current fiscal year. This increase is mainly due to the deferral of federal funding received for coronavirus economic relief of \$66.7 million.

9 OVERVIEW OF THE FINANCIAL STATEMENTS

Required Components of Annual Financial Report



This discussion and analysis are intended to serve as an introduction to the City of Tucson's basic financial statements. The City of Tucson's basic financial statements comprise three components: 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements are designed to provide a broad overview of the City of Tucson's finances, in a manner similar to a private-sector business, and to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **statement of net position** presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents financial information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and earned but unused vacation and sick leave.

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, parks, streets, and general government. 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. These activities include environmental services, water, golf, and public housing.

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.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund statements 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 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 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.

Notes to the Financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information includes budgetary comparisons with the original budget and the final amended budget for the General Fund and each individual major special revenue fund. This section also provides required information regarding the changes in the City's net pension liabilities related to the Tucson Supplemental Retirement System (TSRS) and the Public Safety Personnel Retirement System (PSPRS), and changes in the City's total other post-employment benefits (OPEB) liability related to PSPRS.

The **Statistical Section** provides information regarding a government's economic condition. All of the information presented in this section is organized around five specific objectives: 1. financial trends, 2. revenue capacity, 3. debt capacity, 4. demographic and economic information, and 5. operating information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

On the Government-Wide Financial Statements, total assets plus deferred outflows of resources exceeded its total liabilities plus deferred inflows of resources. The combined net position for the City increased by almost 11% or \$198.6 from \$163.2 million over the course of the year to \$2.002 billion from \$1.803 billion. Governmental activities net position increased \$114.7 million and Business-type net position increased \$83.9 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 total change in net position for business-type activities from the fiscal year 2019 amount of \$1.017 billion to the fiscal year 2020 amount of \$1.102 billion is an increase of \$83.9 million. The unrestricted deficit decreased by \$7.4 million; net investment in capital assets increased by \$75.9 million; and restricted net position decreased by \$0.3 million. The Water Utility net investment in capital assets increased by \$73.8 million from the fiscal year 2019 amount of \$886.9 million to the fiscal year 2020 amount of \$960.7 million. The increase is due to improvements for distribution and collection systems, upgrades to well fields and related systems, and replacement of outdated meter systems. The Utility Fund's unrestricted net position decreased by \$0.9 million from \$34 million in fiscal year 2019 to \$33.1 million in fiscal year 2020. In the Environmental Services Fund, net investment in capital assets increased by \$2.5 million and unrestricted deficit decreased by \$7.6 million. The Public Housing Fund's net position decreased \$0.5 million from the fiscal year 2019 amount of \$23.7 million to the fiscal year 2020 amount of \$23.2 million.

Figure 2 is a comparative summary of the City's net position for fiscal years 2020 and 2019:

Net Position							Figure 2
	Governmental Activities		Business-type Activities		Total		
	2020	2019	2020	2019	2020	2019	
Current and Other Assets	\$ 683,278,010	\$ 496,307,416	\$ 362,613,798	\$ 358,205,687	\$ 1,045,891,808	\$ 854,513,103	
Capital Assets	2,076,644,182	2,086,916,295	1,523,809,571	1,483,726,202	3,600,453,753	3,570,642,497	
Total Assets	2,759,922,192	2,583,223,711	1,886,423,369	1,841,931,889	4,646,345,561	4,425,155,600	
Deferred Outflows	236,844,194	222,916,966	30,264,693	35,750,262	267,108,887	258,667,228	
Current and Other Liabilities	248,507,501	175,579,536	110,314,366	108,521,434	358,821,867	284,100,970	
Long-term Liabilities	1,777,649,519	1,732,837,712	595,875,819	641,548,632	2,373,525,338	2,374,386,344	
Total Liabilities	2,026,157,020	1,908,417,248	706,190,185	750,070,066	2,732,347,205	2,658,487,314	
Deferred Inflows	70,422,791	112,257,500	108,694,757	109,716,669	179,117,548	221,974,169	
Net Position:							
Net Investment in Capital Assets	1,766,598,079	1,721,002,644	1,049,110,159	973,188,944	2,815,708,238	2,694,191,588	
Restricted	242,401,001	191,076,782	52,267,229	52,571,867	294,668,230	243,648,649	
Unrestricted (Deficit)	(1,108,812,505)	(1,126,613,499)	425,732	(7,865,395)	(1,108,386,773)	(1,134,478,894)	
Total net position	\$ 900,186,575	\$ 785,465,927	\$1,101,803,120	\$1,017,895,416	\$ 2,001,989,695	\$1,803,361,343	

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

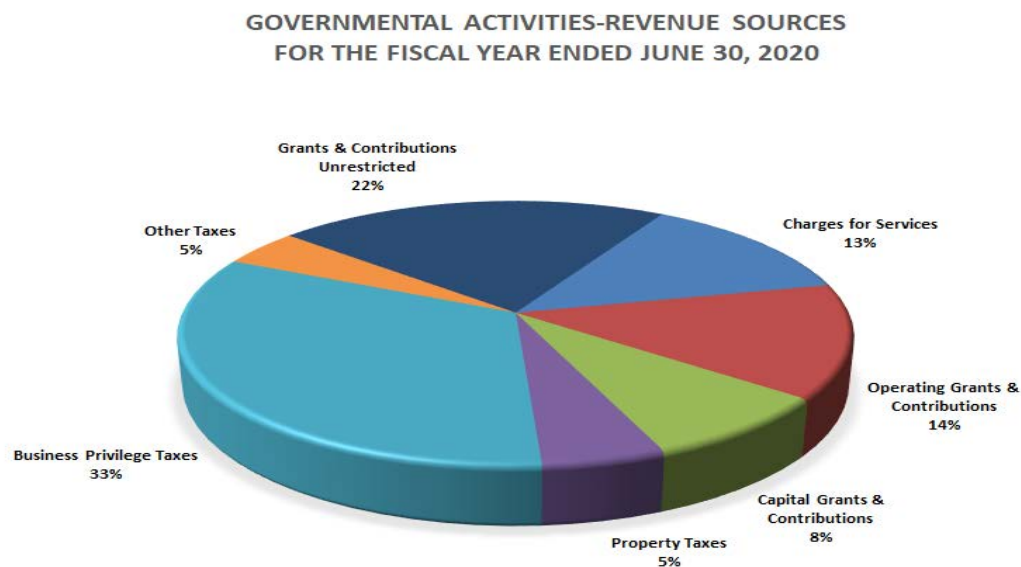
Changes in Net Position						Figure 3
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 122,891,038	\$ 136,761,815	\$ 314,828,055	\$ 292,501,650	\$ 437,719,093	\$ 429,263,465
Operating Grants and Contributions	178,895,360	131,696,352	9,057,323	6,344,128	187,952,683	138,040,480
Capital Grants and Contributions	92,989,209	85,116,519	9,939,050	9,584,432	102,928,259	94,700,951
Total Program Revenues	394,775,607	353,574,686	333,824,428	308,430,210	728,600,035	662,004,896
General Revenues:						
Taxes:						
Property	49,109,409	50,075,217			49,109,409	50,075,217
Business Privilege	310,952,555	301,888,742			310,952,555	301,888,742
Public Utility	24,215,598	24,929,107			24,215,598	24,929,107
Hotel/Motel Surcharge	17,781,816	20,570,989			17,781,816	20,570,989
Unrestricted Grants and Contributions	154,874,953	146,210,462			154,874,953	146,210,462
Investment Income (Loss)	5,749,436	4,681,992	4,345,248	3,525,040	10,094,684	8,207,032
Miscellaneous	7,847,664	15,713,447	123,227	785,816	7,970,891	16,499,263
Total General Revenues	570,531,431	564,069,956	4,468,475	4,310,856	574,999,906	568,380,812
Total Revenues	965,307,038	917,644,642	338,292,903	312,741,066	1,303,599,941	1,230,385,708
Expenses:						
Elected and Official	21,664,620	19,700,906			21,664,620	19,700,906
Support Services	97,981,218	91,648,728			97,981,218	91,648,728
Public Safety and Justice Services	358,959,284	362,537,783			358,959,284	362,537,783
Community Enrichment and Development	307,295,707	295,139,603			307,295,707	295,139,603
General Government	49,130,752	31,633,687			49,130,752	31,633,687
Interest on Long-term Debt	14,193,590	18,415,499			14,193,590	18,415,499
Fiscal Agent and Other Fees	0	26,300			0	26,300
Public Housing			16,304,212	12,776,478	16,304,212	12,776,478
Non-PHA Asset Management			3,376,541	2,822,565	3,376,541	2,822,565
Environmental Services			44,533,604	42,479,357	44,533,604	42,479,357
Tucson Golf Enterprise Fund			8,369,781	8,099,458	8,369,781	8,099,458
Water Utility			183,162,284	181,901,212	183,162,284	181,901,212
Total Expenses	849,225,171	819,102,506	255,746,422	248,079,070	1,104,971,593	1,067,181,576
Changes in Net Position before Transfers	116,081,867	98,542,136	82,546,481	64,661,996	198,628,348	163,204,132
Transfers	(1,361,223)	1,838,295	1,361,223	(1,838,295)		
Changes in Net Position	114,720,644	100,380,431	83,907,704	62,823,701	198,628,348	163,204,132
Net Position, Beginning of Year	785,465,927	685,085,496	1,017,895,416	955,071,715	1,803,361,343	1,640,157,211
Net Position, End of Year	\$ 900,186,571	\$ 785,465,927	\$1,101,803,120	\$1,017,895,416	\$2,001,989,691	\$ 1,803,361,343

For Governmental Activities, total revenues increased \$47.7 million and expenses increased by \$30.1 million from fiscal year 2019. General revenue components include taxes, unrestricted grants and contributions, investment income (loss), and miscellaneous revenues. Total General revenues increased \$6.4 million primarily generated from continued strong growth in Business Privilege Taxes of \$9.1 or 3% million from the prior fiscal year. General revenues cover 67.1% of governmental costs.

Program revenues, including charges for services and operating/capital grants or contributions, covered 46.5% of governmental costs. Program revenues increased \$41.2 million in total. The increase is mainly in Operating/ Capital Grants and Contributions generated from various federal funding the City received under the CARES Act including Coronavirus Relief Funds (CRF), multiple Housing and Urban Development grants, and a Federal Transit Administration grant. The total increase is offset with decreases in Charges for Services in parks and recreation facility fees, transit fares, and ambulance transport fees; primarily generated by the COVID-19 pandemic "stay home" order and suspension of fares to ride the public transit system.

Expenses increased by \$30.1 million from fiscal year's 2019 amount of \$819.1 million to fiscal year's 2020 amount of \$849.2 million. The increase to expenses can be attributed to wages and benefit increases and capital outlay and capital project improvements.

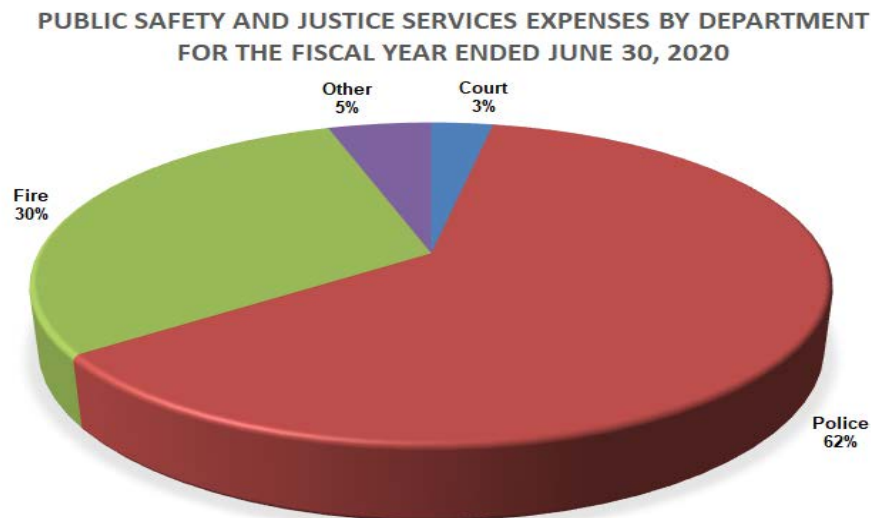
The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2020:



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	2020		2019		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and Official	\$ (20,935,398)	5%	\$ (18,830,863)	4%	
Support Services	(79,601,223)	18%	(73,154,222)	16%	
Public Safety and Justice Services	(291,619,258)	64%	(319,574,138)	69%	
Community Enrichment and Development	(36,737,250)	8%	(42,630,877)	9%	
General Government	(11,362,845)	3%	7,104,079	-2%	
Interest	(14,193,590)	3%	(18,415,499)	4%	
Fiscal Agent Fees and Other Fees	0	0%	(26,300)	1%	
Total Net Expense	\$ (454,449,564)	100%	\$ (465,527,820)	100%	

In Governmental Activities, the largest user of resources is Public Safety and Justice Services, which includes expenses for Police, Fire, Public Safety Communication Center, City Court and Public Defender. The following chart illustrates the break out of expenses within Public Safety and Justice Services:



For Business-type Activities, net position increased \$83.9 million or 8.2% from the fiscal year 2019 amount of \$1.017 billion to \$1.102 billion for fiscal year 2020. Net investment in capital assets increased \$75.9 million, restricted net position decreased \$0.3 million and the unrestricted net position deficit decreased by \$8.3 million. The major change was an increase in the Water Utility Fund's net investment in capital assets for \$73.8 million from fiscal year 2019 amount of \$886.9 million to the fiscal year 2020 amount of \$960.7 million. The Environmental Services Fund's negative unrestricted net position increased by (\$7.6) million from the fiscal year 2019 amount of (\$40.7) million to the fiscal year 2020 amount of (\$33.1) million.

The Water Utility total operating revenues increased by \$21.2 million to \$244.9 million from the fiscal year 2019 amount of \$223.7 million. The increase can be attributed to the a growing economy during the majority of the fiscal year, with new commercial and housing developments generating a 19% increase from fiscal year 2019. Total operating expenses were \$164.5 million, an increase of 1.6% or \$2.71 million from the fiscal year 2019 amount of \$161.76 million.

Environmental Services total operating revenues remain stable with a slight decrease of \$0.7 million from the fiscal year 2019 amount of \$52.2 million to the fiscal year 2020 amount of \$52.1 million and continue to support operating expenses of \$44.3 million.

Public Housing Asset Management Properties total operating revenues increased by \$2.8 million from the fiscal year 2019 amount of \$12.9 million to the fiscal year 2020 amount of \$15.7 million. Total operating expenses increased by \$3.5 million from the fiscal year 2019 amount of \$12.7 million to the fiscal year 2020 amount of \$16.3 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Funds are created and segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activities not required to be reported in a separate fund are included in the General Fund. Governmental funds are used to account for tax-supported activities.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Chief Financial Officer has been delegated authority to assign resources for use for particular purposes by the City Council. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$397.8 million, an increase of \$112.6 million in comparison to the balance at June 30, 2019 of \$285.2 million. Of this amount, \$45.9 million constitutes unassigned fund balance with \$65.9 million assigned for a specific purpose. The remainder of fund balance is either non-spendable, restricted, or committed to indicate that it is not available for new spending.

Revenues for governmental functions totaled \$956.0 million in fiscal year 2020, an increase of approximately 5.8% (\$52.4 million) from the previous year total of \$903.6 million. The increase is due to federal grants and contributions received for COVID-19 Relief. Decreases in City's revenues were reflected in the Charges for Services which declined \$12.0 million from \$85.8 million in fiscal year 2019 to \$73.8 million and in Contributions from Outside Sources, which declined by \$7.5 million, from \$8.3 million to \$788 thousand. Tax Revenues increased slightly by 1.7% or \$6.7 million.

Expenditures for governmental functions totaled \$843.0 million, a decrease of 0.5% (\$4.6 million) from the fiscal year 2019 total of \$847.6 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$113.0 million mainly due to the increases in City taxes and Other Agency revenues which include State Shared sales, auto lieu and income taxes.

The City has three major governmental funds: the General Fund, the Mass Transit Fund, and the Coronavirus Relief Fund.

General Fund

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$50.4 million, while the total fund balance was \$184.8 million; the unassigned and total fund balance at the end of fiscal year 2019 were \$48.1 million and \$123.4 million, respectively. The assigned fund balance increased \$31.3 million to \$62.3 million from the fiscal year 2019 amount of \$31.0 million.

In total, General Fund revenues increased \$6.2 million to \$558.4 million, or 1.1% from the fiscal year 2019 amount of \$552.2 million. Tax revenues, representing 53.1% of total revenues, increased by \$3.4 million to \$296.7 million from the fiscal year 2019 amount of \$293.2 million. The City's business privilege tax (sales tax) increased \$9.1 million. City expected a decline in revenues due to pandemic measures implemented the last quarter of the fiscal year 2020. Although some industries have been affected, consumer practices seem to have shifted to accommodate pandemic measures, reducing the impact to retail and restaurants. Other agency revenue, which include state shared and other intergovernmental agreement revenues represents 28.9% of the General Fund revenues. This revenue category increased by \$9.3 million to \$161.1 million from the fiscal year 2019 amount of \$151.8 million mainly in increased State-shared sales taxes.

General Fund expenditures decreased 4.5% (\$22.1 million) to \$470.2 million from the fiscal year 2019 amount of \$492.3 million due to the pandemic occurred in this fiscal year. The major decrease in expenditures is due to the transfer of eligible CRF personnel costs to the Coronavirus Relief Fund.

Mass Transit Fund

The Mass Transit Fund is where the financial transactions of the public transportation system (buses and vans) for the City are recorded. At the end of the fiscal year, the total fund balance was \$5.4 million, reporting a slight decrease from fiscal year 2019 balance of \$6.2 million. The non-spendable fund balance increased from the fiscal year 2019 amount of \$3.2 million to \$3.4 million because the City had more inventory on hand in the current fiscal year than the prior fiscal year. The assigned fund balance decreased by \$0.3 million from fiscal year 2019 amount of \$2.3 million to \$2.0 million. The assigned fund balance will be used for planned capital projects that were delayed until next fiscal year.

Total revenues increased \$16.2 million from the fiscal year 2019 amount of \$45.5 million to the fiscal year 2020 amount of \$61.7 million. The increase is due to CARES Act Relief funding that allowed Mass Transit Fund to maintain services by covering operating expenditures during the COVID-19 pandemic. Total expenditures decreased \$3.9 million in fiscal year 2020 to \$83.8 million from the fiscal year 2019 amount of \$87.7 million.

Coronavirus Relief Fund

The Coronavirus Relief Fund is where the CARES Act allocation of \$95.5 million financial transactions are recorded. During the fiscal year, \$24.8 million was spent on funding General Fund payroll expenditures. The remaining amount of \$66.3 million will be spent by December 30, 2020. The City plans to use interest earnings of \$0.2 million to help fund community testing efforts.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual budget for its General Fund. A budgetary comparison statement is provided showing the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year. General Fund revenues were \$5.4 million greater than the final budget. Actual total revenues were \$558.3 million with an original projection of \$552.9. The most significant difference between final estimated revenues and actual revenues were in the miscellaneous category due to an unanticipated sale of property and increased recovered expenditures. The other major variances are on category of Taxes and Other Agencies. This increase in revenues is due to additional business privilege tax (sales tax) and state-shared sales taxes received.

Total expenditures were \$470.2 million, \$56.3 million less than the 2020 original budget of \$526.5 million and \$8.7 million less of the revised budget of \$478.9 million. The changes from the original budget are due to the use of coronavirus relief funding to pay for pandemic related payroll expenditures, vacancy savings due to strategic hiring, reduced travel and training, and other service and supply decreases resulting from the pandemic.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets net of depreciation for its governmental and business-type activities as of June 30, 2020 totaled \$3.6 billion. This investment in capital assets includes land, buildings and

improvements, equipment (i.e. vehicles, machinery and fixtures), infrastructure and water distribution and collection systems, construction in progress, and water rights.

Figure 5 provides details of the City's capital assets as of June 30, 2020 and 2019:

Capital Assets (Net of Depreciation)						Figure 5
	2020	2019	2020	2019	2020	2019
Land	\$ 842,869,898	\$ 827,212,828	\$ 75,450,102	\$ 71,579,723	\$ 918,320,000	\$ 898,792,551
Buildings and Improvements	476,969,959	499,635,948	127,580,181	107,147,317	604,550,140	606,783,265
Equipment	94,123,429	101,363,945	37,135,172	27,946,768	131,258,601	129,310,713
Infrastructure/Distribution and Collections Systems	384,993,980	417,440,358	981,981,448	1,016,031,527	1,366,975,428	1,433,471,885
Construction in Progress	277,686,916	241,263,216	249,315,242	208,893,899	527,002,158	450,157,115
Water Rights			52,347,426	52,126,968	52,347,426	52,126,968
Total	\$ 2,076,644,182	\$ 2,086,916,295	\$ 1,523,809,571	\$ 1,483,726,202	\$ 3,600,453,753	\$ 3,570,642,497

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

Governmental activities assets represent 57.7% of the City's total capital assets and had a net decrease of \$10.3 million from fiscal year 2019.

- Land represents 40.6% of capital assets and had a net increase of \$15.7 million from fiscal year 2019. This increase is due to acquisition of easements for \$28.0 million in preparation of major road corridor projects and reclassification of \$12 million from land to equipment .
- Buildings and Improvements represent 23.0% of capital assets and had a net decrease of \$22.7 million from fiscal year 2019. The decrease represents normal depreciation of \$26.6 million netted against a few small additions and sales.
- Construction in Progress represents 13.4% of capital assets, which increased by \$36.4 million. This increase is due to the capitalization of assets in the amount of \$19.3 million offset by new capital project costs of \$55.8 million.

Business-type activities assets represent 42.3% of the City's capital assets. Business-type activities had a net increase of \$40.1 million in capital assets during the fiscal year.

- Infrastructure represents 64.4% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, decreased by \$34.1 million.
- Buildings and Improvements represent 8.4% of capital assets, which decreased by a net of \$20.4 million.

Long-term Debt and Liabilities. Figure 6 illustrates the City's debt as of June 30, 2020 and 2019. Additional information regarding long-term debt can be found in Note 7.

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Debt	\$ 120,150,000	\$ 148,145,000	\$		\$ 120,150,000	\$ 148,145,000
Street & Highway Revenue Bonds	21,345,000	31,905,000			21,345,000	31,905,000
Certificates of Participation	143,844,929	161,987,596	8,910,072	9,562,405	152,755,001	171,550,001
Clean Renewable Energy Bonds	5,833,600	7,212,900			5,833,600	7,212,900
Water Revenue Bonds			378,190,000	407,385,000	378,190,000	407,385,000
Unamortized Amount on Premiums and Discounts	13,211,159	16,623,306	42,652,914	49,142,207	55,864,073	65,765,513
Loans from Direct Borrowings			31,046,187	36,531,199	31,046,187	36,531,199
Landfill Closure/Post Closure			40,794,165	42,992,232	40,794,165	42,992,232
Remediation	1,717,191	3,040,768	9,188,357	12,040,365	10,905,548	15,081,133
Capital Leases Payable	12,062,482	13,599,767	149,471	206,967	12,211,953	13,806,734
Other Long-term Debt	6,100,000	6,100,000	1,137,067	1,346,945	7,237,067	7,446,945
Other Post-employment Benefits	174,522,690	169,621,084	27,994,482	26,662,407	202,517,172	196,283,491
Pension	1,274,004,434	1,173,876,380	91,515,575	88,432,498	1,365,520,009	1,262,308,878
Compensated Absences	39,793,047	37,519,452	5,723,920	5,510,238	45,516,967	43,029,690
Claims and Judgments	46,876,987	47,226,118			46,876,987	47,226,118
Claims Payable - Health Insurance	5,947,000				5,947,000	
Total	\$1,865,408,519	\$1,816,857,371	\$637,302,210	\$679,812,463	\$2,502,710,729	\$2,496,669,834

Outstanding debt for the City totaled \$2.5 billion with 74.5% attributed to governmental activities and the remaining 25.5% attributed to business-type activities. The most significant change effected both the governmental and business-type activities is the increase to the long-term amounts related to Post-employment Benefits Other Than Pensions and Pensions of \$110.2 million. The increases are offset by scheduled principal payments on debt and payments for claims and judgments. The City will issue taxable Certificates of Participation (COPs) to provide approximately \$650 million in funds to mitigate this long-term obligation. The proceeds will be deposited into an Internal Revenue Service Section 115 Trust and will be invested to earn sufficient funds to pay the annual obligation.

Bond Ratings

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

Bond Ratings						Figure 7
Type of Bond:	Moody		Standard and Poor's		Fitch	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	Aa3	Aa3	AA-	AA-	AA+	AA+
Street & Highway User Revenue Bonds						
Senior Lien	A1	A1	AA+	AA+	AA	AA
Water System Revenue Bonds						
Senior Lien	Aa2	Aa2	AA	AA	AA	AA
Certificates of Participation	A1	A1	A+(1)	A+(1)	A+	A+

(1) S&P Insured Rating: AA

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City's Business Services Department, Accounting Division, 255 W. Alameda, 4th floor, Tucson, Arizona, 85701, (520) 791-4561, or visit the website: www.tucsonaz.gov/finance.



Basic Financial Statements



CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 428,213,618	\$ 157,959,427	\$ 586,173,045
Cash & Investments - Restricted		11,410,920	11,410,920
Cash & Investments with Fiscal Agent - Restricted	44,179,837	45,687,081	89,866,918
Taxes Receivable, Net	27,973,380		27,973,380
Accounts Receivable, Net	35,661,325	42,982,669	78,643,994
Internal Balances	5,706,943	(5,706,943)	0
Due from Other Agencies	51,031,153	2,585,975	53,617,128
Interest Receivable	1,328,417	490,173	1,818,590
Inventories	7,087,549	5,880,629	12,968,178
Other Assets	4,923,945	3,218,110	8,142,055
Total current assets	606,106,167	264,508,041	870,614,208
Noncurrent assets:			
Long Term Accounts Receivable	26,028,677	37,345	26,066,022
Long Term Notes Receivable	37,699,837	97,624,428	135,324,265
Long Term Investments	13,443,329		13,443,329
Other Assets - Restricted		443,984	443,984
Land & Construction in Progress	1,120,556,814	324,765,344	1,445,322,158
Other Capital Assets, Net	956,087,368	1,146,696,801	2,102,784,169
Water Rights		52,347,426	52,347,426
Total non-current assets	2,153,816,025	1,621,915,328	3,775,731,353
Total assets	2,759,922,192	1,886,423,369	4,646,345,561
<u>DEFERRED OUTFLOWS</u>			
Loss on Refunding of Debt	6,401,064	9,410,973	15,812,037
Pension & Other Post-employment Benefits Plans	230,443,130	20,853,720	251,296,850
Total deferred outflows	236,844,194	30,264,693	267,108,887
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	28,324,552	16,256,936	44,581,488
Accrued Payroll Liabilities	10,941,947	1,707,031	12,648,978
Accrued Interest Payable		4,228	4,228
Due to Other Agencies	3,454,819	2,801,391	6,256,210
Refundable Deposits	7,658,507	2,297,496	9,956,003
Customer Advances		169,000	169,000
Liabilities Payable from Restricted Assets	110,368,676	45,651,893	156,020,569
Current Portion of Long Term Liabilities	87,759,000	41,426,391	129,185,391
Total current liabilities	248,507,501	110,314,366	358,821,867
Noncurrent liabilities:			
Long Term Liabilities	1,777,649,519	595,875,819	2,373,525,338
Total non-current liabilities	1,777,649,519	595,875,819	2,373,525,338
Total liabilities	2,026,157,020	706,190,185	2,732,347,205
<u>DEFERRED INFLOWS</u>			
Deferred Revenue	4,452,471	97,535,950	101,988,421
Deferred Inflow of Resources - Pension Plan & OPEB	65,970,320	11,158,807	77,129,127
Total deferred inflows	70,422,791	108,694,757	179,117,548
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,766,598,079	1,049,110,159	2,815,708,238
Restricted for:			
Debt Service	2,254,981	45,687,081	47,942,062
Capital Projects	118,601,438		118,601,438
Public Safety	60,889,949		60,889,949
Transportation	19,670,331		19,670,331
Grants and Entitlements	36,966,365	6,580,148	43,546,513
Other Purposes	4,017,937		4,017,937
Unrestricted	(1,108,812,505)	425,732	(1,108,386,773)
Total net position	\$ 900,186,575	\$ 1,101,803,120	\$ 2,001,989,695

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 21,664,620	\$ 374,734	\$ 354,488	
Support Services	97,981,218	18,213,976	104,209	61,810
Public Safety and Justice Services	358,959,284	23,802,939	41,908,045	1,629,042
Community Enrichment and Development	307,295,707	44,046,014	135,214,086	91,298,357
General Government	49,130,752	36,453,375	1,314,532	
Interest	14,193,590			
Total governmental activities	<u>849,225,171</u>	<u>122,891,038</u>	<u>178,895,360</u>	<u>92,989,209</u>
Business-type activities:				
Public Housing	16,304,212	7,309,091	8,419,031	
Non-PHA Asset Management	3,376,541	2,033,997	252,689	
Environmental Services	44,533,604	52,074,082	12,746	
Tucson Golf Enterprise Fund	8,369,781	8,494,244		
Water Utility	183,162,284	244,916,641	372,857	9,939,050
Total business-type activities	<u>255,746,422</u>	<u>314,828,055</u>	<u>9,057,323</u>	<u>9,939,050</u>
Total primary government	<u>\$ 1,104,971,593</u>	<u>\$ 437,719,093</u>	<u>\$ 187,952,683</u>	<u>\$ 102,928,259</u>

General Revenues:

Taxes:

Property

Business Privilege

Public Utility

Transient Occupancy Tax

Unrestricted Grants and Contribution

Investment Income (Loss)

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
\$ (20,935,398)	\$	\$ (20,935,398)
(79,601,223)		(79,601,223)
(291,619,258)		(291,619,258)
(36,737,250)		(36,737,250)
(11,362,845)		(11,362,845)
(14,193,590)		(14,193,590)
(454,449,564)		(454,449,564)
	(576,090)	(576,090)
	(1,089,855)	(1,089,855)
	7,553,224	7,553,224
	124,463	124,463
	72,066,264	72,066,264
	78,078,006	78,078,006
(454,449,564)	78,078,006	(376,371,558)
49,109,409		49,109,409
310,952,555		310,952,555
24,215,598		24,215,598
17,781,816		17,781,816
154,874,953		154,874,953
5,749,436	4,345,248	10,094,684
7,847,664	123,227	7,970,891
(1,361,223)	1,361,223	
569,170,212	5,829,698	574,999,906
114,720,648	83,907,704	198,628,352
785,465,927	1,017,895,416	1,803,361,343
\$ 900,186,575	\$ 1,101,803,120	\$ 2,001,989,695

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

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Mass Transit	Coronavirus Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash and Cash Equivalents	\$ 93,426,301	\$ 1,201,882	\$66,501,030	\$ 203,418,813	\$ 364,548,026
Cash & Investments with Fiscal Agents	1,378,231	9,778		42,791,828	44,179,837
Taxes Receivable, Net	22,162,072			5,811,308	27,973,380
Accounts Receivable, Net	35,025,863	214,010		1,702,321	36,942,194
Notes & Loans Receivable	1,025,130			35,537,640	36,562,770
Interfund Receivable	42,435,366				42,435,366
Due from Other Agencies	29,345,392	3,530,655		18,155,106	51,031,153
Grants & Entitlements Receivable		17,529,198		7,330,343	24,859,541
Interest Receivable	308,880		172,080	675,475	1,156,435
Inventories	1,772,848	3,421,147		1,893,554	7,087,549
Interfund Loans Receivable	1,137,067				1,137,067
Long Term Investments	13,443,329				13,443,329
Other Assets	65,870			89,134	155,004
Total assets	\$ 241,526,349	\$ 25,906,670	\$66,673,110	\$ 317,405,522	\$ 651,511,651
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 10,291,237	\$ 3,829,980		\$ 13,071,909	\$ 27,193,126
Accrued Payroll Liabilities	9,872,153	193,109		815,585	10,880,847
Interfund Payable	1,730,577	13,649,858		20,914,433	36,294,868
Due to Other Agencies	268,205	2,775,124		523,223	3,566,552
Refundable Deposits	7,350,218	471		307,154	7,657,843
Bonds & Interest Payable				42,212,966	42,212,966
Advances from Grantors			66,673,110	1,482,600	68,155,710
Total liabilities	29,512,390	20,448,542	66,673,110	79,327,870	195,961,912
Deferred inflows:					
Deferred Revenues	27,223,931	82,523		30,452,189	57,758,643
Total deferred inflows	27,223,931	82,523		30,452,189	57,758,643
Fund balances:					
Nonspendable	5,877,876	3,421,147		1,893,554	11,192,577
Restricted	3,997,182	581,930		207,886,673	212,465,785
Committed	62,298,442	9,778		33,892	62,342,112
Assigned	62,263,485	2,029,776		1,620,779	65,914,040
Unassigned	50,353,043	(667,026)		(3,809,435)	45,876,582
Total fund balances	184,790,028	5,375,605		207,625,463	397,791,096
Total liabilities, deferred inflows and fund balances	\$ 241,526,349	\$ 25,906,670	\$66,673,110	\$ 317,405,522	\$ 651,511,651

The notes to the basic 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, 2020

Total Governmental Fund Balances (pg.18)		\$ 397,791,096
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Capital Assets Net of Accumulated Depreciation		2,076,543,295
Deferred Outflows not recognized in the current period and, therefore, are not reported in the governmental funds		
Loss on Refunding of Debt		6,401,063
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	(160,539,759)	
Capital Leases	(155,907,411)	
Compensated Absences	(39,793,047)	
OPEB Liabilities	(174,522,690)	
Other Long-term Debt	(6,100,000)	
Total Long-term Liabilities		(536,862,907)
Some other assets are not financial resources and therefore, are not reported in the governmental funds.		4,413,334
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.		53,306,172
The internal service fund is used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.		8,126,147
Pension related items are not reported in the governmental fund financial statements since they are not related to current financial resources. The pension related items included in governmental activities (excluding internal service funds) consist of:		
Net Pension Liability	(1,274,004,434)	
Deferred Inflow of Resources	(65,970,320)	
Deferred Outflow of Resources	230,443,130	
		(1,109,531,624)
Net Position of Governmental Activities		<u>\$ 900,186,575</u>

The notes to the basic 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, 2020

	General Fund	Mass Transit	Coronavirus Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 296,653,398	\$	\$	\$ 104,135,877	\$ 400,789,275
Licenses and Permits	31,944,861			2,687,875	34,632,736
Fines and Forfeitures	7,969,375			831,146	8,800,521
Developer Fees				14,668,545	14,668,545
Use of Money and Property	2,268,242	907,897	236,755	4,036,518	7,449,412
Federal Grants and Contributions		40,494,161	28,961,402	62,801,003	132,256,566
Other Agencies	161,119,642	9,445,073		101,578,820	272,143,535
Charges for Services	50,940,379	9,754,202		13,136,004	73,830,585
Contributions from Outside Sources				788,190	788,190
Miscellaneous	7,476,243	1,093,885		2,089,185	10,659,313
Total revenues	558,372,140	61,695,218	29,198,157	306,753,163	956,018,678
Expenditures:					
Current -					
Elected and Official	18,851,541		58,375	347,504	19,257,420
Support Services	86,335,339		24,812,947		111,148,286
Public Safety and Justice Services	259,330,669		645,700	12,954,507	272,930,876
Community Enrichment and Development	35,347,625	80,252,630		125,210,553	240,810,808
General Government	42,578,817		3,681,135	1,636,467	47,896,419
Capital Outlay	2,113,912	1,600,179		23,573,290	27,287,381
Capital Projects	495,713	1,946,954		45,648,582	48,091,249
Debt service -					
Principal	17,980,593			41,633,658	59,614,251
Interest	7,207,110			8,756,439	15,963,549
Total expenditures	470,241,319	83,799,763	29,198,157	259,761,000	843,000,239
Excess (deficiency) of revenues over expenditures	88,130,821	(22,104,545)		46,992,163	113,018,439
Other financing sources (uses):					
Transfers In	3,420,151	21,320,173		8,237,191	32,977,515
Transfers Out	(30,132,108)			(3,276,099)	(33,408,207)
Total other financing sources (uses)	(26,711,957)	21,320,173		4,961,092	(430,692)
Changes in fund balances	61,418,864	(784,372)		51,953,255	112,587,747
Fund balances, beginning of year	123,371,164	6,159,977		155,672,208	285,203,349
Fund balances, end of year	\$ 184,790,028	\$ 5,375,605	\$	\$ 207,625,463	\$ 397,791,096

The notes to the basic 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 the Governmental Funds to the
Statement of Activities
Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds (pg. 20) \$ 112,587,747

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

Capital Expenditures	75,378,630	
Depreciation Expense	<u>(79,717,763)</u>	(4,339,133)

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.

Proceeds on the sale of an asset	(2,449,584)	
Gain on the sale of an asset	1,272,181	
Loss on the sale of an asset	<u>(14,413,024)</u>	(15,590,427)

Net changes in the Statement of Activities that do not provide/(use) current financial resources are not reported as revenue/(expenditures) in the governmental funds. 8,114,430

Transfer of Assets to Enterprise Funds (1,359,883)

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:

Repayment of Debt Principal	<u>59,614,251</u>	59,614,251
-----------------------------	-------------------	------------

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:

Accrued Interest Expense	182,576	
Amortization of Premium/Discount on Debt	<u>1,587,383</u>	1,769,959

Expenses in the Statement of Activities that do not use current financial resources are not reported as expenditures in the funds.

Change in Compensated Absences Liability		(2,273,595)
Change in OPEB Liability and Related Outflows		14,221,240
Change in Pension Liability and Related Outflows		(62,944,544)

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.

	<u>4,920,603</u>	
Change in Net Position of Governmental Activities	<u><u>\$ 114,720,648</u></u>	

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and Cash Equivalents	\$ 43,428,404	\$ 94,458,584	\$ 19,804,741	\$ 267,698	\$ 157,959,427	\$ 63,665,592
Cash & Investments - Restricted		11,410,920			11,410,920	
Cash & Investments with Fiscal Agent - Restricted		45,687,081			45,687,081	
Accounts Receivable, Net	3,331,714	38,439,997	390,321	820,637	42,982,669	
Due from Other Agencies	810,552		754,176	1,021,247	2,585,975	
Interest Receivable	148,394	325,279	14,563	1,937	490,173	171,982
Inventories		5,646,587		234,042	5,880,629	
Other Assets		2,539,237		678,873	3,218,110	355,605
Total current assets	47,719,064	198,507,685	20,963,801	3,024,434	270,214,984	64,193,179
Noncurrent assets:						
Long Term Accounts Receivable		37,345			37,345	
Long Term Notes Receivable			97,206,666	417,762	97,624,428	
Other Assets - Restricted		443,984			443,984	
Land & Construction in Progress	28,134,845	282,275,705	8,395,006	5,959,788	324,765,344	30,242
Other Capital Assets, Net	27,691,205	1,091,550,042	8,684,738	18,770,816	1,146,696,801	70,649
Water Rights		52,347,426			52,347,426	
Total noncurrent assets	55,826,050	1,426,654,502	114,286,410	25,148,366	1,621,915,328	100,891
Total assets	103,545,114	1,625,162,187	135,250,211	28,172,800	1,892,130,312	64,294,070
DEFERRED OUTFLOWS						
Loss on Refunding of Debt	865,075	8,545,898			9,410,973	
Pension & Other Post-employment Benefits Plans	5,102,516	14,307,644	1,263,045	180,515	20,853,720	
Total deferred outflows	5,967,591	22,853,542	1,263,045	180,515	30,264,693	
LIABILITIES						
Current liabilities:						
Accounts Payable	2,105,624	11,801,070	1,930,921	419,321	16,256,936	1,131,426
Accrued Payroll Liabilities	355,579	1,203,022	130,274	18,156	1,707,031	61,100
Accrued Interest Payable				4,228	4,228	
Interfund Payable			6,140,498		6,140,498	
Due to Other Agencies		2,750,464		50,927	2,801,391	
Refundable Deposits	143,964	1,340,713	575,631	237,188	2,297,496	664
Current Portion of Bonds Payable		37,615,023			37,615,023	
Current Portion of Contracts Payable	861,000			44,076	905,076	
Claims Payable						14,242,810
Remediation Obligations						463,600
Current Portion of Compensated Absences	197,750	1,706,410	161,901	20,145	2,086,206	
Liabilities Payable from Restricted Assets		45,651,893			45,651,893	
Customer Advances				169,000	169,000	
Current Portion of Long Term Liabilities	820,086				820,086	
Total current liabilities	4,484,003	102,068,595	8,939,225	963,041	116,454,864	15,899,600
Noncurrent liabilities:						
Bonds Payable		413,222,411			413,222,411	
Contracts Payable	9,100,741			105,393	9,206,134	
Interfund Loans Payable				1,137,067	1,137,067	
Claims Payable						38,581,177
Remediation Obligations						1,253,591
Compensated Absences	430,864	3,055,976	136,382	14,492	3,637,714	
Pension Liability	21,675,596	62,224,014	6,663,601	952,364	91,515,575	
Other Post-employment Benefits	8,084,626	19,909,856			27,994,482	
Long Term Liabilities	49,162,436				49,162,436	
Total non-current liabilities	88,454,263	498,412,257	6,799,983	2,209,316	595,875,819	39,834,768
Total liabilities	92,938,266	600,480,852	15,739,208	3,172,357	712,330,683	55,734,368

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
JUNE 30, 2020

DEFERRED INFLOWS

Deferred Revenue		117,595	97,275,214	143,141	97,535,950	
Pension & Other Post-employment Benefits Plans	2,936,117	7,870,063	308,532	44,095	11,158,807	
Total deferred inflows	<u>2,936,117</u>	<u>7,987,658</u>	<u>97,583,746</u>	<u>187,236</u>	<u>108,694,757</u>	

NET POSITION

Net Investment in Capital Assets	46,729,386	960,719,895	17,079,743	24,581,135	1,049,110,159	100,891
Restricted for Debt Service		45,687,081			45,687,081	
Restricted for Grants and Entitlements			6,110,558	469,590	6,580,148	
Unrestricted	(33,091,064)	33,140,243		(57,002)	(7,823)	8,458,811
Total net position	<u>\$ 13,638,322</u>	<u>\$ 1,039,547,219</u>	<u>\$ 23,190,301</u>	<u>\$ 24,993,723</u>	<u>\$ 1,101,369,565</u>	<u>\$ 8,559,702</u>

Reconciliation to Government-Wide Statement of Net
Adjustment to consolidate internal service activities

	(52,949)	486,504			433,555	
Total Net Position - Business Type	<u>\$ 13,585,373</u>	<u>\$ 1,040,033,723</u>	<u>\$ 23,190,301</u>	<u>\$ 24,993,723</u>	<u>\$ 1,101,803,120</u>	

The notes to the basic 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, 2020

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:						
Charges for Services	\$ 52,074,082	\$ 241,326,027	\$ 7,107,181	\$ 10,490,046	\$ 310,997,336	\$ 86,888,483
Federal Grants and Contributions			8,419,031	252,689	8,671,720	
Other Agencies						1,323,098
Miscellaneous		3,590,614	201,910	38,195	3,830,719	252,309
Total operating revenues	52,074,082	244,916,641	15,728,122	10,780,930	323,499,775	88,463,890
Operating expenses:						
Salaries, Wages and Benefits	15,938,450	37,486,225	4,974,745	895,021	59,294,441	2,532,705
Contractual Services	18,449,010	79,819,956	9,426,347	7,596,308	115,291,621	14,922,645
Commodities	2,925,874	8,762,133	1,193,691	1,318,551	14,200,249	78,193
Cost of Goods Sold				657,362	657,362	
Benefits and Claims						66,939,889
Depreciation	7,034,786	38,403,406	692,269	1,250,372	47,380,833	12,327
Total operating expenses	44,348,120	164,471,720	16,287,052	11,717,614	236,824,506	84,485,759
Operating income (loss)	7,725,962	80,444,921	(558,930)	(936,684)	86,675,269	3,978,131
Nonoperating revenues (expenses):						
Property Taxes						349,756
Investment Income	719,791	3,496,926	15,429	113,102	4,345,248	898,246
Gain (loss) on Sale of Property/Equipment	39,117	84,110			123,227	
Other - Grants and Contributions	12,746	372,857			385,603	
Interest Expense	(402,159)	(18,372,660)	(17,160)	(28,708)	(18,820,687)	
Fiscal Agent Fees Paid on Capital Debt		(514,068)			(514,068)	
Other Non-operating Income (Expense)		(322,043)			(322,043)	
Total nonoperating revenues (expenses)	369,495	(15,254,878)	(1,731)	84,394	(14,802,720)	1,248,002
Income (loss) before capital contributions and transfers	8,095,457	65,190,043	(560,661)	(852,290)	71,872,549	5,226,133
Capital Contributions		9,939,050			9,939,050	
Transfers In	2,000,000		1,069,438	1,359,883	4,429,321	429,352
Transfers Out		(2,013,720)	(1,054,378)		(3,068,098)	
Changes in net position	10,095,457	73,115,373	(545,601)	507,593	83,172,822	5,655,485
Net position, beginning of year	3,542,865	966,431,846	23,735,902	24,486,130	1,018,196,743	2,904,217
Total net position, end of year	\$ 13,638,322	\$ 1,039,547,219	\$ 23,190,301	\$ 24,993,723	\$ 1,101,369,565	\$ 8,559,702
Reconciliation to government-wide Statement of Activities						
Changes in net position	10,095,457	73,115,373	(545,601)	507,593	83,172,822	
Adjustment to consolidate internal service activities	216,675	518,207			734,882	
Changes in net position - Business-type activities	\$ 10,312,132	\$ 73,633,580	\$ (545,601)	\$ 507,593	\$ 83,907,704	

The notes to the basic 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, 2020

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 52,186,810	\$239,231,224	\$ 6,797,642	\$ 9,348,710	\$307,564,386	\$ 88,463,890
Cash Payments to Suppliers for Goods and Services	(27,497,922)	(80,030,258)	(9,209,548)	(9,178,352)	(125,916,080)	(15,388,943)
Cash Payments to Employees for Services	(16,390,607)	(39,696,702)	(4,998,494)	(746,973)	(61,832,776)	(2,506,339)
Subsidy from Federal Grant			8,215,128	252,689	8,467,817	
Other Operating Revenues	1,011,450				1,011,450	
Cash Payments to Claimants						(61,342,020)
Net Cash Provided (Used) by Operating Activities	9,309,731	119,504,264	804,728	(323,926)	129,294,797	9,226,588
Cash Flows from Noncapital Financing Activities						
Property Taxes						349,756
Interfund Transfers	2,000,000	(2,013,720)	15,060	(62,654)	(61,314)	429,352
Advances from Other Funds			6,140,498	(1,021,247)	5,119,251	
Advances to Other Funds				(209,878)	(209,878)	
Subsidy from Federal Grant	4,998	372,857			377,855	
Interest Paid on Advances				(27,878)	(27,878)	
Net Cash Provided (Used) by Noncapital Financing Activities	2,004,998	(1,640,863)	6,155,558	(1,321,657)	5,198,036	779,108
Cash Flows from Capital and Related Financing Activities						
Capital Leasing Activities				(57,498)	(57,498)	
Acquisition and Construction of Capital Assets	(9,763,117)	(75,237,878)	(151,468)	(6,495)	(85,158,958)	
Principal Paid on Capital Debt	(652,333)	(34,680,012)			(35,332,345)	
Interest Paid on Capital Debt	(423,131)	(22,873,223)	(17,161)		(23,313,515)	
Fiscal Agent Fees Paid on Capital Debt		(514,068)			(514,068)	
Capital Contributions-System Equity fee		3,226,765			3,226,765	
Proceeds from Sale of Assets/Equipment	39,117	153,802			192,919	
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,799,464)	(129,924,614)	(168,629)	(63,993)	(140,956,700)	
Cash Flows from Investing Activities:						
Interest on Investments	793,260	3,706,991	15,429	113,102	4,628,782	970,549
Net Cash Provided (Used) by Investing Activities	793,260	3,706,991	15,429	113,102	4,628,782	970,549
Net Increase (Decrease) in Cash and Cash Equivalents	1,308,525	(8,354,222)	6,807,086	(1,596,474)	(1,835,085)	10,976,245
Cash and Cash Equivalents - July 1	42,119,879	159,910,806	12,997,655	1,864,172	216,892,512	52,689,347
Cash and Cash Equivalents - June 30	\$ 43,428,404	\$151,556,584	\$ 19,804,741	\$ 267,698	\$215,057,427	\$ 63,665,592

CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities					Governmental Activities
	Environmental	Water Utility	Public	Non-Major	Total	Internal
	Services		Housing	Enterprise Funds		Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 7,725,962	\$ 80,444,921	\$ (558,930)	\$ (936,684)	\$ 86,675,269	\$ 3,978,131
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	7,130,905	38,403,406	753,698	1,250,372	47,538,381	12,327
Provision for Landfill Closure	(2,832,662)				(2,832,662)	
Other Adjustments:						
Decrease (Increase) in Assets / Deferred Outflows:						
Accounts Receivable	97,119	(5,733,849)	(175,169)	(310,950)	(6,122,849)	
Interest Receivable	73,469				73,469	
Pension Plans & Other Post Employment Benefits	(208,267)	363,249	150,547		305,529	
Inventory and Prepaids		775,662	532	(646,653)	129,541	(3,161)
Due from Other Agencies	(7,416)		(554,555)		(561,971)	
Other Assets	(1,319,771)	2,499,713			1,179,942	
Increase (Decrease) in Liabilities / Deferred Inflows:						
Accounts Payable	(1,472,909)	5,013,367	1,362,130	7,059	4,909,647	938,632
Accrued Payroll Liabilities	58,580	(319,029)	130,266	18,156	(112,027)	26,367
Accrued Compensated Absences	(510,737)	666,409	51,372	6,639	213,683	
Pension Plans & Other Post Employment Benefits	(1,670,104)	(5,013,710)	(338,450)		(7,022,264)	
Pension Liability	1,862,658	1,128,250	(31,084)	123,253	3,083,077	
Accrued Other Post-Employment Benefits	367,721	964,354			1,332,075	
Deferred Revenue			(35,521)		(35,521)	
Customer/Refundable Deposits	15,187	48,432	52,073	42,063	157,755	
Claims and Judgments Payable						5,597,869
Remediation Obligation						(1,323,577)
Due to Other Agencies	(4)	263,089	(2,181)	11,085	271,989	
Other Operating Liabilities				111,734	111,734	
Net Cash Provided (Used) by Operating Activities	\$ 9,309,731	\$119,504,264	\$ 804,728	\$ (323,926)	\$129,294,797	\$ 9,226,588
Noncash Investing, Capital, and Financing Activities:						
Contributions of capital assets	\$	\$ 6,712,285	\$	\$	\$ 6,712,285	
Total Noncash Investing, Capital, and Financing Activities:	\$	\$ 6,712,285	\$	\$	\$ 6,712,285	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	<u>Pension Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 11,916,015	\$ 4,313,159
Accounts Receivable, Net		11,140,801
Interest & Dividends Receivable	1,825,227	
Due from Brokers	3,951,150	
Short Term Investments	16,382,517	
Securities Lending Cash Collateral	7,115,909	
U.S. Treasuries, Agencies & Other Governmental Bonds	115,747,563	
US Corporate Bonds and Other Fixed Income Instruments	114,988,610	
U.S. Equity & Comingled Equity Funds	286,646,569	
International Equity & Comingled Equity Funds	208,272,250	
Real Estate & Comingled Real Estate Funds	76,641,488	
Infrastructure Investment Funds	1,092,310	
Prepaid Expenses	65,870	
Total assets	<u>844,645,478</u>	<u>15,453,960</u>
<u>LIABILITIES</u>		
Accounts Payable	1,295	3,756,381
Accrued Payroll Liabilities	10,511	
Due to Other Agencies		11,697,579
Due to Securities Borrowers	7,115,909	
Due to Brokers	4,346,231	
Total liabilities	<u>11,473,946</u>	<u>15,453,960</u>
<u>NET POSITION</u>		
Restricted for Pensions	<u>\$ 833,171,532</u>	<u>\$</u>

The notes to the basic 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, 2020

	<u>Pension Trust</u>
Additions:	
Employer Contributions	\$ 34,830,264
Employee Contributions	7,791,910
Net Increase (Decrease) in Fair Value of investment	29,271,833
Interest, Dividends and Other Income	9,707,902
Securities Lending Income	171,290
Less: Investment Activity Expense	(6,264,030)
Less: Securities Lending Expense	(42,781)
Miscellaneous Additions	65,201
Total additions	<u>75,531,589</u>
Deductions:	
Payments to Participants	76,471,458
Refunds and Transfers to Other Plans	1,827,219
Administrative Expense	644,408
Total deductions	<u>78,943,085</u>
Changes in net position	<u>(3,411,496)</u>
Net position, beginning of year	836,583,028
Net position, end of year	<u><u>\$ 833,171,532</u></u>

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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.

For the year ended June 30, 2020, the City implemented the provisions of GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, GASB Statement No. 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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 has been included in the City’s reporting entity because of the significance of 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, or visit www.tucsonaz.gov/finance.

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 non-fiduciary 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, and deferred inflows attributable to the acquisition, construction, or improvement of capital assets, net of accumulated depreciation, and any outstanding debt associated with the capital assets. Capital assets cannot readily be sold and converted into

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

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.

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 fixed route and paratransit services within the Tucson metropolitan area. The main sources of revenue are Charges for Services from customers and Other Agencies, such as other cities and Pima County, Federal grants and contributions, and an investment from the General Fund for fiscal year 2020 of \$21,320,173.

Coronavirus Relief Fund - This fund is used to account for federal funds provided to City as a recipient of the Coronavirus Aid Relief and Economic Security Act "CARES Act". The Coronavirus Relief Fund was established, and the City received \$97 million to assist with its response to the COVID-19 virus. As of June 30, 2020, the Coronavirus Relief Fund eligible expenses were \$29.2 million.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

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. Special revenue funds include federal grants and various City functions such as Tucson Convention Center, Highway User Revenue, Sun Link (Streetcar), and Housing and Community Development Funds.

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 other related costs for General Obligation and Street and Highway.

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 2018-A (2020) General Obligation Bonds to be issued in fiscal year 2021, 2012 General Obligation Streets Improvement, Capital Improvement, Development Fee, and the Regional Transportation Authority 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.

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.

The Public Housing AMP (Asset Management Properties) 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

Non-major Funds:

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.

The Non-Public Housing Authority (Non-PHA) Asset Management Fund accounts for operating activities necessary to support non-public housing assets. The Non-PHA Asset Management Fund is accounted for within an individual fund.

3. Internal Service Fund

This fund is used to account for the financing of self-insurance 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 fund are eliminated from the government-wide financial statements to avoid any "doubling-up" effect of these revenues and expenses. In fiscal year 2020, City added the Medical Self-Insurance Trust Fund as an internal service fund, in addition to the previously established Risk Management Trust Fund.

4. Fiduciary Funds

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

D. Basis of Accounting

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

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 non-spendable 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 are established at an amount necessary to recover related costs and are recorded as capital contributions.

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 Risk Management 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 three voter approved increases in the base. The voters passed an increase of \$800 thousand in November 1981 and an additional \$46.9 million permanent adjustment in November 1987. In November 2013, voters approved a \$50 million permanent adjustment effective July 1, 2014.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

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 and Justice Services, Community Enrichment and Development, Support Services, Public Utilities and General Government. Transfers between purposes, such as General Government and Support Services, can be made upon Mayor and Council approval.
6. All appropriations lapse at year-end.
7. Supplementary budgetary appropriations require approval of Mayor and Council; one budget amendment was necessary for Public Safety Personnel Retirement System payment of \$803,970 during the fiscal year ended June 30, 2020.

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. Method used to Value 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 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, 2020

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

I. Accounts/Notes Receivable

The Water Utility Funds' assets and revenues include \$15,904,420 for water sales delivered, but unbilled at June 30, 2020.

General Fund accounts receivables of \$35,025,863 are net of allowance for doubtful accounts of \$38,920. The Water Utility and Environmental Services accounts receivable of \$38,439,997 and \$3,331,714, respectively, are net of allowance for doubtful accounts of \$864,653 and \$259,929, respectively.

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, 2020, these loans, called forgivable loans, totaled \$5,887,457. 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 non-spendable 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 non-spendable 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.

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,

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

and replacement cycles. Additions subsequent to that date are stated at cost. Donated capital assets, donated works of art and similar items are reported at their acquisition value. 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 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 useful life of the water rights 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 \$52,347,426 at June 30, 2020.

N. Compensated Absences

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments. Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' retirement.

For governmental funds, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. For the government-wide financial statements, as well as the enterprise fund financial statements, all of the outstanding compensated absences are recorded as a liability.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

O. Long-term Obligations

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the appropriate Statement of Net Position. Bond premiums and discounts, as well as the difference between the re-acquisition 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.

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.

P. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Q. 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 Non-spendable, Restricted, Committed, Assigned, and Unassigned. Unrestricted fund balance is the total fund balance less Non-spendable and Restricted fund balances. The Unrestricted fund balance includes Committed, Assigned and Unassigned classifications.

Non-spendable – The non-spendable 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 – Restricted fund balance is externally (outside the City) enforceable constraints imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes by City Charter).

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

Committed – Committed fund balance is self-imposed constraints 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. Although an ordinance is the most binding, it is equally difficult to commit/rescind the commitment using either process. A Stabilization Fund is included as a subset of committed fund balance. As of June 30, 2020, this fund is at approximately four percent (9.95%) of General Fund revenues, almost at the ten percent (10%) target goal included in the City's comprehensive financial policies (Resolution No. 22319). These policies were first adopted in January 2011, by Mayor and Council, post the 2008-2009 Great Recession, with the goal to restore fund balance within five years of revenue stabilization. The Stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned fund balance is depleted.

Assigned – Assigned fund balance represents constraints imposed by management. The City's financial policies approved by Mayor and Council designated the Chief Financial Officer/Finance Director as the approver of any designations to Assigned fund balance as deemed appropriate to meet potential future needs.

Unassigned – 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.

Mayor and Council established a Community Banking Program on May 29, 2013. The City participates in a Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the country up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to the Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01 and allowed in the City's investment policy. The City now holds \$10.1 million of the Stabilization Fund in a two-year CDARS investment with Western Alliance Bank of Arizona.

A target of a minimum of seven percent (7%) 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, 2020, the fund balance details by classification are listed on the next page:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

	<u>General Fund</u>	<u>Mass Transit</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Inventory - General Supplies	\$ 1,772,848	\$	\$	\$ 1,772,848
LT Investment - Pennington St. Garage	2,967,961			2,967,961
Golf Long-Term Loan	1,137,067			1,137,067
Inventory - Bus and Streetcar Parts		3,421,147	1,893,554	5,314,701
Prepaid Expenditures				0
Total Nonspendable	<u>5,877,876</u>	<u>3,421,147</u>	<u>1,893,554</u>	<u>11,192,577</u>
Restricted:				
Crime Prevention, Investigation and Education	3,997,182			3,997,182
Debt Service			87,182	87,182
Streets, Sidewalks, Drainage and Signage			57,147,548	57,147,548
Streets Resurfacing			46,932,195	46,932,195
Building and Infrastructure Improvements			726,657	726,657
Parks and Recreation Improvements			1,149,846	1,149,846
Zoo Improvement & Operation			16,184,390	16,184,390
General Equipment and Improvements			1,362,908	1,362,908
Transportation Projects			15,033,779	15,033,779
Low Income Housing Loans			5,090,509	5,090,509
Special Contributions			164,365	164,365
Police and Fire Equipment and Improvements			60,889,949	60,889,949
Housing Choice Vouchers			1,675,527	1,675,527
Federal Transit Administration Programs		581,930		581,930
Green Stormwater Infrastructure			631,682	631,682
Affordable Housing Programs			810,136	810,136
Total Restricted	<u>3,997,182</u>	<u>581,930</u>	<u>207,886,673</u>	<u>212,465,785</u>
Committed:				
Litter Clean Up	408,530			408,530
City Court Case Processing	1,049,125			1,049,125
Business Development Loans	612,706			612,706
Land Annexation - Raytheon Buffer & 5N5th	1,002,206			1,002,206
Housing Trust Fund	217,429			217,429
Zoo Expansion & Other Projects	2,108,855			2,108,855
Parks and Recreation Projects- Origins Proj	1,218,554			1,218,554
Campaign Finance	31,943			31,943
Stabilization Fund	54,975,880			54,975,880
National Service Warranty Program	477,193			477,193
Fire Equipment Sales	14,609			14,609
Rodeo Grounds	126,412			126,412
Robb Hill Project	55,000			55,000
Property Management		9,778	7,083	16,861
Marketing for Civic Contributions Fund			26,809	26,809
Total Committed	<u>62,298,442</u>	<u>9,778</u>	<u>33,892</u>	<u>62,342,112</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

	<u>General Fund</u>	<u>Mass Transit</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances (cont.):				
Assigned:				
Management Contingency	8,000,000			8,000,000
Fuel Contingency	3,321,140			3,321,140
Operating Contingency	2,600,000			2,600,000
Energy Efficiency Contracts	330,320			330,320
City Hall Elevator	650,000			650,000
2020 Census Contribution	350,000			350,000
Public Safety Comm Retrofit	6,000,000			6,000,000
Zoo Operating & Maintenance	1,920,000			1,920,000
TCC/Rio Nuevo	1,300,000			1,300,000
Software and System Upgrades	1,800,000			1,800,000
Vehicle Replacement	1,976,610			1,976,610
Building Maintenance	1,626,150			1,626,150
FY21 Assignment for Operations	30,869,430			30,869,430
Parking Operations			1,376,279	1,376,279
SunLink Operations			220,000	220,000
Other	1,519,835	2,029,776	24,500	3,574,111
Total Assigned	<u>62,263,485</u>	<u>2,029,776</u>	<u>1,620,779</u>	<u>65,914,040</u>
Unassigned:	<u>50,353,043</u>	<u>(667,026)</u>	<u>(3,809,435)</u>	<u>45,876,582</u>
Total Fund Balances	<u>\$ 184,790,028</u>	<u>\$ 5,375,605</u>	<u>\$ 207,625,463</u>	<u>\$ 397,791,096</u>

R. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

S. 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 \$2,872 and is included in the restricted net position. There are no state laws governing the expenditure of investment income for City donations.

T. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make a number of 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.

Proposition 117, passed by Arizona voters in 2012, changes the method used to determine values used in calculating assessed values used for tax rates and levies. Beginning with tax year 2015, a single assessed value, called the Limited Property Value (LPV), is used for both the primary and secondary tax levies. The growth in the LPV is limited to no more than 5% per year, excluding new construction.

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. Even if the City does not adopt the maximum allowable levy from year to year, the 2% allowable increase will be based on the prior year's "maximum allowable levy." The "net new property" factor is included in the calculation that takes into account all new construction and any additional property added to a community due to annexations. The 2% increase applies to all taxable property. 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.

Arizona State law allows cities and towns to include tort claim reimbursements in the primary tax levy. The property tax revenue represents a reimbursement to the City's Self-Insurance Fund for the actual cost of liability claim judgments exceeding \$20,000 paid during the prior fiscal year.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 3 - INDIVIDUAL FUND DISCLOSURES

At June 30, 2020 the following fund had a deficit fund balance or net position:

2020 GO Parks/Connections Improvement	(3,809,435)
---------------------------------------	-------------

The deficit in the 2020 (2018) GO Parks/Connections Improvement Fund was authorized by Mayor and Council with the intent to reimburse expenditures related to public parks and connectivity projects with the proceed of general obligations bonds to be issued in fiscal year 2021.

At June 30, 2020 the following funds had a negative variance in budgeted balances:

Coronavirus Relief Fund	(75,957)
Miscellaneous Housing Grants	(162,145)
2012 GO Streets Fund	(497,526)

The Coronavirus pandemic negatively impacted various funds. Closure of special events and services, restrictions in travel and closure of public buildings impacted our Park Tucson, Convention Center and Sun Link funds. Due to closure in March and April of federal agencies, federal reimbursements were delayed into fiscal year 2021.

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 Cash and Cash Equivalents 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, 2020:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 561,387,315	\$ 24,785,730	\$ 586,173,045
Investments	863,946,148	4,024,491	867,970,639
Total	<u>\$ 1,425,333,463</u>	<u>\$ 28,810,221</u>	<u>\$ 1,454,143,684</u>

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and Cash Equivalents	\$ 586,173,045	\$ 16,229,174	\$ 602,402,219
Noncurrent Investments	13,443,329	826,887,216	840,330,545
Cash & Investments Restricted	11,410,920		11,410,920
Total	<u>\$ 611,027,294</u>	<u>\$ 843,116,390</u>	<u>\$ 1,454,143,684</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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.

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.

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's deposits and investments for all funds at fiscal year-end are listed below at fair value net of accruals. The City categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The City has the following recurring fair value measurements as of June 30, 2020:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Investments	Fair Value	Level 1	Level 2	Level 3
U.S. Issues not on Securities Loan:				
U.S. Treasuries, Agencies, Governmental Bonds & Commingled U.S. Debt	\$ 367,681,377	\$ 192,474,672	\$ 59,459,142	\$ 115,747,563
Corporate Bonds & Other Fixed Income Instruments	195,110,873	10,771	148,153,258	46,946,844
U.S. Equity & Commingled Equity Funds	269,403,953	175,671,850	65,774	93,666,329
International Equity & Commingled Equity Funds	206,844,455	72,352,051		134,492,404
Subtotal	1,039,040,658	440,509,344	207,678,174	390,853,140
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:				
U.S. Corporate Bonds & Other Fixed Income Instruments	4,182,425		4,182,425	
U.S. Equity	17,242,616	17,242,616		
International Equity	1,427,795	1,427,795		
Subtotal	22,852,836	18,670,411	4,182,425	
Securities Lending Short-Term Collateral Investment Pool	7,115,909			7,115,909
Money Market Funds/Short-Term Investments	266,235,983	239,378,099	10,475,367	16,382,517
Real Estate & Commingled Real Estate Funds	76,641,488			76,641,488
Infrastructure Investment Funds	1,092,310			1,092,310
Subtotal	351,085,690	239,378,099	10,475,367	101,232,224
Total Deposits and Investments	\$ 1,412,979,184	\$ 698,557,854	\$ 222,335,966	\$ 492,085,364

U.S. treasuries, agencies, money market, and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

Governmental bonds, corporate bonds, other fixed income instruments, and international bonds classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Securities valued at Level 3 are based on significant unobservable outputs based on all information available in the circumstances to the extent observable outputs are not available. The fair value of commingled U.S. debt, commingled equity funds, and related short-term investments classified in level 3 represent the value of unit positions in funds that are not publicly traded on an exchange. Fair value of these securities can be impacted by redemption restrictions imposed by the fund managers. Real estate, commingled real estate funds, and infrastructure investment funds are valued using discounted cash flow techniques.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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.

The City's investment pool account had the following credit risk structure as of June 30, 2020:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash & Cash Equivalents:				
Wells Fargo Large Balance Public Institutional Bank Deposit Account, S/T Govt Bonds, Money Market Account	1	Aaa	\$ 253,045,068	44.97%
U.S. Treasury Notes	23	AA+	168,859,067	30.01%
U.S. Agency & Municipal Bonds	23	Aaa	56,491,181	10.04%
Negotiable Certificates of Deposit	9	P-1	15,181,211	2.70%
U.S. Corporate Bonds	74	A3	69,123,477	12.28%
TOTAL	130		\$ 562,700,004	100%

Footnotes:

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2020, these funds consisted of an investment account at Wells Fargo invested in overnight repurchases with a fair market value of \$22,646,720, U.S. Agency Bond with a fair market value of \$2,750,690; and various other operational accounts totaling \$29,538,975. The City of Tucson banking policy for these cash accounts is consistent with the investment pool account policy described above.

The City participates in a Community Banking Deposit program. The objective of the program is to help spur local economic activity by depositing funds with “local” financial institutions to be subsequently lent out locally for new consumer and small business loans. After completion of solicitations for offers from local institutions, the City deposited \$10,370,857 in a two-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product during 2020.

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. 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, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2020:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash				
Collective US Gov't STIF 15	1	NR	<u>\$ 16,382,517</u>	6.6%
U.S. Agency & Other Governmental Obligations:				
BlackRock US Debt Fund	4	Aaa	<u>115,747,563</u>	46.9%
Corporate Bonds & Other Fixed Income:				
Automobile	2	Ba2	770,857	
Banking & Finance	37	Ba2	14,080,797	
Banking & Finance - Perpetual	3	Ba1	1,111,750	
Cleared Credit Default Swaps	32	NR	(429,799)	
Cleared Interest Rate Swaps	16	NR	(402,077)	
Communications	5	Ba1	1,513,884	
Credit Default Swaps	51	NR	(121,841)	
Health Care	4	Ba2	707,716	
International Corp - UK	4	Ca	964,406	
International Govt Bond Futures	4	NR	11,546	
Leisure Time	2	Baa3	198,367	
Non-US Govt Bond Futures	26	Ba3	7,355,025	
Non-US Govt Private Placement	14	Ba3	2,684,798	
Oil & Gas	29	Baa3	6,675,983	
Other	38	NR	50,772,938	
Private Placements - BANKING	9	Baa2	3,102,358	
Private Placements - Long term	50	Ba2	13,205,500	
Real Estate	3	B1	884,243	
REITS	5	Baa3	1,261,489	
Retail	1	Ba2	49,995	
Taxable Municipals	4	B2	904,692	
Technology	1	Baa2	109,409	
Telecommunications	1	Ba1	638,070	
Term Loan	9	B2	2,686,678	
UK-Corporate Bonds	8	B3	2,204,134	
UK-Corporate Bonds - Finance	6	Ba2	1,868,438	
Utility - Electric	1	Baa3	114,821	
Utility - Gas	2	A3	280,095	
Utility - Telephone	5	Baa3	1,673,057	
Whole Loan - CMO	4	Ba3	<u>111,281</u>	
			<u>114,593,694</u>	46.5%
TOTAL			<u><u>\$ 246,723,774</u></u>	<u><u>100.00%</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

D. Interest Rate Risk

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

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

1) 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, 2020:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Investment Type/Maturity	Maturity Structure Fair Value	Percent of Total
<u>Cash & Cash Equivalents</u>		
Wells Fargo Large Balance Public Institutional Bank Deposit Account, S/T Gov't Bonds, Money Market Account	\$ 204,432,777	
	204,432,777	43.68%
<u>Less Than 1 Year</u>		
U.S. Treasury Notes		
Negotiable Certificates of Deposit	3,426,967	
U.S. Agencies	3,076	
U.S. Corporate Bonds	4,094,449	
	7,524,492	1.61%
<u>Between 1 to 2 Years</u>		
U.S. Treasury Notes	139,623,400	
Negotiable Certificates of Deposit	11,754,244	
U.S. Agencies	5,295,490	
U.S. Corporate Bonds	14,010,913	
	170,684,047	36.47%
<u>Between 2 to 3 Years</u>		
U.S. Treasury Notes	29,235,668	
U.S. Agencies	17,531,340	
U.S. Corporate Bonds	30,057,173	
	76,824,181	16.41%
<u>Between 3 to 5 Years</u>		
U.S. Agencies	5,908,943	
U.S. Corporate Bonds	2,691,797	
	8,600,740	1.83%
TOTAL	\$ 468,066,237	100.00%
Effective Duration: 1.81 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.

The TSRS fund had the following maturity structure as of June 30, 2020:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Investment Type	Maturity Structure Investment Maturities (in Years)				Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Cash & Short Term Investment Fund	\$ 16,382,517	\$		\$	\$ 16,382,517
BlackRock U.S. Debt Fund			115,747,563		115,747,563
U.S. Corporate & Other Fixed Income Instruments	55,298,063	22,317,940	19,154,648	18,217,959	114,988,610
TOTAL	\$ 71,680,580	\$ 22,317,940	\$ 134,902,211	\$ 18,217,959	\$ 247,118,690
Effective Duration:					
Active Account	6.82 years				
Passive Account	5.79 years				

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.

The TSRS fund had the following foreign currency risk exposure as of June 30, 2020:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Foreign Currency Risk Exposure							
Currency Type	Cash & Cash Equivalents (1)	Fixed Income	Equity	Real Estate	Infrastructure	Fair Value	Percent of Total
Argentina Peso	\$	\$ 992	\$	\$	\$	\$ 992	0.002%
Australian Dollar		337				337	0.002%
Brazil Real		18,356				18,356	0.002%
Canadian Dollar		14,311				14,311	0.002%
Chinese Yuan Renminbi		453				453	0.002%
Euro Currency Unit		10,076,238	26,532,527		888,027	37,496,792	4.574%
Japanese Yen		6,594	5,502,254			5,508,848	0.672%
Mexican Peso		8,242				8,242	0.001%
Polish Zloty		235				235	0.002%
Singapore Dollar		1,592				1,592	0.002%
S. African Comm Rand		54				54	0.002%
Sweden Krona			482,270			482,270	0.059%
Swiss Franc			5,738,615			5,738,615	0.700%
Turkey Lirasi		17				17	0.000%
United Kingdom Pound Sterling		3,373,645	11,075,809			14,449,454	1.763%
Currency Subtotals		13,501,066	49,331,475		888,027	63,720,568	7.774%
U.S. Dollar	16,382,517	217,235,106	445,587,345	76,641,488	204,283	756,050,739	92.227%
TOTAL	\$ 16,382,517	\$ 230,736,172	\$ 494,918,820	\$ 76,641,488	\$ 1,092,310	\$ 819,771,307	100%
	1.998%	28.146%	60.373%	9.349%	0.133%	100%	

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, 2020, the carrying amount and fair value of securities on loan was \$22,852,836. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day.

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2020, 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, 2020. 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 Pension, 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 Pension, Pension Trust column.

Derivatives

Investment Derivative Instrument	Notional Amount (1)	Changes in Fair Value	Fair Value (3)	Principal Risk
Government Futures	\$ 9,900,000	\$ (13,850,465)	\$ 18,542,007	Interest Rate
Options	\$ (14,500,000)	\$ 2,652	\$ (18,970)	Credit
Currency Forwards (Net)	\$ 12,794,059	\$ (1,913,397)	\$ 14,626,088	Foreign Currency
TBA's	\$ 800,000	\$ 834,418	\$ 834,418	Interest Rate
Forward Transactions (2)	\$ 899,343	\$ 491,868	\$ 899,343	Interest Rate
Interest Rate Swaps	\$ (34,983,000)	\$ (937,835)	\$ (975,829)	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.

(2) Not including Mortgage TBA

(3) The notional fair value of the underlying securities is reported in this schedule. Fair market value as reported in the financial statements is presented net of long and short positions.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 counter-party 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 credit-worthy 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.

H. Restricted Other Assets

Government-wide statement of net assets reported \$242.4 million of restricted net assets, of which \$129,334,364 was restricted by enabling legislation.

<u>Restricted Other Assets</u>	<u>Other Purposes</u>
General	\$ 3,997,181
Tucson Convention Center	\$ 24,500
Civic Contributions	\$ 1,341,020
Reid Park Zoo Capital Improvement	\$ 16,184,390
Better Streets Improvement Fund	\$ 46,897,324
Safer City Improvement Fund	\$ 60,889,949
	<u>\$ 129,334,364</u>

Note 5 - INTERFUND BALANCES AND TRANSFERS:

Interfund receivables/payables represent cash transfers between funds as of June 30, 2020. These are necessary to cover short term timing differences between cash outflows and inflows for specific funds and payroll transactions to be reimbursed to the general fund. The following governmental interfund receivables/payables are eliminated in the government-wide financial statements.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 42,435,366	\$ 1,730,577
Mass Transit Fund		13,649,858
Other Non-major Governmental Funds		20,914,433
Total Governmental Funds	<u>42,435,366</u>	<u>36,294,868</u>
Enterprise Fund		
Public Housing		6,140,498
Total Enterprise Fund		<u>6,140,498</u>
Total All Funds	<u>\$ 42,435,366</u>	<u>\$ 42,435,366</u>

The Due from/to Other Agencies balances at June 30, 2020 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.

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 29,345,392	268,205
Mass Transit Fund	3,530,655	2,775,124
Other Non-major Governmental Funds	18,155,106	523,223
Total Governmental Funds	<u>51,031,153</u>	<u>3,566,552</u>
Enterprise Funds:		
Environmental Services	810,552	
Water Utility		2,750,464
Public Housing	754,176	
Other Non-major Enterprise Funds	1,021,247	50,927
Total Enterprise Funds	<u>2,585,975</u>	<u>2,801,391</u>
Fiduciary Funds:		
High-Intensity Drug Trafficking (HIDTA)		176,797
Sewer User Fee Fund		11,520,782
Total Fiduciary Funds		<u>11,697,579</u>
Total All Funds	<u>\$ 53,617,128</u>	<u>\$ 18,065,522</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 \$1,359,883 are not included. All transfers are consistent with the operation of the governmental funds.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

Transfers made during the year ended June 30, 2020, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 3,420,151	\$ (30,132,108)
Mass Transit Fund	21,320,173	
Other Non-major Governmental Funds	8,237,191	(3,276,099)
Total Governmental Funds	<u>32,977,515</u>	<u>(33,408,207)</u>
Internal Service Funds:		
Health Insurance Fund	429,352	
Total Internal Service Funds	<u>429,352</u>	
Enterprise Funds:		
Water Utility		(2,013,720)
Environmental Services	2,000,000	
Public Housing	1,069,438	(1,054,378)
Total Enterprise Funds	<u>3,069,438</u>	<u>(3,068,098)</u>
Total All Funds	<u>\$ 36,476,305</u>	<u>\$ (36,476,305)</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 827,212,828	\$ 27,969,436	\$ (12,312,366)	\$ 842,869,898
Construction-in-Progress*	241,263,216	55,770,049	(19,346,349)	277,686,916
Capital Assets being Depreciated:				
Buildings and Improvements	896,351,432	3,922,257	(723,126)	899,550,563
Equipment	367,416,873	15,492,110	(3,030,885)	379,878,098
Infrastructure	1,073,357,723	486,239		1,073,843,962
Totals at Historical Cost	3,405,602,072	103,640,091	(35,412,726)	3,473,829,437
Less Accumulated Depreciation for:				
Buildings and Improvements	396,715,484	26,557,632	(692,512)	422,580,604
Equipment	266,052,928	20,239,841	(538,100)	285,754,669
Infrastructure	655,917,365	32,932,617		688,849,982
Total Accumulated Depreciation	1,318,685,777	79,730,090	(1,230,612)	1,397,185,255
Governmental Activities Capital Assets, Net	<u>\$ 2,086,916,295</u>	<u>\$ 23,910,001</u>	<u>\$ (34,182,114)</u>	<u>\$ 2,076,644,182</u>
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				\$ 307,302
Public Safety and Justice Services				8,076,026
Community Enrichment and Development				62,207,555
Support Services				7,165,011
General Government				1,974,196
Total Depreciation Expense				<u>\$ 79,730,090</u>
Business-Type Activities:				
Non-depreciated Assets				
Land	\$ 71,561,720	\$ 4,077,818	\$ (189,436)	\$ 75,450,102
Construction-in-Progress	208,911,902	74,285,644	(33,882,304)	249,315,242
Water Rights	52,126,968	220,458		52,347,426
Capital Assets being Depreciated:				
Buildings and Improvements	265,284,748	6,729,173	(2,325)	272,011,596
Equipment and Art	97,893,552	5,987,691	(1,168,639)	102,712,604
Distribution and Collection Systems	1,565,537,742	30,570,599	(176,911)	1,595,931,430
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	2,262,503,970	121,871,383	(35,419,615)	2,348,955,738
Less Accumulated Depreciation for:				
Buildings and Improvements	136,466,388	7,966,993	(1,966)	144,431,415
Equipment and Art	57,810,910	8,706,983	(940,461)	65,577,432
Distribution and Collective Systems	583,313,136	30,706,857	(70,011)	613,949,982
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	778,777,772	47,380,833	(1,012,438)	825,146,167
Business-Type Activities Capital Assets, Net	<u>\$ 1,483,726,198</u>	<u>\$ 74,490,550</u>	<u>\$ (34,407,177)</u>	<u>\$ 1,523,809,571</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

The following is a summary of changes in long-term debt as of June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 148,145,000	\$	\$ (27,995,000)	\$ 120,150,000	\$ 27,520,000
Street & Highway Revenue Bonds	31,905,000		(10,560,000)	21,345,000	10,730,000
Certificates of Participation	161,987,596		(18,142,667)	143,844,929	16,924,000
Clean Renewable Energy Bonds	7,212,900		(1,379,300)	5,833,600	1,399,300
Unamortized Amount:					
on Premiums	16,908,415		(3,561,993)	13,346,422	
on Discounts	(285,109)		149,846	(135,263)	
Total Bonds and Notes Payable	365,873,802		(61,489,114)	304,384,688	56,573,300
Other Liabilities:					
Capital Leases	13,599,767		(1,537,285)	12,062,482	1,634,503
RN Settlement -Depot Plaza Garage	6,100,000			6,100,000	
Other Post Employment Benefits	169,621,084	6,426,589	(1,524,983)	174,522,690	
Compensated Absences	37,519,452	3,310,712	(1,037,117)	39,793,047	14,844,787
Pension	1,173,876,380	100,128,054		1,274,004,434	
Remediation	3,040,768		(1,323,577)	1,717,191	463,600
Claims and Judgments	47,226,118	8,972,228	(9,321,359)	46,876,987	8,295,810
Claims Payable - Health Insurance		5,947,000		5,947,000	5,947,000
Total Other Liabilities	1,450,983,569	124,784,583	(14,744,321)	1,561,023,831	31,185,700
Governmental Activities Long Term Liabilities	<u>\$1,816,857,371</u>	<u>\$ 124,784,583</u>	<u>\$ (76,233,435)</u>	<u>\$1,865,408,519</u>	<u>\$ 87,759,000</u>
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 407,385,000		\$ (29,195,000)	\$ 378,190,000	\$ 32,975,000
Certificate of Participation	9,562,405		(652,333)	8,910,072	861,000
Bond Premiums	49,142,207		(6,489,293)	42,652,914	
	466,089,612		(36,336,626)	429,752,986	33,836,000
Loans from Direct Borrowings	36,531,199		(5,485,012)	31,046,187	4,640,023
Total Bonds and Notes Payable	502,620,811		(41,821,638)	460,799,173	38,476,023
Other Liabilities:					
Landfill Closure/Post Closure Costs	42,992,232	652,616	(2,850,683)	40,794,165	820,086
Remediation	12,040,365		(2,852,008)	9,188,357	
Capital Leases	206,967		(57,496)	149,471	44,076
Other Post Employment Benefits	26,662,407	1,332,075		27,994,482	
Compensation Absences*	5,510,238	744,098	(530,416)	5,723,920	2,086,206
Pension	88,432,498	3,298,187	(215,110)	91,515,575	
Loans Payable	1,346,945		(209,878)	1,137,067	
Total Other Liabilities	177,191,652	6,026,976	(6,715,591)	176,503,037	2,950,368
Business-type Activities Long Term Liabilities	<u>\$ 679,812,463</u>	<u>\$ 6,026,976</u>	<u>\$ (48,537,229)</u>	<u>\$ 637,302,210</u>	<u>\$ 41,426,391</u>

* Compensated Absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2020, City paid for compensated absences from governmental funds with 91.07% from the General Fund, 8.84% from Other Special Revenue funds and 0.09% from Mass Transit fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 8 - LEASE OBLIGATIONS

A. Certificates of Participation/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, 2020.

Years ending June 30,	Governmental Activities	Business-Type Activities
2021	\$ 26,132,530	\$ 1,306,888
2022	25,951,415	1,416,940
2023	25,825,168	1,392,426
2024	25,013,553	1,244,349
2025	20,500,090	1,237,818
2026-2030	65,362,842	4,379,986
2031-2035	6,786,594	
Total Minimum Lease Payments	195,572,192	10,978,407
Less: Amount Representing Interest (interest rates range: 1.682% to 6.52%)	39,664,782	1,918,867
Present Value of Net Minimum Lease Payments	<u>\$ 155,907,410</u>	<u>\$ 9,059,540</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$157,702,152), improvements other than buildings (\$29,094,557), equipment (\$47,643,379), and streets (\$40,737,718).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$227,339. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2020, were as follows:

Years ending June 30,	
2021	232,354
2022	217,972
2023	223,241
2024	228,642
2025	234,178
2026-2030	1,258,896
2031-2035	1,405,184
2036-2040	1,565,385
2041-2045	1,771,089
2046-2050	2,003,825
2051-2055	2,148,121
Total Minimum Future Lease Payments	<u>\$ 11,288,887</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 2019 to July 1, 2027. General Obligation Bonds are payable from property taxes.

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, 2019 to July 1, 2022. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2020 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2020
1998 Refunding	5.375	2021	\$ 26,470,000	\$ 9,980,000
2006 Series Refunding	5.00	2021	50,525,000	2,750,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	4,620,000
2012-A Series (2013)	4.00-5.00	2026	20,000,000	20,000,000
2012-B Series (2014)	3.00-5.00	2027	20,000,000	20,000,000
2012-C Series (2015)	3.00	2023	20,000,000	17,000,000
2015 Series Refunding	5.00	2023	36,535,000	7,620,000
2012-D Series (2016)	2.00-3.00	2024	20,000,000	20,000,000
2016 Series Refunding	4.00	2021	23,020,000	2,515,000
2012-E Series (2017)	5.00	2025	17,265,000	15,665,000
Total			<u>\$ 245,560,000</u>	<u>\$ 120,150,000</u>

Street and Highway Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2020
2011 Refunding	5.00	2021	\$ 10,730,000	\$ 10,730,000
2013 Refunding	5.00	2022	34,500,000	10,615,000
Total			<u>\$ 45,230,000</u>	<u>\$ 21,345,000</u>

B. Enterprise Funds

Water revenue bonds, obligations, and loans provide funds for the purpose of the acquisition and construction of water system improvements.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 9 - BOND ISSUES (Continued):

Water Utility Revenue Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2020
Water System Revenue Obligations 2010A	5.789-5.939	2030	\$ 38,510,000	\$ 38,510,000
Water System Revenue Obligations 2011	5.00	2021	30,965,000	1,500,000
Water System Revenue Obligations 2012	3.62-4.00	2033	31,555,000	9,095,000
2013A Refunding	2.00-5.00	2025	34,280,000	21,085,000
2013B Refunding	2.16-2.75	2022	18,825,000	6,005,000
Water System Revenue Obligations Series 2013	2.25-5.00	2030	21,065,000	18,065,000
Water System Revenue Obligations Series 2014	3.00-5.00	2033	35,630,000	33,130,000
2015 Refunding	3.00-5.00	2032	46,640,000	46,640,000
2016 Refunding	2.00-5.00	2024	71,805,000	44,060,000
2017 Refunding	5.00	2035	82,410,000	64,765,000
Water System Revenue Obligation, Series 2015	2.00-5.00	2033	20,570,000	18,470,000
Water System Revenue Obligation, Series 2016	3.00-5.00	2035	17,215,000	16,425,000
Water System Revenue Obligation, Series 2017	5.00	2035	24,560,000	23,810,000
Water System Revenue Obligation, Series 2018	3.00-5.00	2036	23,935,000	23,435,000
Water System Revenue Obligation, Series 2019	2.00-5.00	2036	13,195,000	13,195,000
Total Water Utility Revenue Bonds Issued and Outstanding			<u>\$ 511,160,000</u>	<u>\$ 378,190,000</u>

Loans from Direct Borrowing

Jr Lien Water System Refunding Bond 2012	1.90	2021	\$ 15,245,000	\$ 645,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	1,145,307
2004 Water Infrastructure Finance Authority (WIF5)	3.15	2023	3,000,000	514,348
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	598,452
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	786,393
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	737,313
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	933,201
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	2,396,334
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	7,679,214
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	1,260,865
2009B Water Infrastructure Finance Authority (WIF12)	3.60	2028	1,000,000	486,015
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,572,044
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	9,633,040
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	2,658,661
Total Loans from Direct Borrowing			<u>\$ 87,092,000</u>	<u>\$ 31,046,187</u>

C. Clean Renewable Energy Bonds (CREBS)

The City entered into lease agreements 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 9 - BOND ISSUES (Continued):

D. Principal and Interest Requirements

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

Governmental Activities						
Years Ending June 30,	General Obligation		Street and Highway		Clean Renewable Energy Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 27,520,000	\$ 4,504,725	\$ 10,730,000	\$1,067,250	\$1,399,300	\$ 253,470
2022	19,735,000	3,237,000	10,615,000	530,750	1,409,300	207,036
2023	19,980,000	2,646,000			845,000	159,892
2024	19,150,000	2,010,750			860,000	111,612
2025						
2026-2030	33,765,000	1,988,250			1,320,000	75,260
Totals	<u>\$ 120,150,000</u>	<u>\$ 14,386,725</u>	<u>\$ 21,345,000</u>	<u>\$1,598,000</u>	<u>\$5,833,600</u>	<u>\$ 807,270</u>

Business-type Activities				
Years Ending June 30,	Water Services Revenue Bonds		Water Services Loans from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 32,975,000	\$ 17,736,894	\$ 4,640,023	\$ 966,476
2022	34,165,000	16,168,059	4,124,105	825,137
2023	35,700,000	14,597,709	3,670,678	691,847
2024	32,495,000	12,822,709	3,385,566	574,442
2025	32,885,000	11,176,508	3,279,467	466,126
2026-2030	134,845,000	34,812,889	10,438,684	979,298
2031-2035	71,710,000	7,649,156	1,507,664	49,323
2036-2040	3,415,000	107,688		
Totals	<u>\$ 378,190,000</u>	<u>\$115,071,612</u>	<u>\$ 31,046,187</u>	<u>\$4,552,649</u>

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 \$35,745,000.

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 2020. The total closure and post-closure cost estimates are

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 11 - LANDFILLS (Continued):

based on what it would cost to perform those functions in 2020. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

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

Landfill Site	Landfill Capacity Used as of 6/30/2020	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/2020	Estimated Remaining Life in Years
Los Reales	89.34%	\$ 37,575,612	\$ 33,570,050	30
Harrison	100%	2,784,634	2,784,634	
Irvington	100%	2,161,580	2,161,580	
Mullins	100%	2,277,901	2,277,901	
Totals		<u>\$ 44,799,727</u>	<u>\$ 40,794,165</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 accumulates a portion of net position to address the closure/post-closure liability \$12,918,107 and construction of new landfill cells \$16,646,600.

The June 30, 2020, liability for closure and post-closure costs is \$40,794,165 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

The City contributes to the Tucson Supplemental Retirement System (TSRS), the Public Safety Personnel Retirement System (PSPRS), and the Elected Officials Retirement Plan (EORP). At June 30, 2020, the City reported the following aggregate amounts related to these pension plans:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 1,274,004,434	\$ 91,515,575	\$ 1,365,520,009
Deferred outflows of resources	208,651,547	20,853,720	229,505,267
Deferred inflows of resources	25,307,506	11,158,807	36,466,313
Pension expense	161,448,082	13,329,444	174,777,526

A. Plan Description

The Tucson Supplemental Retirement System (System or TSRS) plan is a single-employer defined benefit plan for City of Tucson ("City") employees. It was established in the City Charter to provide its

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

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: a chairman who is appointed by the Mayor and Council, the City's directors of Human Resources and of Finance, two members elected by the membership of the System, a retired member elected by the System's retirees, and one member 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 System covers substantially all City of Tucson, Arizona, employees, except for appointed office and staff who may elect not to join, and commissioned police and fire personnel and elected official who are covered under other plans. Employees participate in the System immediately upon beginning employment with the City. Employee membership data as of June 30, 2020 is as follows:

Active Plan Participants	
Active plan members	2,482
Inactive plan members (or their beneficiaries)	
currently receiving benefits	3,145
Inactive plan members entitled to but not yet	
receiving benefits	516
Total active plan participants	<u>6,143</u>

B. Plan Benefits

Tier I benefit plan: Any employee hired prior to July 1, 2011, who has attained the earlier of age 62, or a combination of the employee's age and years of creditable service equaling the sum of 80, is entitled to receive monthly retirement benefits calculated at 2.25% of average final monthly compensation multiplied by the number of years of creditable service. Employees hired after July 1, 2009 receive the same benefit, but are required to have a minimum of five years accrued service. Average final monthly compensation is defined as the highest compensation of 36 consecutive months during the 120 months immediately preceding retirement. Accrued unused sick leave and vacation leave at the final salary is included in the member's service period and is substituted for an equal number of hours at the beginning of the 36-month period for determining the average final salary calculation.

Tier II benefit plan: Any employee hired after June 30, 2011, who has attained the minimum retirement age of age 60, and who also has a combination of employee age and years of service equaling the sum of 85, is entitled to receive monthly retirement benefits calculated at 2.00% of average final monthly compensation multiplied by the number of years of creditable service. Average final monthly compensation is defined as the highest compensation of 60 consecutive months during the 120 months immediately preceding retirement. Accrued unused sick leave and vacation leave at the final salary is not included for member service credits or as a substitution for an equal number of hours at the beginning of the 60-month period final average salary calculation.

An employee who retires after attaining age 55 with 20 or more years of creditable service under Tier I; or after attaining age 60 with 20 or more years of credited service under Tier II, is entitled to early retirement benefits reduced to the actuarial equivalent of the amount to which the employee would have been entitled upon attaining normal retirement.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

An employee is always fully vested in his/her individual contributions. Upon termination of employment for reasons other than retirement, employees having five or more years of creditable service (terminated vested participants) may leave their contributions in the System as a deferred retirement, and begin drawing a retirement allowance when they reach either their normal or early retirement eligibility date.

Employees with ten or more years of creditable service, who are not yet eligible to retire and who have a total and permanent disability may apply for disability retirement.

The beneficiary of an employee who pre-selected a retirement option and died while eligible to retire, shall receive a benefit based upon the selected option if the member has made such an election by June 30, 2009.

The spousal beneficiary of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 100% joint and survivor annuity based on the member's years of credited service and average final monthly compensation at the time of the member's death, or may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

The named beneficiary of an employee who is other than the spouse of the employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 15-year term certain benefit to the named beneficiary, or the beneficiary may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

Multiple designated beneficiaries of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

The beneficiary of an employee who was not eligible for any retirement benefits, but had more than five years of creditable service, may receive a lump sum payment of twice the member account balance plus interest, measured on the date of death.

C. Contributions and Reserves

Employee Contributions - Employee contributions are 5% of active member covered payroll for employees hired prior to July 1, 2006. Employees hired after June 30, 2006 contribute an amount equal to 40% of the actuarially required contribution rate determined annually by the system actuary. All member contributions are made by payroll deductions applied to regular pay, based on the approved contribution rates established by the system actuary, applied as a percent of payroll.

Effective July 1, 2013, the funding policy changed for employees hired after June 30, 2006; requiring a contribution rate that is equal to a range of between 50% and 100% of the normal cost of the members benefit Tier. For Tier I members (hired between July 1, 2006 and June 30, 2011), the contribution rate is 6.715%. For Tier II members (hired after July 1, 2011), the contribution rate is 5.06%. A reserve is established for contributions and earnings allocations, less amounts transferred to the reserve for retirement benefits which includes retirement and disability and amounts reserved for terminated employees. If an employee leaves covered employment before attaining five years' service credit, the accumulated contributions plus interest are refunded to the employee or his designated beneficiary. There are no long-term contracts for employee contributions to the plan, and all contributions are made on a bi-weekly basis.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

Employer Contributions - Employer contributions are based on the annual required contribution rate determined by the Actuary, and are equal to the difference between the recommended total contribution rate and the employee rates, based on a level percentage of payroll method. The contribution rate is determined by the actuary at a level necessary to finance employee participation in the System and to fund the costs of administering the System. The annual rate determined by the Actuary is recommended to the Board of Trustees and considered for approval and adoption. There are no long-term contracts for employer contributions to the plan, and all contributions are made on a bi-weekly basis.

Two general types of net position reserves are maintained within the System. The Reserve for Employee Contributions contains the employee contributions for all contributing members of the System, plus allocated interest earnings. At the time an employee retires or defers retirement, the actuarial value of the individual's retirement benefits is transferred to the Reserve for Retirement Benefits, which is decreased by payments to retirees and increased by interest earnings. The reserves are fully funded.

Earnings of the System are allocated semi-annually (at June 30 and December 31) to the reserves which comprise net position. At the year ended June 30, 2020, allocations were based on rates of return of 3.00% per annum. Any unallocated earnings remain in unreserved net position.

The net position at June 30, 2020, consisted of the following components:

Reserved for employee contributions	\$ 132,227,165
Reserved for retirement benefits	784,845,229
Unreserved net position (deficit)	<u>(83,900,862)</u>
Net Position	<u><u>\$ 833,171,532</u></u>

D. Investments

The System is governed by a Board of Trustees. The Board of Trustees is required by City Code in making investment decisions, to exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from, as well as the probable safety of the capital. Investments of the System are held separately from those of other City funds by investment custodians. Quoted market prices have been used to value investments as of June 30, 2020.

For those investments that do not have established market exchanges, the fair value is estimated as objectively as possible by third party appraisals. Real Estate and Infrastructure investment managers utilize third party appraisals to determine fair market value of assets under investment. Infrastructure investments pertain to forms of "real" property used for general public purposes that typically involve partnerships between governmental and private entities. Examples of infrastructure investments are toll roads, bridges, pipelines, airports, shipping ports, etc. The System currently participates in two pooled infrastructure funds as well as two real estate funds.

These investments are either held by the System or its agent in the System's name and are insured, registered or collateralized. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

Government Accounting Standards Board (GASB) Statement 40 requires the System to disclose such risks which are discussed in Note 4.

The City maintains an investment pool account for City funds. Bi-weekly contributions for the Tucson Supplemental Retirement System are held in the City's investment pool account and are used to pay recurring expenditures. Any cash balance in the investment pool account, as well as, current deposits to the City's investment pool account would be invested in money market funds consisting of U.S. Treasuries and Agencies and separately held issues of federal agency and U.S. corporate bonds with ratings no lower than A2 as reported by Moody's.

E. Liability, Expense and Deferred Outflows/Inflows

The components of the net pension liability at June 30, 2020 are as follows:

Total Pension Liability	\$ 1,148,930,428
Plan's Fiduciary Net Position	<u>833,171,532</u>
Net Pension Liability	<u><u>\$ 315,758,896</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.52 %

Pension Expense and Deferred Outflows/Inflows of Resources-For the year ended June 30, 2020, the City recognized pension expense for TSRS of \$45,990,987. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Net Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 8,750,663
Assumption changes	27,668,639
Net Difference between projected and actual earnings on pension plan investments	<u>8,811,056</u>
Total	<u><u>\$ 45,230,358</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the TSRS will be recognized in pension expense as follows:

Year ended June 30		
	2021	\$ (13,715,714)
	2022	(19,076,780)
	2023	(7,561,831)
	2024	<u>(4,876,033)</u>
Total		<u><u>\$ (45,230,358)</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

F. Change in Net Pension Liability

The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date.

Change in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 6/30/19	\$ 1,129,491,900	\$ 836,583,028	\$ 292,908,872
Changes for the year:			
Service Cost	14,648,214		14,648,214
Interest	76,836,667		76,836,667
Changes of benefits			
Differences between expected and actual	6,252,324		6,252,324
Changes of assumptions			
Contributions - employer		34,830,264	(34,830,264)
Contributions - member		7,791,910	(7,791,910)
Net investment income		32,909,415	(32,909,415)
Benefits and refund payments	(78,298,677)	(78,298,677)	
Administrative expense		(644,408)	644,408
Other changes			
Net changes	19,438,528	(3,411,496)	22,850,024
Balances at 6/30/20	<u>\$ 1,148,930,428</u>	<u>\$ 833,171,532</u>	<u>\$ 315,758,896</u>

The TSRS is reflected as a pension trust fund of the City. Detailed information about the plan's fiduciary net position is available in the separately issued TSRS Comprehensive Annual Financial Report available online at: www.tucsonaz.gov/finance/comprehensive-annual-financial-reports-cafr

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

G. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2020 valuation covering the plan year July 1, 2019 through June 30, 2020 are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	3.50% to 6.50% including inflation
Investment Rate of Return	7.25%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2009-2013.
Mortality Rates	Pre and Post-retirement: RP-2000 Combined Mortality Table for males and females projected with Scale BB to 2020. Disabled retirement: RP-2000 Disabled Mortality Tables for males and females.

H. Rate of Return and Discount Sensitivity

The long-term expected rate of return on pension plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return, (expected returns, net of pension plan investment expense and inflation), are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary. The major asset class allocation is listed below for June 30, 2020:

Asset Class	Target	Expected Return Arithmetic
U.S. Equities	34 %	8.5 %
International Equities	25 %	9.1 %
Fixed Income	27 %	2.8 %
Real Estate	9 %	7.1 %
Infrastructure	5 %	7.6 %
Total	100 %	
Weighted Average Arithmetic Returns, in proportion to asset allocation		6.9 %

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligation in the future. To make this determination, employer contributions, employee contribution, benefit payments, expenses and investment returns are

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk free" rate is required as described below.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and tax-exempt municipal bond rate base on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate of return are not met). For this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting single discount rate is 7.00%.

The following provides the sensitivity of the net pension liability to changes in the discount rate. The information below presents the plan's net pension liability. It is calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	\$ 437,504,344	\$ 315,758,896	\$ 212,642,330

TSRS did not hold investments (other than those explicitly guaranteed by the U.S. Government) in any one organization that represent 5% or more of the Plan's fiduciary net position at June 30, 2020.

For the year ended June 30, 2020, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 4.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM:

A. Plan Description

City public safety employees (Tucson Police and Tucson Fire) who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

B. Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Certain retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

	Retirement Initial Membership Date		
	Tier 1	Tier 2	Tier 3
Retirement and Disability			
Years of service and age required to receive benefit	20 years of service, any age. 15 years of service, age 62	25 years, or 15 years of credited service and age 52.5	15 years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Survivor benefit:			
Retired Members	80% of retired member's pension benefit		
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

C. Membership and Contributions

At June 30, 2020, the following employees were covered by the agent pension plan's benefit terms:

Plan Participants	Police Pension	Police Health	Fire Pension	Fire Health
Active plan members	787	787	552	552
Retirees and beneficiaries	998	998	584	584
Inactive, non-retired members	170	73	69	52
Total plan participants	1,955	1,858	1,205	1,188

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the fiscal year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Tucson Police	Tucson Fire
Active members:		
Pension	7.65% to 11.65%	7.65% to 11.65%
Health insurance	0.00% to 0.20%	0.00% to 0.22%
City:		
Pension	69.86% to 73.28%	60.61% to 64.35%
Health Insurance	0.20% to 1.06%	0.22% to 0.81%

The City's contributions to the pension and OPEB plans for the year ended June 30, 2020, were:

	Tucson Police	Tucson Fire
Pension	\$ 43,842,305	\$ 28,931,576
Health Insurance	623,560	351,969
Total	\$ 44,465,865	\$ 29,283,545

The City's pension and OPEB contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

D. Pension and OPEB assets and liabilities

At June 30, 2020, the City reported the following net pension liabilities:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension		
Total Pension Liability	\$ 976,887,024	\$ 598,427,145
Plan's Fiduciary Net Position	331,799,090	197,594,912
Net Pension Liability	<u>\$ 645,087,934</u>	<u>\$ 400,832,233</u>
Health Insurance		
Total OPEB Liability	\$ 21,106,787	\$ 12,755,680
Fiduciary Net Position	15,895,488	10,802,032
Net OPEB Liability	<u>\$ 5,211,299</u>	<u>\$ 1,953,648</u>

The net pension and OPEB assets/liability were measured as of June 30, 2019. The total liability used to calculate the liability was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

	Pension	OPEB (Health Insurance)
Actuarial Valuation Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.30% Tier 1/2 7.00% Tier 3	7.30% Tier 1/2 7.00% Tier 3
Projected Salary Increases	3.50% to 7.50%	3.50% to 7.50%
Wage Inflation	3.50%	3.50%
Permanent benefit increase	1.75%	N/A
Mortality rates	Active: PubS-2010 Employee mortality, loaded 110% for males and females. 100% of active deaths are assumed to be in the line of duty.	Active: PubS-2010 Employee mortality, loaded 110% for males and females. 100% of active deaths are assumed to be in the line of duty.
	Inactive: PubS-2010 Healthy Retiree mortality, loaded 110% for males and females	Inactive: PubS-2010 Healthy Retiree mortality, loaded 110% for males and females
	Beneficiaries: PubS-2010 Survivor mortality.	Beneficiaries: PubS-2010 Survivor mortality.
	Disabled: PubS-2010 Disabled mortality.	Disabled: PubS-2010 Disabled mortality.
	All populations are projected with future mortality improvements reflected generationally using 75% of scale MP-2018.	All populations are projected with future mortality improvements reflected generationally using 75% of scale MP-2018.
Health Care Trend rates	N/A	For active members, 70% of retirees are expected to utilize retiree health care. Actual utilization is used for inactive members.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.30% for tiers 1 and 2, and 7.00% for tier 3. This rate is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table below:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	16.00%	4.75%
Non-U.S. Equity	14.00%	5.00%
Private Equity	12.00%	8.40%
Fixed Income	5.00%	3.00%
Private Credit	16.00%	5.36%
GTS	12.00%	4.01%
Real Assets	9.00%	6.75%
Real Estate	10.00%	4.50%
Risk Parity	4.00%	4.01%
Short Term Investments	2.00%	0.25%
Total	100%	

Discount Rate. At June 30, 2019, the discount rate used to measure the total pension and OPEB liability was 7.3%.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension and OPEB liability.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The following table present the changes in the net pension liability for Tucson Police:

Tucson Police	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total (Assets)	Plan Fiduciary	Net (Assets)	Total (Assets)	Plan Fiduciary	Net (Assets)
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 904,463,269	\$317,394,116	\$ 587,069,153	\$21,427,416	\$ 15,705,592	\$ 5,721,824
Adjustments to Beginning of Year:		\$ (354,794)	\$ 354,794		\$ 354,793	\$ (354,793)
Changes for the year:						
Service cost	13,100,961		13,100,961	202,922		202,922
Interest on the total pension liability	65,886,833		65,886,833	1,544,102		1,544,102
Differences between the expected and actual experience in the measurement of the pension liability	24,643,166		24,643,166	(913,929)		(913,929)
Changes of assumptions or other inputs	23,196,034		23,196,034	374,464		374,464
Contributions--employer		46,215,262	(46,215,262)		530,629	(530,629)
Contributions--employee		5,532,860	(5,532,860)		20,344	(20,344)
Net investment income		17,761,280	(17,761,280)		826,586	(826,586)
Benefit payments, including refunds of employee contributions	(54,403,239)	(54,403,239)		(1,528,188)	(1,528,188)	
Administrative Expense		(309,463)	309,463		(14,268)	14,268
Other changes		(36,932)	36,932			
Net changes	72,423,755	14,759,768	57,663,987	(320,629)	(164,897)	(155,732)
Balances at June 30, 2020	\$ 976,887,024	\$331,799,090	\$ 645,087,934	\$21,106,787	\$ 15,895,488	\$ 5,211,299

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The following table present the changes in the net pension liability for Tucson Fire:

Tucson Fire	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total (Assets)	Plan Fiduciary	Net (Assets)	Total (Assets)	Plan Fiduciary	Net (Assets)
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$567,045,848	\$188,136,299	\$378,909,549	\$13,629,647	\$10,661,541	\$2,968,106
Adjustments to Beginning of Year:		(206,469)	206,469		206,468	(206,468)
Changes for the year:						
Service cost	9,623,461		9,623,461	136,905		136,905
Interest on the total pension liability	41,395,645		41,395,645	983,785		983,785
Differences between the expected and actual experience in the measurement of the pension liability	5,951,987		5,951,987	(1,141,572)		(1,141,572)
Changes of assumptions or other inputs	8,947,604		8,947,604	91,238		91,238
Contributions--employer		30,051,636	(30,051,636)		322,665	(322,665)
Contributions--employee		3,802,902	(3,802,902)		2,862	(2,862)
Net investment income		10,531,681	(10,531,681)		562,529	(562,529)
employee contributions	(34,537,400)	(34,537,400)		(944,323)	(944,323)	
Administrative Expense		(183,737)	183,737		(9,710)	9,710
Net changes	31,381,297	9,665,082	21,716,215	(873,967)	(65,977)	(807,990)
Balances at June 30, 2020	\$598,427,145	\$197,594,912	\$400,832,233	\$12,755,680	\$10,802,032	\$1,953,648

Sensitivity of the net liabilities (for Pension and OPEB) to changes in the discount rate. The following table presents the City's net pension and OPEB assets (liability) calculated using the discount rates noted above, as well as what the City's net assets (liability) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.30%/6.00%	7.30%/7.00%	8.30%/8.00%
Net pension liability	\$ 768,651,990	\$ 645,087,934	\$ 543,443,300
Net OPEB liability	\$ 7,337,009	\$ 5,211,299	\$ 3,409,664
PSPRS - Fire:			
Rate	6.30%/6.00%	7.30%/7.00%	8.30%/8.00%
Net pension liability	\$ 476,064,261	\$ 400,832,233	\$ 338,811,415
Net OPEB liability	\$ 3,241,758	\$ 1,953,648	\$ 859,304

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

Pension Plan Fiduciary Net Position-Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial reports. The report is available on the PSPRS website at www.psprs.com.

F. Pension and OPEB expense, deferred inflows and deferred outflows of resources

For the year ended June 30, 2020, the City recognized the following as pension and OPEB expense:

	<u>Tucson - Police</u>	<u>Tucson - Fire</u>
Pension	\$ 78,976,921	\$ 49,163,043
OPEB	\$ 263,139	\$ 81,936

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

	<u>Pension</u>		<u>OPEB (Health Insurance)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Tucson Police				
Differences between expected and actual experience	\$ 21,882,644	\$ 4,608,694	\$	\$ 1,099,165
Changes of assumption or other inputs	38,892,679		299,572	91,471
Net Difference between projected and actual earnings on plan investments	3,952,636		20,400	
City contribution subsequent to measurement date	43,842,305		623,560	
Total	<u>\$108,570,264</u>	<u>\$ 4,608,694</u>	<u>\$ 943,532</u>	<u>\$ 1,190,636</u>
Tucson Fire				
Differences between expected and actual experience	\$ 8,996,193	\$ 7,149,445	\$	\$ 1,285,155
Changes of assumption or other inputs	25,704,225		167,839	
Net Difference between projected and actual earnings on plan investments	2,458,848		13,415	
City contribution subsequent to measurement date	28,931,576		351,969	
Total	<u>\$ 66,090,842</u>	<u>\$ 7,149,445</u>	<u>\$ 533,223</u>	<u>\$ 1,285,155</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the tables above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year ended June 30,	PSPRS - Police		PSPRS - Fire	
	Pension	OPEB Health Insurance	Pension	OPEB Health Insurance
2021	\$ 21,887,056	\$ (352,278)	\$ 9,586,376	\$ (279,905)
2022	15,908,522	(352,279)	6,679,132	(279,904)
2023	11,632,608	(118,003)	6,403,388	(192,795)
2024	10,691,079	(48,104)	4,857,660	(176,241)
2025			2,483,265	(175,056)
Total	<u>\$ 60,119,265</u>	<u>\$ (870,664)</u>	<u>\$ 30,009,821</u>	<u>\$ (1,103,901)</u>

Note 14 – ELECTED OFFICIALS RETIREMENT PLAN:

Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3; however, the plan is not described in detail because of its relative insignificance to the financial statements. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS's Web site at www.psprs.com.

Note 15 – OTHER POST EMPLOYMENT BENEFITS:

A. Plan Description

Under authority of the Mayor and Council, the City provides post-retirement insurance benefits, for certain retirees and their dependents, in accordance with the Retiree Health Benefit Continuation Program (Plan). The Plan is a single-employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan was closed to new entrants who were hired by the City of Tucson after December 31, 2016. Generally, resources from the General Fund are used to pay for post-employment benefits.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Benefits Provided

The plan provides post-retirement insurance (health and life) benefits for eligible retirees up to age 65. To be eligible for City-paid benefits, a retiree must have attained eligibility for early retirement under the Tucson Supplemental Retirement System (TSRS) or the Public Safety Personnel Retirement System (PSPRS); and who have reached a certain age with a certain number of years of experience. Eligible retirees may participate in the Plan and receive a City contribution towards coverage under the Plan. If eligible for a subsidy from the PSPRS, the retiree must designate the City as the recipient of the PSPRS Retiree Premium Benefit. In addition, the City pays for the cost of \$7,500 of term life insurance for each retiree.

C. Contributions

Depending upon the date of retirement, the City contributes between 75% and 100% of the medical insurance premiums and retirees agree to pay the remaining portion of the premium. For the current fiscal year, the City contributed \$6,356,646 for these benefits, which was net of \$4,212,923 of retiree contributions. The City's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the Plan.

D. Employees covered by benefit terms

The following employees were covered as of the effective date of the OPEB valuation:

Inactive employees or beneficiaries currently receiving benefits	4,349
Active employees	3,112
Total	<u>7,461</u>

E. Total OPEB Liability

The City's total OPEB liability of \$195,352,225 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Measurement date	June 30, 2019
Actuarial valuation date	June 30, 2019
Interest rate	3.50%
Inflation rate	3.00%
Projected salary increases	3.00% - 7.50%
Health care cost trend rate	
Medical and Prescription Drug	7.00% graded down to an ultimate rate of 4.50% over 10 years
Retiree contribution increase	Consistent with medical/drug trends
TSRS subsidy increases	None
Cost of living adjustments	N/A

The discount rate is based on the estimate of expected long-term plan experience.

General employee mortality rates for active employees were based on the RP-2014 Employee Mortality Table, Projected with the ultimate rates of projection scale MP-2018. General employee mortality rates for retired employees were based on the RP-2014 Healthy Annuitant Mortality Table, Projected with the ultimate rates of projection scale MP-2018.

Public safety employee mortality rates for active public safety employees were based on the PubS-2010 Employee Headcount-Weighted Mortality Table, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2018. Public safety employee mortality rates for retired public safety employees were based on the PubS-2010 Healthy Retiree Headcount-Weighted Mortality Table, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2018.

G. Changes in the Total OPEB Liability

At June 30, 2020, the City had the following total liability and associated changes:

Total OPEB Liability - July 1, 2019	\$ 187,593,561
Changes for the year:	
Service cost	6,163,154
Interest	7,270,919
Differences between expected and actual experience	(404,867)
Changes in assumptions or other inputs	6,484,817
Benefit payments	(11,755,359)
Net changes	<u>7,758,664</u>
Total OPEB Liability - June 30, 2020	<u>\$ 195,352,225</u>

H. Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 213,731,795	\$ 195,352,225	\$ 179,236,916

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Total OPEB liability	\$ 177,500,423	\$ 195,352,225	\$ 217,517,133

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$(124,258). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 22,300,622
Changes of assumptions or other inputs	7,683,275	18,362,192
Contributions subsequent to the measurement date	14,108,308	
Total	<u>\$ 21,791,583</u>	<u>\$ 40,662,814</u>

Contributions made after the measurement date of the net pension/OPEB liability but before the end of the City's governmental non-employer contributing entity's reporting period will be recognized as a reduction of the net pension/OPEB liability or collective net pension/OPEB liability in the subsequent fiscal year rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (13,558,331)
2022	(13,558,331)
2023	(6,110,739)
2024	(247,862)
2025	
Thereafter	
	<u>\$ (33,475,263)</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 16 - 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 excess liability, property insurance, public employee fidelity bonds, crime insurance, aircraft insurance, inland marine, cyber 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 Risk Management 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 four 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 Internal Service Fund's aggregate claims liabilities for the fiscal years ended June 30, 2020 and 2019, are as follows:

	Risk Management		Health Insurance
	2020	2019	2020
Beginning of fiscal year liability	\$ 47,226,118	\$ 39,354,500	\$
Current year claims and changes in estimates	8,972,228	17,261,730	57,967,661
Claim Payments	(9,321,359)	(9,390,112)	(52,020,661)
Balance at fiscal year end	<u>\$ 46,876,987</u>	<u>\$ 47,226,118</u>	<u>\$ 5,947,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 17 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$409,236,188 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 2036. Annual principal and interest payments on the bonds are expected to require less than 52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$528,860,448. Principal and interest paid for the current year and total customer net revenues were \$49,536,615 and \$136,099,928, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$31,905,000 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 2020 annual principal and interest payments on the bonds required 26% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$35,086,750. Principal and interest paid for the current year and total H.U.R.F. revenues were \$12,143,750 and \$51,575,657 respectively.

Note 18 – 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 \$8,074,696. 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 \$22,154,986.

C. Construction and Other Commitments

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

D. Federal and State Grants

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

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies 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 \$42,870,447 at June 30, 2020.

According to the terms of the regulatory and operating agreement with the U.S. Department of Housing, the Tucson House 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 tax credit compliance period ended in 2014 and the City is assessing its option to repurchase the Tucson House in exchange for forgiveness of the debt. The Extended Land Use Agreement requires continued affordability for a 40 year period ending in 2039. In addition, the Agreement Concerning the Affordable Housing Program Loan with the Federal Home Loan Bank (FHLB) requires the units be operated as low-income housing for a 50 year period ending in 2049 with the subsidy being forgiven annually over that period. If the terms are violated, the City will be jointly liable (with the limited partnership) for repayment of the subsidy to the FHLB. The City has made certain commitments to ensure affordability, and therefore, has potential associated liability. The likelihood of such liabilities occurring is considered remote by the City.

F. Financing of Posadas Sentinel Low-income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (Posadas), whereby the City leased various properties to Posadas for 75 years. Under the terms of the lease, Posadas will develop and operate the properties solely as low-income residential housing facilities. Posadas is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as notes receivable. The note balance, with accrued interest at 7.5% thereon, was \$38,534,284 at June 30, 2020.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$4,453,860 at June 30, 2020.

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 \$3,251,455 at June 30, 2020.

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.

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 \$6,855,230 at June 30, 2020.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$925,000 at June 30, 2020.

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 \$1,225,000 at June 30, 2020.

K. Rio Nuevo Multipurpose Facilities District

In order to resolve a variety of lawsuits between the City and the Rio Nuevo Multipurpose Facilities District (the District”), the City Mayor and Council and the District Board signed an agreement on February 7, 2013. In this agreement, the City will 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 from fiscal year 2013 through fiscal year 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. On October 5, 2016, The City adopted Resolution 22647 which authorized the sale of City owned land to Rio Nuevo Multipurpose Facilities District (Rio Nuevo) in return for a reduced liability of the garage settlement described above. The remaining liability was set to be paid in twenty-one annual payments of \$285,000 from fiscal year 2022 through fiscal year 2042. In fiscal year 2019, the City prepaid for the rental agreement the sum of \$6,620,000 to secure rental agreement until fiscal year 2043. As of June 30, 2020, no balance due remains.

L. 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, 2020, the City intended to honor \$51,107,834 of outstanding encumbrances in the new year.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

General Fund	\$ 5,374,217
Mass Transit	2,938,172
Nonmajor Governmental Funds	42,795,445
Total	<u>\$ 51,107,834</u>

Note 19 - 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 20 – CREDIT CARD PAYMENTS BY THE CITY OF TUCSON:

The City of Tucson requires some vendors to accept payment only through credit cards. In such cases Arizona Revised Statutes requires the City to disclose the requirement during the bid process or amend the contract under a mutual agreement with the vendor. The statute also requires disclosure of the incentive received by the City resulting from credit card payments. For fiscal year 2020 the City received rebate revenues of \$1,043,651.

Note 21 - SUBSEQUENT EVENTS

A. COVID-19 Pandemic

Since the date of these financial statements, the City along with the rest of the nation, found that it is affected by the Coronavirus Disease 2019 (COVID-19) and the daily fluctuating valuations and unprecedented volatility of the financial markets. City operations have been curtailed, supply chains have been disrupted, and travel is severely restricted. The Governor of Arizona and the Mayor of Tucson exercised emergency powers to close dine-in services and some businesses in an effort to slow the spread of COVID-19. In response to this financial crisis, the organization instituted a hiring freeze and is deferring non-essential spending.

The financial impact from this crisis is unknown at this time but we do know that local taxes including sales and use, transient occupancy and state-shared sales taxes will decline. Projections indicate that reductions in revenue will begin to be seen in the third quarter of fiscal year 2020 and will continue through the second quarter of fiscal year 2021. The City has been planning for another downturn in the economy and believes it has the necessary liquidity to weather through for the next year.

B. Long Term Debt

On August 19, 2020 City issued the Series 2018-A (2020) General Obligation Bonds in the amount of \$47,810,000 to provide funds for projects comprising parks and connectivity projects. These bonds are due in an annual principal installment ranging from \$9,300,000 to \$500,000, plus semi-annual interest ranging from \$1,146,175 to \$52,000 with true coupons ranging between 4.0 and 5.0 percent. Bonds will be paid through July 1, 2033.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

On August 19, 2020 City issued the Series 2020 Water System Revenue Obligations in the amount of \$45,765,000. These obligations are due in an annual principal installment ranging from \$3,450,000 to \$1,370,000, plus semi-annual interest ranging from \$985,025 to \$51,750 with coupons ranging from 3.0 to 5.0 percent and will be paid through July 1, 2039.

On December 1, 2020 City issued the Series 2020 Water System Revenue Refunding Obligations, Taxable Series 2020 in the amount of \$53,985,000. These obligations are due in an annual principal installment ranging from \$8,270,000 to \$940,000, plus semi-annual interest ranging from \$497,027 to \$77,170 with coupons ranging from 0.29 to 2.06 percent and will be paid through July 1, 2033.

On December 10, 2020 City issued the Certificates of Participation Refunding Taxable Series 2020 in the amount of \$27,240,000. These obligations are due in an annual principal installment ranging from \$4,420,000 to \$505,000, plus semi-annual interest ranging from \$303,159 to \$12,017 with annual interest ranging from 0.28 to 2.311 percent and will be paid through July 1, 2024.





Required Supplementary Information



CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 304,203,730	\$ 294,746,510	\$ 296,653,398	\$ 1,906,888
Licenses and Permits	32,855,180	32,855,180	31,944,861	(910,319)
Fines and Forfeitures	8,327,410	7,940,110	7,969,375	29,265
Use of Money and Property	503,240	1,059,450	2,268,242	1,208,792
Other Agencies	158,547,460	160,334,360	161,119,642	785,282
Charges for Services	57,574,550	52,459,700	50,940,379	(1,519,321)
Miscellaneous	2,131,950	3,537,350	7,476,243	3,938,893
Total revenues	564,143,520	552,932,660	558,372,140	5,439,480
Expenditures:				
Current -				
Elected and Official	19,732,830	20,952,830	18,851,541	2,101,289
Support Services	94,055,800	90,397,380	86,335,339	4,062,041
Public Safety/Justice Services	292,957,230	261,390,076	259,330,669	2,059,407
Community Enrichment and Development	38,537,680	36,504,480	35,347,625	1,156,855
General Government	50,320,390	39,899,880	42,578,817	(2,678,937)
Capital Outlay	3,605,240	3,409,855	2,113,912	1,295,943
Capital Projects	2,133,300	1,197,670	495,713	701,957
Debt service -				
Principal	17,990,600	17,990,600	17,980,593	10,007
Interest	7,178,950	7,178,950	7,207,110	(28,160)
Issuance Costs of Debt	17,500	17,500		17,500
Total expenditures	526,529,520	478,939,221	470,241,319	8,697,902
Excess (deficiency) of revenues over expenditures	37,614,000	73,993,439	88,130,821	14,137,382
Other financing sources (uses):				
Transfers In	2,298,720	2,298,720	3,420,151	1,121,431
Transfers Out	(56,637,420)	(29,434,400)	(30,132,108)	(697,708)
Total other financing sources (uses)	(54,338,700)	(27,135,680)	(26,711,957)	423,723
Change in fund balances	\$ (16,724,700)	\$ 46,857,759	61,418,864	\$ 14,561,105
Fund balance, beginning of year			123,371,164	
Fund balance, end of year			\$ 184,790,028	

The notes to the schedule are an integral part of this schedule.

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of Money and Property	\$ 504,000	\$ 504,000	\$ 907,897	\$ 403,897
Federal Grants and Contributions	15,782,290	40,494,161	40,494,161	0
Other Agencies	15,501,620	15,501,620	9,445,073	(6,056,547)
Charges for Services	13,795,400	13,795,400	9,754,202	(4,041,198)
Miscellaneous	338,000	338,000	1,093,885	755,885
Total revenues	<u>45,921,310</u>	<u>70,633,181</u>	<u>61,695,218</u>	<u>(8,937,963)</u>
Expenditures:				
Current -				
Community Enrichment and Development	85,742,600	85,635,600	80,252,630	(5,382,970)
Capital Outlay	3,043,700	2,793,600	1,600,179	(1,193,421)
Capital Projects	5,325,400	5,682,500	1,946,954	3,735,546
Total expenditures	<u>94,111,700</u>	<u>94,111,700</u>	<u>83,799,763</u>	<u>(2,840,845)</u>
Excess (deficiency) of revenues over expenditures	<u>(48,190,390)</u>	<u>(23,478,519)</u>	<u>(22,104,545)</u>	<u>11,778,808</u>
Other financing sources (uses):				
Transfers In	47,414,190	47,414,190	21,320,173	26,094,017
Total other financing sources (uses)	<u>47,414,190</u>	<u>47,414,190</u>	<u>21,320,173</u>	<u>26,094,017</u>
Changes in fund balances	<u>\$ (776,200)</u>	<u>\$ 23,935,671</u>	<u>(784,372)</u>	<u>\$ 37,872,825</u>
Fund balance, beginning of year			6,159,977	
Fund balance, end of year			<u>\$ 5,375,605</u>	

The notes to this schedule are an integral part of this schedule.

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CORONAVIRUS RELIEF FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of Money and Property	\$	\$	\$ 236,755	\$ 236,755
Federal Grants and Contributions	29,122,200	29,122,200	28,961,402	(160,798)
Total revenues	29,122,200	29,122,200	29,198,157	75,957
Expenditures:				
Current -				
Elected and Official	58,400	58,400	58,375	25
Public Safety and Justice Services	24,806,600	24,806,600	24,812,947	(6,347)
Community Enrichment and Development	612,000	612,000	645,700	(33,700)
General Government	3,645,200	3,645,200	3,681,135	(35,935)
Total expenditures	29,122,200	29,122,200	29,198,157	(75,957)
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers In				
Total other financing sources (uses)				
Changes in fund balances				
Fund balance, beginning of year				
Fund balance, end of year			\$	

The notes to this schedule are an integral part of this schedule.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2020

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.



Pension Plans Disclosures



CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)
Last 10 Fiscal Years (Built Prospectively)

	2020	2019	2018	2017	2016
Total Pension Liability					
Service Cost	\$ 14,648,214	\$ 14,130,993	\$ 13,104,720	\$ 13,130,902	\$ 14,279,065
Interest Cost	76,836,667	75,605,853	72,893,717	72,547,402	72,013,831
Differences Between Expected and Actual	6,252,324	5,030,045	6,919,468	(6,472,776)	(6,529,764)
Changes of Assumptions		57,324,201			
Benefits and Refund Payments	(78,298,677)	(76,586,216)	(75,618,198)	(73,213,157)	(70,445,750)
Net Change in Total Pension Liability	19,438,528	75,504,876	17,299,707	5,992,371	9,317,382
Total Pension Liability - Beginning	1,129,491,900	1,053,987,024	1,036,687,317	1,030,694,946	1,021,377,564
Total Pension Liability - Ending	<u>\$1,148,930,428</u>	<u>\$1,129,491,900</u>	<u>\$1,053,987,024</u>	<u>\$1,036,687,317</u>	<u>\$1,030,694,946</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 34,830,264	\$ 32,589,204	\$ 31,795,197	\$ 31,823,694	\$ 33,175,307
Contributions - Member	7,791,910	7,779,477	8,561,747	7,439,065	7,083,385
Net Investment Income	32,909,415	49,819,110	69,478,468	97,535,598	17,820,325
Benefits and Refund Payments	(78,298,677)	(76,586,216)	(75,618,198)	(73,213,157)	(70,445,750)
Administrative Expense	(644,408)	(652,065)	(745,754)	(756,268)	(786,028)
Other			219,121	331,126	142,093
Net Change in Plan Fiduciary Net Position	(3,411,496)	12,949,510	33,690,581	63,160,058	(13,010,668)
Plan Fiduciary Net Position - Beginning	836,583,028	823,633,518	789,942,937	726,782,879	739,793,547
Plan Fiduciary Net Position - Ending	<u>\$833,171,532</u>	<u>\$836,583,028</u>	<u>\$ 823,633,518</u>	<u>\$ 789,942,937</u>	<u>\$726,782,879</u>
Net Pension Liability - Ending	<u>\$315,758,896</u>	<u>\$292,908,872</u>	<u>\$ 230,353,506</u>	<u>\$ 246,744,380</u>	<u>\$303,912,067</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.52 %	74.07 %	78.14 %	76.20 %	70.51 %
Covered Payroll	\$ 127,378,110	\$ 123,822,602	\$ 115,618,898	\$ 117,006,431	\$ 115,183,349
Net Pension Liability as a Percentage of Covered Payroll	247.89 %	236.56 %	199.24 %	210.88 %	263.85 %

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)
Last 10 Fiscal Years (Built Prospectively)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 15,753,944	\$ 14,825,019
Interest Cost	70,688,775	66,915,612
Differences Between Expected and Actual	(7,815,270)	325,889
Changes of Assumptions	(31,210,057)	76,945,563
Benefits and Refund Payments	(67,612,351)	(66,002,013)
Net Change in Total Pension Liability	(20,194,959)	93,010,070
Total Pension Liability - Beginning	<u>1,041,572,523</u>	<u>948,562,453</u>
Total Pension Liability - Ending	<u><u>\$ 1,021,377,564</u></u>	<u><u>\$ 1,041,572,523</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 33,985,523	\$ 34,189,288
Contributions - Member	7,531,845	7,338,543
Net Investment Income	30,684,188	119,729,154
Benefits and Refund Payments	(67,612,351)	(66,002,013)
Administrative Expense	(650,405)	(735,739)
Other	118,247	171,077
Net Change in Plan Fiduciary Net Position	4,057,047	94,690,310
Plan Fiduciary Net Position - Beginning	<u>735,736,500</u>	<u>641,046,190</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 739,793,547</u></u>	<u><u>\$ 735,736,500</u></u>
Net Pension Liability - Ending	<u><u>\$ 281,584,017</u></u>	<u><u>\$ 305,836,023</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.43 %	70.64 %
Covered Payroll	\$ 123,414,560	\$ 126,639,423
Net Pension Liability as a Percentage of Covered Payroll	228.16 %	241.50 %

Pension schedules in the required supplementary information are intended to show information for ten year. Additional years' information will be displayed as it becomes available.

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS) NET POSITION LIABILITY

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % Covered Payroll
2020	\$1,148,930,428	\$ 833,171,532	\$ 315,758,896	72.52%	\$ 127,378,110	247.89%
2019	1,129,491,900	836,583,028	292,908,872	74.07%	123,822,602	236.56%
2018	1,053,987,024	823,633,518	230,353,506	78.14%	115,618,898	199.24%
2017	1,036,687,317	789,942,937	246,744,380	76.20%	115,722,524	210.88%
2016	1,030,694,946	726,782,879	303,912,067	70.51%	120,637,480	263.85%
2015	1,021,377,564	739,793,547	281,584,017	72.43%	123,583,720	228.16%
2014	1,041,572,524	735,736,500	305,836,024	70.64%	126,206,305	241.50%

Pension schedules are intended to show 10 years of information. Additional years will be displayed as they become available.

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)

FY Ending 2020	Actuarially Determined % of Pay	Actuarially Determined Contribution (ADC)	Actual Contribution % of Pay	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions in Relation to ADC, Expressed as % of Covered Payroll
2020	21.99%	\$ 27,851,546	27.50%	\$ 34,830,264	\$ (6,978,718)	\$ 126,655,505	105.5%
2019	23.48%	27,825,255	27.50%	32,589,204	(4,763,949)	118,506,196	104.0%
2018	25.78%	29,806,552	27.50%	31,795,197	(1,988,645)	115,618,898	101.7%
2017	25.52%	29,532,388	27.50%	31,823,694	(2,291,306)	115,722,524	102.0%
2016	27.04%	32,608,311	27.50%	33,175,307	(566,996)	120,637,480	100.5%
2015	26.95%	33,305,813	27.50%	33,985,523	(679,710)	123,583,720	100.5%
2014	27.09%	34,189,288	27.09%	34,189,288	n/a	126,206,305	n/a
2013	28.77%	34,523,315	28.77%	34,523,315	n/a	119,997,619	n/a
2012	23.38%	34,824,621	23.38%	34,824,621	n/a	148,950,475	n/a
2011	18.02%	28,756,890	18.02%	28,756,890	n/a	159,583,185	n/a

CITY OF TUCSON, ARIZONA
NOTES TO SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)

Valuation Date:	June 30, 2019
Notes	Actuarially determined contribution rates are calculated for the fiscal year beginning one year after the valuation date (one year lag)..
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Inflation	3.00%
Salary Increases	3.00% to 6.50% including inflation
Investment Rate of Return	7.25%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2009-2013.
Mortality	Pre and Post-retirement: RP-2000 Combined Mortality Table for males and females projected with Scale BB to 2020. Disabled retirement: RP-2000 Disabled Mortality Table for males and females.
Notes	There were no benefit changes during the year.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION INVESTMENT RETURNS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return,							
Net of Investment Expense	4.20%	6.06%	8.84%	14.26%	2.38%	4.17%	19.11%

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

TUCSON POLICE						
	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability						
Service Cost	\$ 13,100,961	\$ 11,100,699	\$ 14,015,744	\$ 12,024,132	\$ 11,668,152	\$ 11,720,855
Interest	65,886,833	63,586,063	60,046,963	58,552,864	58,577,435	49,886,649
Changes of Benefit Terms			8,792,051	21,480,741		17,350,937
Differences Between Expected and Actual Experience	24,643,166	3,901,976	(3,781,994)	(10,074,554)	(12,033,376)	(1,845,566)
Changes of Assumptions and other inputs	23,196,034		33,615,459	28,166,832		82,969,636
Benefit Payments, Including Refunds of Member Contributions	(54,403,239)	(55,692,488)	(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
Net Change in Total Pension Liability	72,423,755	22,896,250	63,209,202	46,797,032	4,158,795	115,444,890
Total Pension Liability - Beginning	904,463,269	881,567,019	818,357,817	771,560,785	767,401,990	651,957,100
Total Pension Liability - Ending	\$ 976,887,024	\$ 904,463,269	\$ 881,567,019	\$ 818,357,817	\$ 771,560,785	\$ 767,401,990
Plan Fiduciary Net Position						
Contributions - Employer	\$ 46,215,262	\$ 52,220,657	\$ 34,353,830	\$ 34,353,830	\$ 26,978,551	\$ 25,050,303
Contributions - Member	5,532,860	5,665,060	7,711,279	8,187,736	7,096,010	6,411,220
Net Investment Income	17,761,280	21,304,803	32,061,276	1,658,844	10,553,615	36,646,985
Benefit Payments, Including Refunds of Member Contributions	(54,403,239)	(55,692,488)	(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
Pension Plan Administrative Expense	(309,463)	(334,957)	(284,088)	(239,099)	(257,865)	
Other (Net Transfer)	(36,932)	(266,348)	(265,766)	(438,656)	(418,057)	(14,311,889)
Net Change in Plan Fiduciary Net Position	14,759,768	22,896,727	27,108,668	(19,830,328)	(10,101,162)	9,158,998
Plan Fiduciary Net Position - Beginning	317,394,116	294,497,389	267,388,721	287,219,049	297,320,211	288,161,213
Adjustments to Beginning of Year	\$ (354,794)					
Plan Fiduciary Net Position - Ending	\$ 331,799,090	\$ 317,394,116	\$ 294,497,389	\$ 267,388,721	\$ 287,219,049	\$ 297,320,211
City's Net Position Liability - Ending	\$ 645,087,934	\$ 587,069,153	\$ 587,069,630	\$ 550,969,096	\$ 484,341,736	\$ 470,081,779
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.96 %	35.09 %	33.41 %	32.67 %	37.23 %	38.74 %
Covered Payroll	\$ 59,733,789	\$ 53,553,769	\$ 57,207,120	\$ 59,290,594	\$ 58,837,806	\$ 57,677,943
City's Net Position Liability as a Percentage of Covered Payroll	1,079.94 %	1,096.22 %	1,026.22 %	929.27 %	823.18 %	815.01 %

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

TUCSON FIRE						
	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability						
Service Cost	\$ 9,623,461	\$ 8,840,096	\$ 9,848,803	\$ 8,490,888	\$ 7,103,326	\$ 7,175,895
Interest	41,395,645	39,511,044	37,603,512	36,150,578	36,501,680	31,594,819
Changes of Benefit Terms			5,007,792	18,630,092		9,902,338
Differences Between Expected and Actual Experience	5,951,987	6,215,137	(11,548,340)	229,638	(8,410,285)	99,733
Changes of Assumptions and other inputs	8,947,604		24,947,334	17,131,550		44,213,488
Benefit Payments, Including Refunds of Member Contributions	(34,537,400)	(34,066,814)	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Net Change in Total Pension Liability	31,381,297	20,499,463	34,322,328	31,272,605	3,832,587	63,463,981
Total Pension Liability - Beginning	567,045,848	546,546,385	512,224,147	480,951,542	477,118,955	413,654,974
Total Pension Liability - Ending	\$ 598,427,145	\$ 567,045,848	\$ 546,546,475	\$ 512,224,147	\$ 480,951,542	\$ 477,118,955
Plan Fiduciary Net Position						
Contributions - Employer	\$ 30,051,636	\$ 34,070,743	\$ 27,383,515	\$ 22,701,968	\$ 17,186,603	\$ 15,972,870
Contributions - Member	3,802,902	3,712,765	5,103,020	5,209,851	4,092,378	3,849,878
Net Investment Income	10,531,681	12,483,625	18,533,184	978,548	6,307,289	22,057,153
Benefit Payments, Including Refunds of Member Contributions	(34,537,400)	(34,066,814)	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Pension Plan Administrative Expense	(183,737)	(200,699)	(164,387)	(141,207)	(154,261)	
Other		74,358	(210,132)	78,270	(132,475)	(9,649,798)
Net Change in Plan Fiduciary Net Position	9,665,082	16,073,978	19,108,427	(20,532,711)	(4,062,600)	2,707,811
Plan Fiduciary Net Position - Beginning	188,136,299	172,062,321	152,953,894	173,486,605	177,549,205	174,841,394
Adjustments to Beginning of Year	(206,469)					
Plan Fiduciary Net Position - Ending	\$ 197,594,912	\$ 188,136,299	\$ 172,062,321	\$ 152,953,894	\$ 173,486,605	\$ 177,549,205
City's Net Position Liability - Ending	\$ 400,832,233	\$ 378,909,549	\$ 374,484,154	\$ 359,270,253	\$ 307,464,937	\$ 299,569,750
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.02 %	33.18 %	31.48 %	29.86 %	36.07 %	37.21 %
Covered Payroll	\$ 42,836,283	\$ 40,628,506	\$ 40,900,346	\$ 42,306,370	\$ 35,256,316	\$ 35,105,468
City's Net Position Liability as a Percentage of Covered Payroll	935.73 %	932.62 %	915.60 %	849.21 %	872.08 %	853.34 %

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)

TUCSON POLICE						
Fiscal Year	Valuation	Actuarially		Contribution	Covered	Actual
Ending	Date	Determined	Actual	Deficiency	Payroll	Contribution
June 30,	Date	Contribution	Contributions	(Excess)	at Val Date	as a % of Covered
						Employee Payroll
2020	2019	\$ 46,215,262	\$ 46,215,262		\$ 59,733,789	77.37 %
2019	2018	61,287,835	61,287,835		53,553,769	114.44 %
2018	2017	37,364,988	37,364,988		57,207,120	65.32 %
2017	2016	34,353,830	34,353,830		59,290,594	57.94 %
2016	2015	26,978,551	26,978,551		58,837,806	45.85 %
2015	2014	25,050,303	25,050,303		57,677,943	44.30 %

TUCSON FIRE						
Fiscal Year	Valuation	Actuarially		Contribution	Covered	Actual
Ending	Date	Determined	Actual	Deficiency	Payroll	Contribution
June 30,	Date	Contribution	Contributions	(Excess)	at Val Date	as a % of Covered
						Employee Payroll
2020	2019	\$ 30,051,636	\$ 30,051,636		\$ 42,836,283	70.15 %
2019	2018	40,548,962	40,548,962		40,628,506	99.80 %
2018	2017	27,383,515	27,383,515		40,900,346	66.95 %
2017	2016	22,701,968	22,701,968		42,306,370	53.66 %
2016	2015	17,186,603	17,186,603		35,256,316	48.75 %
2015	2014	15,972,870	15,972,870		35,105,468	45.50 %

FY 2011-2014 - Information is not available: Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)

Valuation Date:	June 30, 2019
Notes	Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Fiscal Year 2019 Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Tier 1/2	
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	7-Year smoothed market; 20% corridor
Investment Rate of Return	7.3%, net of investment and administrative expenses
Tier 3	
Amortization Method	Level Dollar, Layered
Remaining Amortization Period	10 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Investment Rate of Return	7.00%, net of investment and administrative expenses
Wage Inflation	3.50%
Price Inflation	2.50%
Salary Increases	3.50% to 7.50% including inflation
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition.
Mortality	PubS-2010 Employee mortality, loaded 110% for males and females).

Other Information:

Assumed Future Permanent Benefit Increases	The COLA adjustment will be based on the average annual percentage change in Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
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CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

TUCSON POLICE			
	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
Total OPEB Liability			
Service Cost	\$ 202,922	\$ 180,290	\$ 228,828
Interest	1,544,102	1,542,475	1,594,853
Changes of Benefit Terms			33,852
Differences Between Expected and Actual Experience	(913,929)	(272,424)	(484,718)
Changes of Assumptions	374,464		(210,460)
Benefit Payments	(1,528,188)	(1,554,072)	(1,563,012)
Net Change in Total OPEB	(320,629)	(103,731)	(400,657)
Total OPEB Liability - Beginning	21,427,416	21,531,147	21,931,804
Total OPEB Liability - Ending	\$ 21,106,787	\$ 21,427,416	\$ 21,531,147
Plan Fiduciary Net Position			
Contributions - Employer	\$ 530,629	\$ 182,926	\$ 512,380
Contributions - Member	20,344	1,585	
Net Investment Income	826,586	1,071,704	1,750,756
Benefit Payments	(1,528,188)	(1,554,072)	(1,563,012)
Administrative Expense	(14,268)	(16,311)	(15,493)
Other (Net Transfer)			
Net Change in Plan Fiduciary Net Position	(164,897)	(314,168)	684,631
Plan Fiduciary Net Position - Beginning	15,705,592	16,019,760	15,335,129
Adjustment to Beginning of Year	354,793		
Plan Fiduciary Net Position - Ending	\$ 15,895,488	\$ 15,705,592	\$ 16,019,760
City's Net OPEB Liability - Ending	\$ 5,211,299	\$ 5,721,824	\$ 5,511,387
Plan Fiduciary Net Position as a Percentage of the Total OPEB	75.31%	73.30%	74.40%
Covered Payroll	\$ 59,733,789	\$ 53,553,769	\$ 57,207,120
City's Net OPEB Liability as a Percentage of Covered Payroll	8.72%	10.68%	9.63%

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

TUCSON FIRE			
	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
Total OPEB Liability			
Service Cost	\$ 136,905	\$ 132,903	\$ 134,971
Interest	983,785	987,402	997,383
Changes of Benefit Terms			12,995
Differences Between Expected and Actual Experience	(1,141,572)	(282,442)	(277,360)
Changes of Assumptions	91,238		167,748
Benefit Payments	(944,323)	(970,061)	(1,009,698)
Net Change in Total OPEB	(873,967)	(132,198)	26,039
Total OPEB Liability - Beginning	13,629,647	13,761,845	13,735,806
Total OPEB Liability - Ending	\$ 12,755,680	\$ 13,629,647	\$ 13,761,845
Plan Fiduciary Net Position			
Contributions - Employer	\$ 322,665	\$ 86,491	\$ 146,333
Contributions - Member	2,862	544	
Net Investment Income	562,529	726,450	1,191,166
Benefit Payments	(944,323)	(970,061)	(1,009,698)
Administrative Expense	(9,710)	(11,057)	(10,539)
Other (Net Transfer)		1	
Net Change in Plan Fiduciary Net Position	(65,977)	(167,632)	317,262
Plan Fiduciary Net Position - Beginning	10,661,541	10,829,173	10,511,911
Adjustments to Beginning of Year	206,468		
Plan Fiduciary Net Position - Ending	\$ 10,802,032	\$ 10,661,541	\$ 10,829,173
City's Net OPEB Liability - Ending	\$ 1,953,648	\$ 2,968,106	\$ 2,932,672
Plan Fiduciary Net Position as a Percentage of the Total OPEB	84.68%	78.22%	78.69%
Covered Payroll	\$ 42,836,283	\$ 40,628,506	\$ 40,900,346
City's Net OPEB Liability as a Percentage of Covered Payroll	4.56%	7.31%	7.17%

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S OPEB CONTRIBUTIONS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

TUCSON POLICE						
Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2019	2020	\$ 530,629	\$ 530,629		\$ 59,733,789	0.89 %
2018	2019	182,926	182,926		53,553,769	0.34 %
2017	2018	512,380	512,380		57,207,120	0.90 %

TUCSON FIRE						
Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2019	2020	\$ 322,665	\$ 322,665		\$ 42,836,283	0.75 %
2018	2019	86,491	86,491		40,628,506	0.21 %
2017	2018	146,333	146,333		40,900,346	0.36 %

Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
CITY SPONSORED PLAN
Last 10 Fiscal Years (Built Prospectively)

CITY OF TUCSON OPEB			
	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
Total OPEB Liability			
Service Cost	\$ 6,163,154	\$ 9,475,148	\$ 10,746,774
Interest	7,270,919	8,662,021	7,193,692
Differences Between Expected and Actual Experience	(404,867)	(24,039,470)	(20,411,157)
Changes of Assumptions	6,484,817	(32,541,492)	6,668,600
Benefit Payments	(11,755,359)	(12,886,797)	(13,874,433)
Net Change in Total OPEB	7,758,664	(51,330,590)	(9,676,524)
Total OPEB Liability - Beginning	187,593,561	238,924,151	248,600,675
Total OPEB Liability - Ending	\$ 195,352,225	\$ 187,593,561	\$ 238,924,151
 Plan Fiduciary Net Position			
Contributions - Employer	\$ 11,755,359	\$ 12,886,797	\$ 13,874,433
Benefit Payments	(11,755,359)	(12,886,797)	(13,874,433)
Net Change in Plan Fiduciary Net Position			
 City's Net OPEB Liability - Ending	\$ 195,352,225	\$ 187,593,561	\$ 238,924,151

Note: The City's OPEB is funded on a pay as you go basis, therefore no assets are accumulated.
The plan was closed to new entrants who were hired by the City Of Tucson after December 31, 2016.



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, 2020

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$ 145,781,622	\$ 87,182	\$ 57,550,009	\$ 203,418,813
Cash & Investments with Fiscal Agents	578,862	42,212,966		42,791,828
Taxes Receivable, Net	5,811,308			5,811,308
Accounts Receivable, Net	1,567,111		135,210	1,702,321
Notes & Loans Receivable	35,537,640			35,537,640
Due from Other Agencies	4,203,778		13,951,328	18,155,106
Grants & Entitlements Receivable	7,330,343			7,330,343
Interest Receivable	499,634		175,841	675,475
Inventories	1,893,554			1,893,554
Other Assets	89,134			89,134
Total assets	\$ 203,292,986	\$ 42,300,148	\$ 71,812,388	\$ 317,405,522
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 8,148,748	\$	\$ 4,923,161	\$ 13,071,909
Accrued Payroll Liabilities	791,179		24,406	815,585
Interfund Payable	8,951,339		11,963,094	20,914,433
Due to Other Agencies	353,646		169,577	523,223
Refundable Deposits	307,154			307,154
Bonds & Interest Payable		42,212,966		42,212,966
Advances from Grantors	1,482,600			1,482,600
Total liabilities	20,034,666	42,212,966	17,080,238	79,327,870
Deferred inflows:				
Deferred Revenues	30,452,189			30,452,189
Total deferred inflows	30,452,189			30,452,189
Fund balances:				
Nonspendable	1,893,554			1,893,554
Restricted	149,257,906	87,182	58,541,585	207,886,673
Committed	33,892			33,892
Assigned	1,620,779			1,620,779
Unassigned			(3,809,435)	(3,809,435)
Total fund balances	152,806,131	87,182	54,732,150	207,625,463
Total liabilities, deferred inflows and fund balances	\$ 203,292,986	\$ 42,300,148	\$ 71,812,388	\$ 317,405,522

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Park Tucson	Convention Center	HURF	Civic Contributions
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$ 1,358,102	\$ 1,846,880	\$ 13,975,740	\$ 1,338,383
Cash & Investments with Fiscal Agents	7,083		571,779	
Taxes Receivable, Net				
Accounts Receivable, Net	170,881	168,086	481,878	
Notes & Loans Receivable				
Interfund Receivable				
Due from Other Agencies			3,227,497	
Grants & Entitlements Receivable				
Interest Receivable	9,348		74,213	2,872
Inventories		57,176		
Other Assets		89,134		
Total assets	\$ 1,545,414	\$ 2,161,276	\$ 18,331,107	\$ 1,341,255
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 124,724	768,135	2,570,971	235
Accrued Payroll Liabilities	37,228	2,405	586,127	
Interfund Payable				
Due to Other Agencies		744		
Refundable Deposits	100		139,751	
Advances from Grantors				
Total liabilities	\$ 162,052	\$ 771,284	\$ 3,296,849	\$ 235
Deferred inflows:				
Deferred Revenues		577,917	479	
Total deferred inflows	0	577,917	479	0
Fund balances:				
Nonspendable		57,176		
Restricted		730,399	15,033,779	1,314,211
Committed	7,083			26,809
Assigned	1,376,279	24,500		
Total fund balances	1,383,362	812,075	15,033,779	1,341,020
	\$ 1,545,414	\$ 2,161,276	\$ 18,331,107	\$ 1,341,255

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020
(Continued)

Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants
\$ 180,228	\$ 518,594	\$ 4,275,545	\$ 1,073,294	\$
	93	506,045		
7,547,107			27,990,533	
1,691,699	844,945	60,645	180,756	3,885,435
<u>\$ 9,419,034</u>	<u>\$ 1,363,632</u>	<u>\$ 4,842,235</u>	<u>\$ 29,244,583</u>	<u>\$ 3,885,435</u>
\$ 1,015,123	\$ 375,644	\$ 45,119	\$ 127,838	\$ 160,613
24,810	26,227	45,754	7,270	42,354
1,059,797	929,962	2,375,366	308,806	3,634,698
352,902				
		167,303		
24,432		533,166		47,770
<u>\$ 2,477,064</u>	<u>\$ 1,331,833</u>	<u>\$ 3,166,708</u>	<u>\$ 443,914</u>	<u>\$ 3,885,435</u>
1,851,461	31,799		27,990,533	
<u>1,851,461</u>	<u>31,799</u>	<u>0</u>	<u>27,990,533</u>	<u>0</u>
5,090,509		1,675,527	810,136	
<u>5,090,509</u>	<u>0</u>	<u>1,675,527</u>	<u>810,136</u>	<u>0</u>
<u>\$ 9,419,034</u>	<u>\$ 1,363,632</u>	<u>\$ 4,842,235</u>	<u>\$ 29,244,583</u>	<u>\$ 3,885,435</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020
(Continued)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Better Streets Improvement Fund
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$	\$	\$ 318,248	\$ 45,908,487
Cash & Investments with Fiscal Agents				
Taxes Receivable, Net				1,937,208
Accounts Receivable, Net				
Notes & Loans Receivable				
Due from Other Agencies	953,967		22,314	
Grants & Entitlements Receivable		727,508		
Interest Receivable				137,811
Inventories			1,836,378	
Other Assets				
Total assets	<u>\$ 953,967</u>	<u>\$ 727,508</u>	<u>\$ 2,176,940</u>	<u>\$ 47,983,506</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 40,700	\$ 102,888	\$ 119,503	\$ 1,086,182
Accrued Payroll Liabilities	11,852	6,093	1,059	
Interfund Payable	26,997	615,713		
Due to Other Agencies				
Refundable Deposits				
Advances from Grantors	874,418	2,814		
Total liabilities	<u>953,967</u>	<u>727,508</u>	<u>120,562</u>	<u>1,086,182</u>
Deferred inflows:				
Deferred Revenues				
Total deferred inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:				
Nonspendable			1,836,378	
Restricted				46,897,324
Committed				
Assigned			220,000	
Total fund balances	<u>0</u>	<u>0</u>	<u>2,056,378</u>	<u>46,897,324</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 953,967</u>	<u>\$ 727,508</u>	<u>\$ 2,176,940</u>	<u>\$ 47,983,506</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020
(Concluded)

Safer City		Gene Reid		Green	Totals
Improvement		Park Zoo Capital	Improvement		
Fund		Fund		Stormwater Infrastructure	
\$ 59,051,146		\$ 15,545,707		\$ 391,268	\$ 145,781,622
					578,862
2,905,813		968,287			5,811,308
				240,128	1,567,111
					35,537,640
					4,203,778
					7,330,343
168,885		45,574		286	499,634
					1,893,554
					89,134
<u>62,125,844</u>		<u>16,559,568</u>		<u>631,682</u>	<u>203,292,986</u>
\$ 1,235,895		\$ 375,178		\$	\$ 8,148,748
					791,179
					8,951,339
					353,646
					307,154
					1,482,600
<u>1,235,895</u>		<u>375,178</u>		<u>0</u>	<u>20,034,666</u>
					30,452,189
<u>0</u>		<u>0</u>		<u>0</u>	<u>30,452,189</u>
					1,893,554
60,889,949		16,184,390		631,682	149,257,906
					33,892
					1,620,779
<u>60,889,949</u>		<u>16,184,390</u>		<u>631,682</u>	<u>152,806,131</u>
<u>\$ 62,125,844</u>		<u>\$ 16,559,568</u>		<u>\$ 631,682</u>	<u>\$ 203,292,986</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2020

	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
ASSETS			
Cash and Cash Equivalents	\$ 87,182	\$	\$ 87,182
Cash & Investments with Fiscal Agents	30,861,091	11,351,875	42,212,966
Total assets	<u>\$ 30,948,273</u>	<u>\$ 11,351,875</u>	<u>\$ 42,300,148</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Bonds & Interest Payable	\$ 30,861,091	\$ 11,351,875	\$ 42,212,966
Total liabilities	<u>30,861,091</u>	<u>11,351,875</u>	<u>42,212,966</u>
Restricted	87,182		87,182
Total fund balances	<u>87,182</u>		<u>87,182</u>
Total liabilities and fund balances	<u>\$ 30,948,273</u>	<u>\$ 11,351,875</u>	<u>\$ 42,300,148</u>



CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2020

	2012 General Obligation Streets Improvements	Capital Improvements	Development Fees
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 569,695	\$	\$ 56,980,314
Accounts Receivable, Net			
Due from Other Agencies		10,030,300	
Interest Receivable			175,841
Total assets	<u>\$ 569,695</u>	<u>\$ 10,030,300</u>	<u>\$ 57,156,155</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$	\$ 2,409,868	\$ 8,607
Accrued Payroll Liabilities		19,931	
Interfund Payable		7,600,501	
Due to Other Agencies			
Total liabilities	<u>0</u>	<u>10,030,300</u>	<u>8,607</u>
Fund balances:			
Restricted	569,695		57,147,548
Unassigned			
Total fund balances	<u>569,695</u>	<u>0</u>	<u>57,147,548</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 569,695</u>	<u>\$ 10,030,300</u>	<u>\$ 57,156,155</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2020

	Regional Transportation Authority	2020 General Obligation Parks/Connections Improvement Fund	Totals
<u>ASSETS</u>			
Cash and Cash Equivalents	\$	\$	\$ 57,550,009
Accounts Receivable, Net	135,210		135,210
Due from Other Agencies	3,921,028		13,951,328
Interest Receivable			175,841
Total assets	<u>\$ 4,056,238</u>	<u>\$ 0</u>	<u>\$ 71,812,388</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 1,996,869	\$ 507,817	\$ 4,923,161
Accrued Payroll Liabilities	4,475		24,406
Interfund Payable	1,060,975	3,301,618	11,963,094
Due to Other Agencies	169,577		169,577
Total liabilities	<u>3,231,896</u>	<u>3,809,435</u>	<u>17,080,238</u>
Fund balances:			
Restricted			58,541,585
Unassigned	824,342	(3,809,435)	(3,809,435)
Total fund balances	<u>824,342</u>	<u>(3,809,435)</u>	<u>54,732,150</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,056,238</u>	<u>\$</u>	<u>\$ 71,812,388</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, 2020

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 71,289,356	\$ 32,846,521	\$	\$ 104,135,877
Licenses and Permits	2,687,875			2,687,875
Fines and Forfeitures	831,146			831,146
Developer Fees			14,668,545	14,668,545
Use of Money and Property	2,994,191		1,042,327	4,036,518
Federal Grants and Contributions	62,801,003			62,801,003
Other Agencies	48,664,408	9,109,365	43,805,047	101,578,820
Charges for Services	13,136,004			13,136,004
Contributions from Outside Sources	788,190			788,190
Miscellaneous	1,696,174		393,011	2,089,185
Total revenues	<u>204,888,347</u>	<u>41,955,886</u>	<u>59,908,930</u>	<u>306,753,163</u>
Expenditures:				
Current -				
Elected and Official	347,504			347,504
Public Safety and Justice Services	12,954,507			12,954,507
Community Enrichment and Development	123,248,226		1,962,327	125,210,553
Support Services				
General Government	1,636,467			1,636,467
Capital Outlay	9,398,453		14,174,837	23,573,290
Capital Projects	10,990,452		34,658,130	45,648,582
Debt service -				
Principal	3,078,658	38,555,000		41,633,658
Interest	1,440,506	7,315,933		8,756,439
Total expenditures	<u>163,094,773</u>	<u>45,870,933</u>	<u>50,795,294</u>	<u>259,761,000</u>
Excess (deficiency) of revenues over expenditures	<u>41,793,574</u>	<u>(3,915,047)</u>	<u>9,113,636</u>	<u>46,992,163</u>
Other financing sources (uses):				
Transfers In	5,098,621	3,034,385	104,185	8,237,191
Transfers Out	(3,261,293)	(14,806)		(3,276,099)
Total other financing sources (uses)	<u>1,837,328</u>	<u>3,019,579</u>	<u>104,185</u>	<u>4,961,092</u>
Change in fund balances	<u>43,630,902</u>	<u>(895,468)</u>	<u>9,217,821</u>	<u>51,953,255</u>
Fund balances, beginning of year	109,175,229	982,650	45,514,329	155,672,208
Fund balances, end of year	<u>\$ 152,806,131</u>	<u>\$ 87,182</u>	<u>\$ 54,732,150</u>	<u>\$ 207,625,463</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2020

	Park Tucson	Convention Center	HURF
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			2,687,875
Fines and Forfeitures	831,146		
Use of Money and Property	133,379	55,390	1,192,626
Federal Grants and Contributions			
Other Agencies			46,155,868
Charges for Services	4,515,486	6,886,572	94,351
Contributions from Outside Sources			
Miscellaneous	14,346		1,444,937
Total revenues	<u>5,494,357</u>	<u>6,941,962</u>	<u>51,575,657</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	4,184,703	9,711,594	38,478,536
General Government			1,598,906
Capital Outlay	54,027	136,118	1,668,703
Capital Projects			5,974,329
Debt service -			
Principal	1,146,376		1,117,282
Interest	534,239		209,253
Total expenditures	<u>5,919,345</u>	<u>9,847,712</u>	<u>49,047,009</u>
Excess (deficiency) of revenues over expenditures	<u>(424,988)</u>	<u>(2,905,750)</u>	<u>2,528,648</u>
Other financing sources (uses):			
Transfers In		3,221,939	
Transfers Out	(174,180)		(3,087,113)
Total other financing sources (uses)	<u>(174,180)</u>	<u>3,221,939</u>	<u>(3,087,113)</u>
Change in fund balances	<u>(599,168)</u>	<u>316,189</u>	<u>(558,465)</u>
Fund balances, beginning of year	1,982,530	495,886	15,592,244
Fund balances, end of year	<u><u>\$ 1,383,362</u></u>	<u><u>\$ 812,075</u></u>	<u><u>\$ 15,033,779</u></u>

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing	Other Federal Grants
\$	\$	\$	\$	\$	\$
13,284			5,700		205
	9,720,285	4,939,405	34,569,291	1,035,192	11,368,435
			25,342		249,162
788,190			202,275		
<u>801,474</u>	<u>9,720,285</u>	<u>4,939,405</u>	<u>34,802,608</u>	<u>1,035,192</u>	<u>11,617,802</u>
32,918					130,037
7,894					9,089,268
51,887	5,870,107	4,939,405	35,361,270	1,066,776	1,971,336
					37,561
	1,780,283				389,600
37,946	1,323,362				
<u>130,645</u>	<u>8,973,752</u>	<u>4,939,405</u>	<u>35,361,270</u>	<u>1,066,776</u>	<u>11,617,802</u>
<u>670,829</u>	<u>746,533</u>		<u>(558,662)</u>	<u>(31,584)</u>	
			60,645		
			<u>60,645</u>		
<u>670,829</u>	<u>746,533</u>		<u>(498,017)</u>	<u>(31,584)</u>	
670,191	4,343,976		2,173,544	841,721	
<u>\$ 1,341,020</u>	<u>\$ 5,090,509</u>	<u>\$</u>	<u>\$ 1,675,527</u>	<u>\$ 810,137</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, 2020
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property			349
Federal Grants and Contributions		1,168,395	
Other Agencies	1,308,540		1,200,000
Charges for Services			733,679
Contributions from Outside Sources			
Miscellaneous			34,616
Total revenues	<u>1,308,540</u>	<u>1,168,395</u>	<u>1,968,644</u>
Expenditures:			
Current -			
Elected and Official	184,549		
Public Safety and Justice Services	974,801		
Community Enrichment and Development	86,475	454,311	2,294,663
General Government			
Capital Outlay	33,715		
Capital Projects	29,000	714,084	
Debt service -			
Principal			815,000
Interest			697,014
Total expenditures	<u>1,308,540</u>	<u>1,168,395</u>	<u>3,806,677</u>
Excess (deficiency) of revenues over expenditures			<u>(1,838,033)</u>
Other financing sources (uses):			
Transfers In			1,816,037
Transfers Out			
Total other financing sources (uses)			<u>1,816,037</u>
Change in fund balances			<u>(21,996)</u>
Fund balances (deficits), beginning of year			2,078,374
Fund balances (deficits), end of year	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 2,056,378</u></u>

Better Streets Improvement Fund	Safer City Improvement Fund	Gene Reid Park Zoo Capital Improvement Fund	Green Stormwater Infrastructure	Totals
\$ 23,777,134	\$ 35,665,702	\$ 11,846,520	\$	\$ 71,289,356
				2,687,875
				831,146
652,142	736,398	204,448	270	2,994,191
				62,801,003
				48,664,408
			631,412	13,136,004
				788,190
				1,696,174
<u>24,429,276</u>	<u>36,402,100</u>	<u>12,050,968</u>	<u>631,682</u>	<u>204,888,347</u>
				347,504
	2,882,544			12,954,507
14,277,163		4,500,000		123,248,226
				1,636,467
	5,336,007			9,398,453
	1,287,117	1,624,614		10,990,452
				3,078,658
				1,440,506
<u>14,277,163</u>	<u>9,505,668</u>	<u>6,124,614</u>		<u>163,094,773</u>
<u>10,152,113</u>	<u>26,896,432</u>	<u>5,926,354</u>	<u>631,682</u>	<u>41,793,574</u>
				5,098,621
				(3,261,293)
				1,837,328
<u>10,152,113</u>	<u>26,896,432</u>	<u>5,926,354</u>	<u>631,682</u>	<u>43,630,902</u>
36,745,211	33,993,517	10,258,035		109,175,229
<u>\$ 46,897,324</u>	<u>\$ 60,889,949</u>	<u>\$ 16,184,389</u>	<u>\$ 631,682</u>	<u>\$ 152,806,131</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2020

	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
Revenues:			
Taxes	\$ 32,846,521	\$	\$ 32,846,521
Other Agencies		9,109,365	9,109,365
Total revenues	<u>32,846,521</u>	<u>9,109,365</u>	<u>41,955,886</u>
Expenditures:			
Debt service -			
Principal	27,995,000	10,560,000	38,555,000
Interest	5,732,183	1,583,750	7,315,933
Total expenditures	<u>33,727,183</u>	<u>12,143,750</u>	<u>45,870,933</u>
Excess (deficiency) of revenues over expenditures	<u>(880,662)</u>	<u>(3,034,385)</u>	<u>(3,915,047)</u>
Other financing sources (uses):			
Transfers In		3,034,385	3,034,385
Transfers Out	(14,806)		(14,806)
Total other financing sources (uses)	<u>(14,806)</u>	<u>3,034,385</u>	<u>3,019,579</u>
Change in fund balances	<u>(895,468)</u>		<u>(895,468)</u>
Fund balances, beginning of year	982,650		982,650
Fund balances (deficits), end of year	<u>\$ 87,182</u>	<u>\$</u>	<u>\$ 87,182</u>



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2020

	2012 General Obligation Streets Improvements	Capital Improvements	Development Fee
Revenues:			
Developer Fees	\$	\$	\$ 14,668,545
Use of Money and Property	11,244		857,130
Other Agencies		17,325,897	
Miscellaneous			
Total revenues	<u>11,244</u>	<u>17,325,897</u>	<u>15,525,675</u>
Expenditures:			
Current -			
Community Enrichment and Development	497,526	269,194	
Capital Outlay		4,272,990	51,445
Capital Projects		12,783,713	7,214,745
Total expenditures	<u>497,526</u>	<u>17,325,897</u>	<u>7,266,190</u>
Excess (deficiency) of revenues over expenditures	<u>(486,282)</u>		<u>8,259,485</u>
Other financing sources (uses):			
Transfers In	14,806		89,379
Total other financing sources (uses)	<u>14,806</u>		<u>89,379</u>
Change in fund balances	<u>(471,476)</u>		<u>8,348,864</u>
Fund balances, beginning of year	1,041,171		48,798,684
Fund balances, end of year	<u>\$ 569,695</u>	<u>\$</u>	<u>\$ 57,147,548</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2020

Regional Transportation Authority	2020 G.O. Parks/Connections Improvement Fund	Totals
\$	\$	\$
173,953		14,668,545
26,479,150		1,042,327
393,011		43,805,047
27,046,114		393,011
		59,908,930
211,390	984,217	1,962,327
9,850,402		14,174,837
12,235,827	2,423,845	34,658,130
22,297,619	3,408,062	50,795,294
4,748,495	(3,408,062)	9,113,636
		104,185
		104,185
4,748,495	(3,408,062)	9,217,821
(3,924,153)	(401,373)	45,514,329
\$ 824,342	\$ (3,809,435)	\$ 54,732,150

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2020

	Tucson Golf	Non-PHA Asset Management	Totals
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 8,400	\$ 259,298	\$ 267,698
Accounts Receivable, Net	2,525	818,112	820,637
Due from Other Agencies		1,021,247	1,021,247
Interest Receivable		1,937	1,937
Inventories	234,042		234,042
Other Assets	678,873		678,873
Total current assets	923,840	2,100,594	3,024,434
Noncurrent assets:			
Long Term Notes Receivable	417,762		417,762
Land & Construction in Progress	2,701,865	3,257,923	5,959,788
Other Capital Assets, Net	9,626,561	9,144,255	18,770,816
Total noncurrent assets	12,746,188	12,402,178	25,148,366
Total assets	13,670,028	14,502,772	28,172,800
<u>DEFERRED OUTFLOWS</u>			
Pension Plans		180,515	180,515
Total deferred outflows		180,515	180,515
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	38,180	381,141	419,321
Accrued Payroll Liabilities		18,156	18,156
Accrued Interest Payable	3,744	484	4,228
Due to Other Agencies	50,614	313	50,927
Refundable Deposits		237,188	237,188
Current Portion of Contracts Payable	44,076		44,076
Current Portion of Compensated Absences		20,145	20,145
Customer Advances	169,000		169,000
Total current liabilities	305,614	657,427	963,041
Noncurrent liabilities:			
Long Term Contracts Payable	105,393		105,393
Interfund Loans Payable	1,137,067		1,137,067
Compensated Absences		14,492	14,492
Pension Liability		952,364	952,364
Total non-current liabilities	1,242,460	966,856	2,209,316
Total liabilities	1,548,074	1,624,283	3,172,357
<u>DEFERRED INFLOWS</u>			
Deferred Revenue		143,141	143,141
Pension Plans		44,095	44,095
Total deferred inflows		187,236	187,236
<u>NET POSITION</u>			
Net Investment in Capital Assets	12,178,957	12,402,178	24,581,135
Restricted for Grants and Entitlements		469,590	469,590
Unrestricted	(57,002)		(57,002)
Total net position	\$ 12,121,955	\$ 12,871,768	\$ 24,993,723

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2020

	Risk Management	Health Insurance	Totals
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 52,206,650	\$ 11,458,942	\$ 63,665,592
Interest Receivable	153,635	18,347	171,982
Other Assets	355,605		355,605
Total current assets	<u>52,715,890</u>	<u>11,477,289</u>	<u>64,193,179</u>
Noncurrent assets:			
Land & Construction in Progress	30,242		30,242
Other Capital Assets, Net	70,649		70,649
Total noncurrent assets	<u>100,891</u>		<u>100,891</u>
Total assets	<u><u>52,816,781</u></u>	<u><u>11,477,289</u></u>	<u><u>64,294,070</u></u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	266,717	864,709	1,131,426
Accrued Payroll Liabilities	48,111	12,989	61,100
Refundable Deposits	664		664
Claims Payable	8,295,810	5,947,000	14,242,810
Remediation Obligations	463,600		463,600
Total current liabilities	<u>9,074,902</u>	<u>6,824,698</u>	<u>15,899,600</u>
Noncurrent liabilities:			
Claims Payable	38,581,177		38,581,177
Remediation Obligations	1,253,591		1,253,591
Total non-current liabilities	<u>39,834,768</u>		<u>39,834,768</u>
Total liabilities	<u><u>48,909,670</u></u>	<u><u>6,824,698</u></u>	<u><u>55,734,368</u></u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	100,891		100,891
Unrestricted	3,806,220	4,652,591	8,458,811
Total net position	<u><u>\$ 3,907,111</u></u>	<u><u>\$ 4,652,591</u></u>	<u><u>\$ 8,559,702</u></u>

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, 2020

	Tucson Golf	Non-PHA Asset Management	Totals
Operating revenues:			
Charges for Services	\$ 8,494,244	\$ 1,995,802	\$ 10,490,046
Federal Grants and Contributions		252,689	252,689
Miscellaneous		38,195	38,195
Total operating revenues	<u>8,494,244</u>	<u>2,286,686</u>	<u>10,780,930</u>
Operating expenses:			
Salaries, Wages and Benefits	52,843	842,178	895,021
Contractual Services	5,798,361	1,797,947	7,596,308
Commodities	1,052,617	265,934	1,318,551
Cost of Goods Sold	657,362		657,362
Depreciation	779,890	470,482	1,250,372
Total operating expenses	<u>8,341,073</u>	<u>3,376,541</u>	<u>11,717,614</u>
Operating income (loss)	<u>153,171</u>	<u>(1,089,855)</u>	<u>(936,684)</u>
Nonoperating revenues (expenses):			
Investment Income		113,102	113,102
Interest Expense	(28,708)		(28,708)
Total nonoperating revenues (expense)	<u>(28,708)</u>	<u>113,102</u>	<u>84,394</u>
Income (loss) before capital contributions, transfers and special items	<u>124,463</u>	<u>(976,753)</u>	<u>(852,290)</u>
Transfers In		1,359,883	1,359,883
Transfers Out			
Change in net position	<u>124,463</u>	<u>383,130</u>	<u>507,593</u>
Net position, beginning of year	<u>11,997,492</u>	<u>12,488,638</u>	<u>24,486,130</u>
Total net position, end of year	<u><u>\$ 12,121,955</u></u>	<u><u>\$ 12,871,768</u></u>	<u><u>\$ 24,993,723</u></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, 2020

	Risk Management	Health Insurance	Totals
Operating revenues:			
Charges for Services	\$ 14,790,249	\$ 72,098,234	\$ 86,888,483
Other Agencies		1,323,098	1,323,098
Miscellaneous	30,317	221,992	252,309
Total operating revenues	<u>14,820,566</u>	<u>73,643,324</u>	<u>88,463,890</u>
Operating expenses:			
Salaries, Wages and Benefits	1,979,996	552,709	2,532,705
Contractual Services	3,937,684	10,984,961	14,922,645
Commodities	72,465	5,728	78,193
Benefits and Claims	8,972,228	57,967,661	66,939,889
Depreciation	12,327		12,327
Total operating expenses	<u>14,974,700</u>	<u>69,511,059</u>	<u>84,485,759</u>
Operating Income (loss)	<u>(154,134)</u>	<u>4,132,265</u>	<u>3,978,131</u>
Nonoperating revenues (expenses):			
Property Taxes	349,756		349,756
Investment Income	807,272	90,974	898,246
Total nonoperating revenues (expense)	<u>1,157,028</u>	<u>90,974</u>	<u>1,248,002</u>
Income (loss) before capital contributions, transfers and special items	<u>1,002,894</u>	<u>4,223,239</u>	<u>5,226,133</u>
Transfers In		429,352	429,352
Change in net position	<u>1,002,894</u>	<u>4,652,591</u>	<u>5,655,485</u>
Net position, beginning of year	<u>2,904,217</u>		<u>2,904,217</u>
Total net position, end of year	<u>\$ 3,907,111</u>	<u>\$ 4,652,591</u>	<u>\$ 8,559,702</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Tucson Golf	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 8,605,835	\$ 742,875	\$ 9,348,710
Cash Payments to Suppliers for Goods and Services	(8,251,244)	(927,108)	(9,178,352)
Cash Payments to Employees for Services	(52,843)	(694,130)	(746,973)
Subsidy from Federal Grant		252,689	252,689
Net Cash Provided (Used) by Operating Activities	<u>301,749</u>	<u>(625,674)</u>	<u>(323,926)</u>
Cash Flows from Noncapital Financing Activities			
Interfund Transfers		(62,654)	(62,654)
Advances from Other Funds		(1,021,247)	(1,021,247)
Advances to Other Funds	(209,878)		(209,878)
Interest Paid on Advances	(27,878)		(27,878)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(237,756)</u>	<u>(1,083,901)</u>	<u>(1,321,657)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Leasing Activities	(57,498)		(57,498)
Capital Lease Interest	(6,495)		(6,495)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(63,993)</u>		<u>(63,993)</u>
Cash Flows from Investing Activities:			
Interest on Investments		113,102	113,102
Net Cash Provided (Used) by Investing Activities		113,102	113,102
Net Increase (Decrease) in Cash and Cash Equivalents	<u>0</u>	<u>(1,596,473)</u>	<u>(1,596,474)</u>
Cash and Cash Equivalents - July 1	<u>8,400</u>	<u>1,855,772</u>	<u>1,864,172</u>
Cash and Cash Equivalents - June 30	<u>\$ 8,400</u>	<u>\$ 259,298</u>	<u>\$ 267,698</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 153,171	\$ (1,089,855)	\$ (936,684)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	779,890	470,482	1,250,372
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable	(144)	(310,806)	(310,950)
Inventory and Prepaids	(646,653)		(646,653)
Increase (Decrease) in Liabilities:			
Accounts Payable	(108,467)	115,526	7,059
Accrued Payroll Liabilities		18,156	18,156
Accrued Compensated Absences		6,639	6,639
Pension Liability		123,253	123,253
Customer/Refundable Deposits	1,132	40,931	42,063
Due to Other Agencies	11,085		11,085
Other Operating Liabilities	111,734		111,734
Net Cash Provided (Used) by Operating Activities	<u>\$ 301,749</u>	<u>\$ (625,674)</u>	<u>\$ (323,926)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Risk Management	Health Insurance	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 14,820,566	\$ 73,643,324	\$ 88,463,890
Cash Payments to Suppliers for Goods and Services	(5,262,963)	(10,125,980)	(15,388,943)
Cash Payments to Employees for Services	(1,966,619)	(539,720)	(2,506,339)
Cash Payments to Claimants	(9,321,359)	(52,020,661)	(61,342,020)
Net Cash Provided (Used) by Operating Activities	<u>(1,730,375)</u>	<u>10,956,963</u>	<u>9,226,588</u>
Cash Flows from Noncapital Financing Activities			
Property Taxes	349,756		349,756
Interfund Transfers		429,352	429,352
Net Cash Provided (Used) by Noncapital Financing Activities	<u>349,756</u>	<u>429,352</u>	<u>779,108</u>
Cash Flows from Investing Activities:			
Interest on Investments	897,922	72,627	970,549
Net Cash Provided (Used) by Investing Activities	<u>897,922</u>	<u>72,627</u>	<u>970,549</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(482,697)</u>	<u>11,458,942</u>	<u>10,976,245</u>
Cash and Cash Equivalents - July 1	<u>52,689,347</u>		<u>52,689,347</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 52,206,650</u></u>	<u><u>\$ 11,458,942</u></u>	<u><u>\$ 63,665,592</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (154,134)	4,132,265	\$ 3,978,131
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	12,327		12,327
Other Adjustments:			
Inventory and Prepaids	(3,161)		(3,161)
Increase (Decrease) in Liabilities:			
Accounts Payable	73,923	864,709	938,632
Accrued Payroll Liabilities	13,378	12,989	26,367
Claims and Judgment Payable	(349,131)	5,947,000	5,597,869
Remediation Obligation	(1,323,577)		(1,323,577)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,730,375)</u></u>	<u><u>\$ 10,956,963</u></u>	<u><u>\$ 9,226,588</u></u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For Fiscal Year ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Sewer User Fee				
Assets				
Cash and Cash Equivalents	\$ 3,369,097	\$ 273,110,948	\$ 272,512,886	\$ 3,967,159
Accounts Receivable, Net	11,316,991	134,281,272	134,457,462	11,140,801
Total assets	\$ 14,686,088	\$ 407,392,220	\$ 406,970,348	\$ 15,107,960
Liabilities				
Accounts Payable	\$ 2,980,504	\$ 136,759,306	\$ 136,152,632	\$ 3,587,178
Due to Other Agencies	11,705,584	273,679,759	273,864,561	11,520,782
Total liabilities	\$ 14,686,088	\$ 410,439,065	\$ 410,017,193	\$ 15,107,960
Employee Prepaid Insurance				
Assets				
Cash and Cash Equivalents	\$ 1,072,972	\$ 3,298,398	\$ 4,202,167	\$ 169,203
Total assets	\$ 1,072,972	\$ 3,298,398	\$ 4,202,167	\$ 169,203
Liabilities				
Accounts Payable	\$ 1,072,972	\$ 4,178,519	\$ 5,082,288	\$ 169,203
Total liabilities	\$ 1,072,972	\$ 4,178,519	\$ 5,082,288	\$ 169,203
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Cash and Cash Equivalents	\$ 527,863	\$ 7,828,832	\$ 8,179,898	\$ 176,797
Total assets	\$ 527,863	\$ 7,828,832	\$ 8,179,898	\$ 176,797
Liabilities				
Due to Other Agencies	\$ 527,863	\$ 7,828,832	\$ 8,179,898	\$ 176,797
Total liabilities	\$ 527,863	\$ 7,828,832	\$ 8,179,898	\$ 176,797
Totals				
Assets				
Cash and Cash Equivalents	\$ 4,969,932	\$ 284,238,178	\$ 284,894,951	\$ 4,313,159
Accounts Receivable, Net	11,316,991	134,281,272	134,457,462	11,140,801
Total assets	\$ 16,286,923	\$ 418,519,450	\$ 419,352,413	\$ 15,453,960
Liabilities				
Accounts Payable	\$ 4,053,476	\$ 140,937,825	\$ 141,234,920	\$ 3,756,381
Due to Other Agencies	12,233,447	281,508,591	282,044,459	11,697,579
Total liabilities	\$ 16,286,923	\$ 422,446,416	\$ 423,279,379	\$ 15,453,960



BUDGET AND ACTUAL
NON-MAJOR
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, 2020

	Park Tucson		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures	1,045,000	831,146	(213,854)
Use of Money and Property	130,180	133,379	3,199
Federal Grants and Contributions			
Other Agencies			
Charges for Services	5,808,820	4,515,486	(1,293,334)
Contributions from Outside Sources			
Miscellaneous		14,346	14,346
Total revenues	<u>6,984,000</u>	<u>5,494,357</u>	<u>(1,489,643)</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	4,825,860	4,184,703	641,157
General Government			
Capital Outlay	70,000	54,027	15,973
Capital Projects			
Debt service -			
Principal	1,261,140	1,146,376	114,764
Interest	554,160	534,239	19,921
Total expenditures	<u>6,711,160</u>	<u>5,919,345</u>	<u>791,815</u>
Excess (deficiency) of revenues over expenditures			
 expenditures	<u>272,840</u>	<u>(424,988)</u>	<u>(697,828)</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out	(285,000)	(174,180)	110,820
Total other financing sources (uses)	<u>(285,000)</u>	<u>(174,180)</u>	<u>110,820</u>
Change in fund balances	<u>\$ (12,160)</u>	<u>(599,168)</u>	<u>\$ (587,008)</u>
Fund balances, beginning of year		1,982,530	
Fund balances, end of year		<u>\$ 1,383,362</u>	

Convention Center		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	55,390	55,390
8,085,710	6,886,572	(1,199,138)
<u>8,085,710</u>	<u>6,941,962</u>	<u>(1,143,748)</u>

10,728,290	9,711,594	1,016,696
15,410		15,410
427,630	136,118	291,512

<u>11,171,330</u>	<u>9,847,712</u>	<u>1,323,618</u>
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<u>(3,085,620)</u>	<u>(2,905,750)</u>	<u>179,870</u>
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3,085,620	3,221,939	136,319
<u>3,085,620</u>	<u>3,221,939</u>	<u>136,319</u>

<u>\$</u>	<u>316,189</u>	<u>\$ 316,189</u>
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495,886
<u>\$ 812,075</u>

HURF		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
1,140,000	2,687,875	1,547,875
560,500	1,192,626	632,126
5,800		(5,800)
48,607,370	46,155,868	(2,451,502)
25,000	94,351	69,351
<u>2,573,400</u>	<u>1,444,937</u>	<u>(1,128,463)</u>
<u>52,912,070</u>	<u>51,575,657</u>	<u>(1,336,413)</u>

42,834,940	38,478,536	4,356,404
1,725,800	1,598,906	126,894
1,401,500	1,668,703	(267,203)
3,906,600	5,974,329	(2,067,729)

1,215,760	1,117,282	98,478
227,700	209,253	18,447

<u>51,312,300</u>	<u>49,047,009</u>	<u>2,265,291</u>
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<u>1,599,770</u>	<u>2,528,648</u>	<u>928,878</u>
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259,600		(259,600)
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(3,768,160)	(3,087,113)	681,047
<u>(3,768,160)</u>	<u>(3,087,113)</u>	<u>421,447</u>

<u>\$</u>	<u>(558,465)</u>	<u>\$ (558,465)</u>
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15,592,244
<u>\$ 15,033,779</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, 2020
(Continued)

	Civic Contributions		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property		13,284	13,284
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	1,104,800	788,190	(316,610)
Miscellaneous			
Total revenues	<u>1,104,800</u>	<u>801,474</u>	<u>(303,326)</u>
Expenditures:			
Current -			
Elected and Official	46,300	32,918	13,382
Public Safety and Justice Services	56,300	7,894	48,406
Community Enrichment and Development	388,800	51,887	336,913
General Government			
Capital Outlay			
Capital Projects	250,000	37,946	212,054
Debt service -			
Principal			
Interest			
Total expenditures	<u>741,400</u>	<u>130,645</u>	<u>610,755</u>
Excess (deficiency) of revenues over expenditures	<u>363,400</u>	<u>670,829</u>	<u>307,429</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 363,400</u>	<u>670,829</u>	<u>\$ 307,429</u>
Fund balances, beginning of year		670,191	
Fund balances, end of year		<u>\$ 1,341,020</u>	

Community Development Block Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
13,886,830	9,720,285	(4,166,545)
<u>13,886,830</u>	<u>9,720,285</u>	<u>(4,166,545)</u>
9,384,350	5,870,107	3,514,243
145,640		145,640
	1,780,283	(1,780,283)
2,573,600	1,323,362	1,250,238
15,280		15,280
<u>12,118,870</u>	<u>8,973,752</u>	<u>3,145,118</u>
<u>1,767,960</u>	<u>746,533</u>	<u>(1,021,427)</u>
52,000		52,000
<u>52,000</u>		<u>52,000</u>
<u>\$ 1,819,960</u>	<u>746,533</u>	<u>\$ (969,427)</u>
	4,343,976	
	<u>\$ 5,090,509</u>	

Miscellaneous Housing Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
4,777,260	4,939,405	162,145
<u>4,777,260</u>	<u>4,939,405</u>	<u>162,145</u>
4,777,260	4,939,405	(162,145)
<u>4,777,260</u>	<u>4,939,405</u>	<u>(162,145)</u>
<u>\$</u>		<u>\$</u>
	<u>\$</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2020
(Continued)**

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property	20,000	5,700	(14,300)
Federal Grants and Contributions	47,399,560	34,569,291	(12,830,269)
Other Agencies			
Charges for Services	17,000	25,342	8,342
Contributions from Outside Sources			
Miscellaneous		202,275	202,275
Total revenues	<u>47,436,560</u>	<u>34,802,608</u>	<u>(12,633,952)</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	47,461,530	35,361,270	12,100,260
General Government			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	<u>47,461,530</u>	<u>35,361,270</u>	<u>12,100,260</u>
Excess (deficiency) of revenues over expenditures	<u>(24,970)</u>	<u>(558,662)</u>	<u>(533,692)</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In		60,645	
Transfers Out			
Total other financing sources (uses)		<u>60,645</u>	<u>60,645</u>
Change in fund balances	<u>\$ (24,970)</u>	<u>(498,017)</u>	<u>\$ (473,047)</u>
Fund balances, beginning of year		2,173,544	
Fund balances (deficits), end of year		<u>\$ 1,675,527</u>	

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, 2020
(Continued)

	Non-Federal Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	2,499,290	1,308,540	(1,190,750)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>2,499,290</u>	<u>1,308,540</u>	<u>(1,190,750)</u>
Expenditures:			
Current -			
Elected and Official	158,860	184,549	(25,689)
Public Safety and Justice Services	1,799,090	974,801	824,289
Community Enrichment and Development	358,630	86,475	272,155
General Government			
Capital Outlay	182,710	33,715	148,995
Capital Projects		29,000	(29,000)
Debt service -			
Principal			
Interest			
Total expenditures	<u>2,499,290</u>	<u>1,308,540</u>	<u>1,190,750</u>
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$</u>		<u>\$</u>
Fund balances, beginning of year			
Fund balances, end of year		<u>\$</u>	

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, 2020
(Continued)

Federal Highway Grant			Sun Link		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				349	349
2,643,860	1,168,395	(1,475,465)			
			1,200,000	1,200,000	
			1,222,400	733,679	(488,721)
187,100		(187,100)	30,000	34,616	4,616
2,830,960	1,168,395	(1,662,565)	2,452,400	1,968,644	(483,756)
546,070	454,311	91,759	4,585,820	2,294,663	2,291,157
25,000		25,000			
1,595,100	714,084	881,016			
			815,000	815,000	
			697,010	697,014	(4)
2,166,170	1,168,395	997,775	6,097,830	3,806,677	2,291,153
664,790		(664,790)	(3,645,430)	(1,838,033)	1,807,397
			3,645,430	1,816,037	(1,829,393)
			3,645,430	1,816,037	(1,829,393)
\$ 664,790		\$ (664,790)	\$	(21,996)	\$ (21,996)
				2,078,374	
\$			\$	2,056,378	

(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, 2020
(Continued)

	Better Streets Improvement Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 24,290,600	\$ 23,777,134	\$ (513,466)
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property	750,000	652,142	(97,858)
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>25,040,600</u>	<u>24,429,276</u>	<u>(611,324)</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	15,907,700	14,277,163	1,630,537
General Government			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	<u>15,907,700</u>	<u>14,277,163</u>	<u>1,630,537</u>
Excess (deficiency) of revenues over expenditures	<u>9,132,900</u>	<u>10,152,113</u>	<u>1,019,213</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 9,132,900</u>	<u>10,152,113</u>	<u>\$ 1,019,213</u>
Fund balances, beginning of year, restated*		36,745,211	
Fund balances, end of year		<u>\$ 46,897,324</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, 2020
(Continued)

Safer City Improvement Fund			Gene Reid Park Zoo Capital Improvement Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 35,467,000	\$ 35,665,702	\$ 198,702	\$ 11,089,100	\$ 11,846,520	\$ 757,420
	736,398	736,398		204,448	204,448
<u>35,467,000</u>	<u>36,402,100</u>	<u>935,100</u>	<u>11,089,100</u>	<u>12,050,968</u>	<u>961,868</u>
2,705,600	2,882,544	(176,944)	4,515,000	4,500,000	15,000
6,252,800	5,336,007	916,793			
1,871,400	1,287,117	584,283	2,706,000	1,624,614	1,081,386
<u>10,829,800</u>	<u>9,505,668</u>	<u>1,324,132</u>	<u>7,221,000</u>	<u>6,124,614</u>	<u>1,096,386</u>
<u>24,637,200</u>	<u>26,896,432</u>	<u>2,259,232</u>	<u>3,868,100</u>	<u>5,926,354</u>	<u>2,058,254</u>
<u>\$ 24,637,200</u>	<u>26,896,432</u>	<u>\$ 2,259,232</u>	<u>\$ 3,868,100</u>	<u>5,926,354</u>	<u>\$ 2,058,254</u>
	33,993,517			10,258,035	
	<u>\$ 60,889,949</u>			<u>\$ 16,184,389</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, 2020
(Concluded)

	Green Stormwater Infrastructure	
	Budget	Variance - Positive (Negative)
	Actual	
Revenues:		
Taxes	\$	
Licenses and Permits		
Fines and Forfeitures		
Use of Money and Property	270	270
Federal Grants and Contributions		
Other Agencies		
Charges for Services	631,412	631,412
Contributions from Outside Sources		
Miscellaneous		
Total revenues	<u>631,682</u>	<u>631,682</u>
Expenditures:		
Current -		
Elected and Official		
Public Safety and Justice Services		
Community Enrichment and Development		
General Government		
Capital Outlay		
Capital Projects		
Debt service -		
Principal		
Interest		
Total expenditures	<u></u>	<u></u>
Excess (deficiency) of revenues over expenditures	<u>631,682</u>	<u>631,682</u>
Other financing sources (uses):		
Capital Leases/Certificates of Participation		
Transfers In		
Transfers Out		
Total other financing sources (uses)	<u></u>	<u></u>
Change in fund balances	<u>\$ 631,682</u>	<u>\$ 631,682</u>
Fund balances, beginning of year, restated*		
Fund balances, end of year	<u>\$ 631,682</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, 2020
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 70,846,700	\$ 71,289,356	\$ 442,656
Licenses and Permits	1,140,000	2,687,875	1,547,875
Fines and Forfeitures	1,045,000	831,146	(213,854)
Use of Money and Property	1,460,680	2,994,191	1,533,511
Federal Grants and Contributions	95,260,250	62,801,003	(32,459,247)
Other Agencies	52,306,660	48,664,408	(3,642,252)
Charges for Services	15,158,930	13,136,004	(2,022,926)
Contributions from Outside Sources	1,104,800	788,190	(316,610)
Miscellaneous	2,806,500	1,696,174	(1,110,326)
Total revenues	241,129,520	204,888,347	(36,241,173)
Expenditures:			
Current -			
Elected and Official	294,900	347,504	(52,604)
Public Safety and Justice Services	20,741,827	12,954,507	7,787,320
Community Enrichment and Development	154,180,140	123,248,226	30,931,914
General Government	1,886,850	1,636,467	250,383
Capital Outlay	9,448,903	9,398,453	50,450
Capital Projects	14,239,900	10,990,452	3,249,448
Debt service -			
Principal	3,291,900	3,078,658	213,242
Interest	1,494,150	1,440,506	53,644
Total expenditures	205,578,570	163,094,773	42,483,797
Excess (deficiency) of revenues over expenditures	35,550,950	41,793,574	6,242,624
Other financing sources (uses):			
Capital Leases/Certificates of Participation	259,600		(259,600)
Transfers In	6,731,050	5,098,621	(1,632,429)
Transfers Out	(4,001,160)	(3,261,293)	739,867
Total other financing sources (uses)	2,729,890	1,837,328	(1,152,162)
Change in fund balances	\$ 38,280,840	43,630,902	\$ 5,090,462
Fund balances, beginning of year, restated*		109,175,229	
Fund balances, end of year		\$ 152,806,131	



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, 2020

	General Obligation Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 33,162,680	\$ 32,846,521	(316,159)
Other Agencies			
Total revenues	<u>33,162,680</u>	<u>32,846,521</u>	<u>(316,159)</u>
Expenditures:			
Debt service -			
Principal	27,995,000	27,995,000	
Interest	5,732,180	5,732,183	(3)
Fiscal Agent Fees	10,000		10,000
Total expenditures	<u>33,737,180</u>	<u>33,727,183</u>	<u>9,997</u>
Excess (deficiency) of revenues over expenditures	<u>(574,500)</u>	<u>(880,662)</u>	<u>(306,162)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out		(14,806)	
Total other financing sources (uses)		<u>(14,806)</u>	
Change in fund balances	<u>\$ (574,500)</u>	<u>(895,468)</u>	<u>\$ (306,162)</u>
Fund balances, beginning of year		982,650	
Fund balances, end of year		<u>\$ 87,182</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, 2020
(Concluded)

Street & Highway Bond & Interest Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
9,000,000	9,109,365	109,365	33,162,680	32,846,521	(316,159)
9,000,000	9,109,365	109,365	9,000,000	9,109,365	109,365
			42,162,680	41,955,886	(206,794)
10,560,000	10,560,000		38,555,000	38,555,000	
1,583,750	1,583,750		7,315,930	7,315,933	(3)
			10,000		10,000
12,143,750	12,143,750		45,880,930	45,870,933	9,997
(3,143,750)	(3,034,385)	109,365	(3,718,250)	(3,915,047)	(196,797)
3,143,750	3,034,385	(109,365)	3,143,750	3,034,385	(109,365)
				(14,806)	
	3,034,385	(109,365)	3,143,750	3,019,579	(124,171)
\$ (3,143,750)		\$	\$ (574,500)	(895,468)	\$ 320,968
				982,650	
	\$			\$ 87,182	



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, 2020

	Capital Improvements		Variance -
	Budget	Actual	Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property			
Other Agencies	17,669,300	17,325,897	(343,403)
Miscellaneous			
Total revenues	<u>17,669,300</u>	<u>17,325,897</u>	<u>(343,403)</u>
Expenditures:			
Current -			
Community Enrichment and Development	175,600	269,194	(93,594)
Capital Outlay		4,272,990	(4,272,990)
Capital Projects	17,493,700	12,783,713	4,709,987
Total expenditures	<u>17,669,300</u>	<u>17,325,897</u>	<u>343,403</u>
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Bond Proceeds			
Transfers In			
Total other financing sources (uses)			
Change in fund balances	<u>\$</u>	<u></u>	<u>\$</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year		<u>\$</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, 2020
(Continued)

Regional Transportation Authority			2012 General Obligation Streets Improvements		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
48,000	173,953	125,953		11,244	11,244
34,575,000	26,479,150	(8,095,850)			
500,000	393,011	(106,989)			
35,123,000	27,046,114	(8,076,886)		11,244	11,244
370,000	211,390	158,610		497,526	(497,526)
225,000	9,850,402	(9,625,402)			
25,528,000	12,235,827	13,292,173			
26,123,000	22,297,619	3,825,381		497,526	(497,526)
9,000,000	4,748,495	(4,251,505)		(486,282)	(486,282)
\$ 9,000,000	4,748,495	\$ (4,251,505)		(486,282)	\$ (486,282)
	(3,924,153)			1,041,171	
	\$ 824,342			\$ 554,889	

(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, 2020
(Continued)

	Development Fee		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$ 14,368,470	\$ 14,668,545	\$ 300,075
Use of Money and Property	461,390	857,130	395,740
Other Agencies			
Miscellaneous			
Total revenues	<u>14,829,860</u>	<u>15,525,675</u>	<u>695,815</u>
Expenditures:			
Current -			
Community Enrichment and Development			
Capital Outlay	182,000	51,445	130,555
Capital Projects	7,306,670	7,214,745	91,925
Total expenditures	<u>7,488,670</u>	<u>7,266,190</u>	<u>222,480</u>
Excess (deficiency) of revenues over expenditures	<u>7,341,190</u>	<u>8,259,485</u>	<u>918,295</u>
Other financing sources (uses):			
Bond Proceeds			
Transfers In	116,590	89,379	(27,211)
Total other financing sources (uses)	<u>116,590</u>	<u>89,379</u>	<u>(27,211)</u>
Change in fund balances	<u>\$ 7,457,780</u>	<u>8,348,864</u>	<u>\$ 891,084</u>
Fund balances, beginning of year		48,798,684	
Fund balances (deficits), end of year		<u>\$ 57,147,548</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, 2020
(Concluded)

2020 General Obligation Parks/Connections Improvement Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 14,368,470	\$ 14,668,545	\$ 300,075
			509,390	1,042,327	532,937
			52,244,300	43,805,047	(8,439,253)
				393,011	(95,746)
			67,122,160	59,908,930	(7,701,987)
2,888,000	984,217	1,903,783	3,433,600	1,962,327	(1,437,398)
761,100		761,100	1,168,100	14,174,837	136,567
8,094,700	2,423,845	5,670,855	58,423,070	34,658,130	1,604,507
11,743,800	3,408,062	8,335,738	63,024,770	50,795,294	303,676
(11,743,800)	(3,408,062)	8,335,738	4,097,390	9,113,636	(7,398,311)
20,000,000		(20,000,000)	20,000,000		(20,000,000)
			116,590	104,185	(27,211)
20,000,000		(20,000,000)	20,116,590	104,185	(20,027,211)
<u>\$ 8,256,200</u>	<u>(3,408,062)</u>	<u>\$ (11,664,262)</u>	<u>\$ 24,213,980</u>	<u>9,217,821</u>	<u>\$ (27,425,522)</u>
	(401,373)			45,514,329	
	<u>\$ (3,809,435)</u>			<u>\$ 54,732,150</u>	

(Continued)

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, 2020

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 51,134,100	\$ 52,074,082	\$ 939,982
Miscellaneous	850,400		(850,400)
Total operating revenues	<u>51,984,500</u>	<u>52,074,082</u>	<u>89,582</u>
Operating expenses:			
Salaries, Wages and Benefits	17,059,010	15,938,450	1,120,560
Contractual Services	22,992,010	18,449,010	4,543,000
Commodities	3,054,390	2,925,874	128,516
Depreciation		7,034,786	(7,034,786)
Total operating expenses	<u>43,105,410</u>	<u>44,348,120</u>	<u>(1,242,710)</u>
Operating Income (Loss)	<u>8,879,090</u>	<u>7,725,962</u>	<u>(1,153,128)</u>
Nonoperating revenues (expenses):			
Investment Income	400,000	719,791	319,791
Gain (Loss) on Sale of Property/Equipment	400,000	39,117	(360,883)
Other - Grants and Contributions	95,000	12,746	(82,254)
Interest Expense	(423,170)	(402,159)	21,011
Other Nonoperating Income (Expenses)	(652,330)		652,330
Total nonoperating revenues (expenses)	<u>(180,500)</u>	<u>369,495</u>	<u>549,995</u>
Income (Loss) before transfers	<u>8,698,590</u>	<u>8,095,457</u>	<u>(603,133)</u>
Transfer In	<u>2,000,000</u>	<u>2,000,000</u>	
Changes in net Position	<u>10,698,590</u>	<u>10,095,457</u>	<u>\$ (603,133)</u>
Net position, beginning of year		3,542,865	
Total net position, end of year		<u>\$ 13,638,322</u>	

(Continued)

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, 2020

	Tucson Golf Enterprise Fund		
	Budget	Actual	Variance - Positive/ (Negative)
Operating revenues:			
Charges for Services	\$ 8,061,810	\$ 8,494,244	\$ 432,434
Total operating revenues	<u>8,061,810</u>	<u>8,494,244</u>	<u>432,434</u>
Operating expenses:			
Salaries, Wages and Benefits	47,600	52,843	(5,243)
Contractual Services	5,825,880	5,798,361	27,519
Commodities	1,679,540	1,052,617	626,923
Cost of Goods Sold	91,360	657,362	(566,002)
Depreciation		779,890	(779,890)
Total operating expenses	<u>7,644,380</u>	<u>8,341,073</u>	<u>(696,693)</u>
Operating income (loss)	<u>417,430</u>	<u>153,171</u>	<u>(264,259)</u>
Nonoperating revenues (expenses):			
Interest Expense	(16,490)	(28,708)	(12,218)
Total nonoperating revenues (expenses)	<u>(16,490)</u>	<u>(28,708)</u>	<u>(12,218)</u>
Income (loss) before capital contributions and transfers	<u>400,940</u>	<u>124,463</u>	<u>(276,477)</u>
Changes in net position	<u>\$ 400,940</u>	<u>124,463</u>	<u>\$ (276,477)</u>
Net position, beginning of year		11,997,492	
Total net position, end of year		<u>\$ 12,121,955</u>	

(Continued)

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, 2020

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 6,876,890	\$ 7,107,181	\$ 230,291
Federal Grants and Contributions	7,474,490	8,419,031	944,541
Miscellaneous	5,900	201,910	196,010
Total operating revenues	14,357,280	15,728,122	1,370,842
Operating expenses:			
Salaries, Wages and Benefits	5,629,620	4,974,745	654,875
Contractual Services	7,643,600	9,426,347	(1,782,747)
Commodities	942,760	1,193,691	(250,931)
Depreciation		692,269	(692,269)
Total operating expenses	14,215,980	16,287,052	(2,071,072)
Operating Income (Loss)	141,300	(558,930)	(700,230)
Nonoperating revenues (expenses):			
Investment Income	32,350	15,429	(16,921)
Other Nonoperating Income (Expenses)	(68,590)	(17,160)	51,430
Total nonoperating revenues (expenses)	(36,240)	(1,731)	34,509
Income (Loss) before capital contributions and transfers	105,060	(560,661)	(665,721)
Transfers In		1,069,438	1,069,438
Transfers Out		(1,054,378)	(1,054,378)
Changes in net position	\$ 105,060	(545,601)	\$ (650,661)
Net position, beginning of year		23,735,902	
Total net position, end of year		\$ 23,190,301	

(Continued)

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HCD NON-PHA ASSET MGMT FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 2,179,870	\$ 1,995,802	\$ (184,068)
Federal Grants and Contributions	220,000	252,689	32,689
Miscellaneous		38,195	38,195
Total operating revenues	<u>2,399,870</u>	<u>2,286,686</u>	<u>(113,184)</u>
Operating expenses:			
Salaries, Wages and Benefits	586,260	842,178	(255,918)
Contractual Services	1,421,360	1,797,947	(376,587)
Commodities	436,930	265,934	170,996
Depreciation		470,482	(470,482)
Total operating expenses	<u>2,444,550</u>	<u>3,376,541</u>	<u>(931,991)</u>
Operating Income (Loss)	<u>(44,680)</u>	<u>(1,089,855)</u>	<u>(1,045,175)</u>
Nonoperating revenues (expenses):			
Investment Income	159,380	113,102	(46,278)
Total nonoperating revenues (expenses)	<u>159,380</u>	<u>113,102</u>	<u>(46,278)</u>
Income (Loss) before capital contributions and transfers	<u>114,700</u>	<u>(976,753)</u>	<u>(1,091,453)</u>
Transfers In	<u>68,000</u>	<u>1,359,883</u>	<u>1,291,883</u>
Changes in net position	<u>\$ 46,700</u>	<u>383,130</u>	<u>\$ 336,430</u>
Net position, beginning of year		12,488,638	
Total net position, end of year		<u>\$ 12,871,768</u>	

(Continued)

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, 2020

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 240,841,780	\$ 241,326,027	\$ 484,247
Miscellaneous	4,429,810	3,590,614	(839,196)
Total operating revenues	<u>245,271,590</u>	<u>244,916,641</u>	<u>(354,949)</u>
Operating expenses:			
Salaries, Wages and Benefits	44,773,380	37,486,225	7,287,155
Contractual Services	84,879,220	79,819,956	5,059,264
Commodities	13,572,450	8,762,133	4,810,317
Depreciation		38,403,406	(38,403,406)
Total operating expenses	<u>143,225,050</u>	<u>164,471,720</u>	<u>(21,246,670)</u>
Operating Income (Loss)	<u>102,046,540</u>	<u>80,444,921</u>	<u>(21,601,619)</u>
Non-operating revenues (expenses):			
Investment Income	507,500	3,496,926	2,989,426
Gain (Loss) on Sale of Property/Equipment		84,110	84,110
Federal Grants and Contributions	865,000		(865,000)
Interest Expense	(19,457,930)	(18,372,660)	1,085,270
Debt Issuance Costs	(1,530,000)	(514,068)	1,015,932
Other Nonoperating Income (Expenses)		(322,043)	(322,043)
Total non-operating revenues (expenses)	<u>(19,615,430)</u>	<u>(15,254,878)</u>	<u>4,360,552</u>
Income (Loss) before capital contributions and transfers	<u>82,431,110</u>	<u>65,190,043</u>	<u>(17,241,067)</u>
Capital Contributions	2,825,000	9,939,050	7,114,050
Transfers Out	<u>(2,013,720)</u>	<u>(2,013,720)</u>	
Changes in net position	<u>\$ 83,242,390</u>	<u>73,115,373</u>	<u>\$ (10,127,017)</u>
Net position, beginning of year		966,431,846	
Total net position, end of year		<u>\$ 1,039,547,219</u>	



CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2020

Revenues:

Sale of Water:	
Potable Water Sales	\$ 191,219,347
Reclaimed Water Sales	9,409,380
Central Arizona Project Charge	26,018,700
Connection Fees	2,125,548
Environmental and Sewer Billing Services	5,776,630
TCE Clean Up Reimbursement	1,796,070
Plan Review and Inspection Fees	704,113
Other	7,866,853

Non-Operating Income:

Impact Fees	3,462,585
Investment Earnings - Operating Fund	1,769,771
Investment Earnings - Debt Service	1,309,993
Federal Non-Grant Contributions (BABS)	372,857
Proceeds from Sale of Property/Equipment	153,802
Proceeds from Property Equipment Rental	417,162
Total Non-Operating Income	<u>7,486,170</u>
Total Revenues	<u>252,402,811</u>

Operation and Maintenance Expenses:

Director's Office	10,817,282
Business Services	7,446,681
Customer Services	9,598,608
Water Operations	28,706,741
Planning and Engineering	8,535,758
Quality Management	12,118,033
Power - Potable System	12,330,889
Power - Reclaimed System	2,150,048

CAP Water Purchases:

Commodity	22,154,986
Capital Charges	<u>8,074,696</u>
Total CAP Water Purchases	30,229,682
General Expenses	841,582
Capitalized Operation and Maintenance Expense	<u>(6,472,421)</u>
Total Operation and Maintenance Expense	<u>116,302,883</u>

Net Revenue Available After Operations (2)	<u>\$ 136,099,928</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, 2020

Bond Debt Service:

Senior Liens

Principal	\$ 29,195,000
Interest	19,047,396
Total Debt Service for Water Revenue Bonds	<u>48,242,396</u>

Junior Liens (Water Infrastructure Finance Authority)

Principal	5,485,012
Interest	608,097
Total Debt Service for Water Infrastructure Finance Authority	<u>6,093,109</u>

Combined Senior and Junior Liens

Principal	34,680,012
Interest	19,655,493
Total Debt Service	<u>54,335,505</u>

Net Revenue Available After Operations

Bond Debt Service for Senior Liens	<u>\$ 87,857,532</u>
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Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	<u>\$ 81,764,423</u>
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- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financial 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 \$49,919,425. 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, 2020, maximum future annual debt service coverage of senior lien debt is 268%.
- (3) 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, 2020, the debt coverage on Senior Lien Annual Debt Service Requirement was 277%.
- (4) 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, 2020, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 1400%.
- (5) 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, 2020, is 246%. The maximum future debt service coverage is 241%.





Statistical Section



Statistical Section - Unaudited

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	<u>168</u>
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	<u>175</u>
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	<u>178</u>
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	<u>183</u>
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	<u>185</u>
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
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE I

		Fiscal Year									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities											
Net Investment in Capital Assets		\$ 1,244,170,566	\$ 1,350,013,946	\$ 1,450,248,757	\$ 1,499,029,239	\$ 1,539,250,781	\$ 1,570,553,310	\$ 1,609,405,372	\$ 1,626,663,395	\$ 1,721,002,644	\$ 1,766,598,079
Restricted		159,017,958	118,633,469	141,695,269	154,849,334	147,289,613	156,102,271	143,610,042	172,997,495	191,076,782	242,401,001
Unrestricted		24,382,059	33,108,497	(409,624)	(780,353,582)	(833,065,927)	(832,271,564)	(860,819,707)	(1,114,575,394)	(1,126,613,499)	(1,108,812,505)
Total Net position		\$ 1,427,570,583	\$ 1,501,755,912	\$ 1,591,534,402	\$ 873,524,991	\$ 853,474,467	\$ 894,384,017	\$ 892,195,707	\$ 685,085,496	\$ 785,465,927	\$ 900,186,575
Business-type Activities											
Net Investment in Capital Assets		\$ 752,837,699	\$ 769,213,845	\$ 788,088,044	\$ 811,642,121	\$ 825,087,980	\$ 850,193,564	\$ 877,797,240	\$ 928,965,511	\$ 973,188,944	\$ 1,049,110,159
Restricted		35,160,494	36,339,552	37,933,738	38,724,476	39,601,012	29,097,188	40,362,311	47,813,477	52,571,867	52,267,229
Unrestricted		(26,949,353)	(10,391,767)	(1,669,897)	(89,809,383)	(76,994,286)	(57,984,680)	(26,833,894)	(21,707,273)	(7,865,395)	425,732
Total Net position		\$ 761,048,840	\$ 795,161,630	\$ 824,351,885	\$ 760,557,214	\$ 787,694,706	\$ 821,306,072	\$ 891,325,657	\$ 955,071,715	\$ 1,017,895,416	\$ 1,101,803,120
Primary Government											
Net Investment in Capital Assets		\$ 1,997,008,265	\$ 2,119,227,791	\$ 2,238,336,801	\$ 2,310,671,360	\$ 2,364,338,761	\$ 2,420,746,874	\$ 2,487,202,612	\$ 2,555,628,906	\$ 2,694,191,588	\$ 2,815,708,238
Restricted		194,178,452	154,973,021	179,629,007	193,573,810	186,890,625	185,199,459	183,972,353	220,810,972	243,648,649	294,668,230
Unrestricted		(2,567,294)	22,716,730	(2,079,521)	(870,162,965)	(910,060,213)	(890,256,244)	(887,653,601)	(1,136,282,667)	(1,134,478,894)	(1,108,386,773)
Total Net position		\$ 2,188,619,423	\$ 2,296,917,542	\$ 2,415,886,287	\$ 1,634,082,205	\$ 1,641,169,173	\$ 1,715,690,089	\$ 1,783,521,364	\$ 1,640,157,211	\$ 1,803,361,343	\$ 2,001,989,695

Notes:

(1) For fiscal year 2019, the City implemented GASB Statement Number 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. To establish beginning balances for the net OPEB liability, the fiscal year 2018 ending net positions for the City's governmental activities and certain proprietary funds have been restated, as documented in Note 22.

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

TABLE II

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities										
Elected and Official	\$ 22,071,179	\$ 22,496,102	\$ 22,380,772	\$ 22,266,302	\$ 20,624,381	\$ 17,193,925	\$ 16,318,010	\$ 16,070,630	\$ 19,700,906	\$ 21,664,620
Support Services	42,164,837	35,118,839	39,001,414	48,948,932	50,308,291	44,993,104	62,550,523	82,468,649	91,648,728	97,981,218
Neighborhood Services	340,720,803	497,892,563								
Public Safety and Justice Services				260,591,927	323,811,440	310,658,969	363,576,231	343,844,545	362,537,783	358,959,284
Public Safety/ Neighborhood Services (4)			373,619,042							
Operations and Development (4)	146,488,882	12,266,031	170,562,802							
Community Enrichment and Development				271,590,886	297,437,927	299,659,039	280,647,041	301,619,258	295,139,603	307,295,707
Strategic Initiatives										
General Government	27,175,033	27,092,579	45,134,817	28,356,640	25,615,851	28,753,654	33,653,089	32,782,433	31,633,687	49,130,752
Interest on Long-term Debt	27,880,687	32,242,741	30,428,436	24,236,525	25,387,637	23,075,684	22,190,906	21,155,574	18,415,499	14,193,590
Fiscal Agent Fees and Other	1,803,136	58,676	2,419,872	1,868,185	1,880,263	1,059,217	459,539	27,100	26,300	
Total Governmental Activities	\$ 608,304,557	\$ 627,167,531	\$ 683,547,155	\$ 657,859,397	\$ 745,065,790	\$ 725,393,592	\$ 779,395,339	\$ 797,968,189	\$ 819,102,506	\$ 849,225,171
Business-type Activities										
Public Housing (1)	\$ 12,138,321	\$ 11,062,401	\$ 11,866,322	\$ 10,257,513	\$ 9,974,288	\$ 10,112,850	\$ 9,681,933	\$ 9,342,251	\$ 12,776,478	\$ 16,304,212
Non-PHA Asset Management (2)		1,120,698	1,409,258	1,383,356	2,267,351	2,765,473	3,009,448	2,620,748	2,822,565	3,376,541
Environmental Services	45,752,439	48,122,885	44,760,999	57,226,295	41,611,732	44,959,464	43,580,825	43,164,262	42,479,357	44,533,604
Tucson Golf Enterprise Fund	8,452,760	7,371,311	6,650,603	6,753,158	8,276,232	8,268,410	7,977,207	7,927,430	8,099,458	8,369,781
Water Utility	130,382,350	140,597,834	138,822,228	151,980,908	167,441,460	170,321,706	156,390,405	170,958,445	181,901,212	183,162,284
Total Business-type Activities	196,725,870	208,275,129	203,509,410	227,601,230	229,571,063	236,427,903	220,639,818	234,013,136	248,079,070	255,746,422
Total Primary Government Expenses	\$ 805,030,427	\$ 835,442,660	\$ 887,056,565	\$ 885,460,627	\$ 974,636,853	\$ 961,821,495	\$ 1,000,035,157	\$ 1,031,981,325	\$ 1,067,181,576	\$ 1,104,971,593
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 7,969,980	\$ 8,179,531	\$ 8,909,982	\$ 6,681,559	\$ 7,829,176	\$ 9,430,958	\$ 12,047,270	\$ 11,535,549	\$ 12,801,745	\$ 12,801,745
Recreation Fees	5,024,093	5,108,831	5,631,054	5,569,954	5,634,416	5,196,732	4,825,423	5,109,593	5,201,224	5,201,224
Paramedic Services Fees	12,111,479	7,856,194	12,098,585	10,616,793	11,155,836	14,267,196	12,926,927	11,296,826	12,458,106	12,458,106
Transit Fees	11,273,379	14,315,113	13,940,587	13,689,563	14,650,911	11,807,294	13,275,079	13,572,281	12,998,641	12,998,641
Other Charges for Service	70,395,491	65,894,543	64,077,153	67,855,088	75,410,073	73,630,570	73,801,269	92,562,458	93,302,099	79,431,322
Operating Grants & Contributions	119,655,515	118,671,770	131,713,221	108,429,579	118,631,887	117,355,150	124,837,969	128,237,145	131,696,352	178,895,360
Capital Grants and Contributions	95,761,089	122,030,260	153,546,244	123,245,664	81,649,759	93,814,694	70,476,919	62,699,881	85,116,519	92,989,209
Total Governmental Activities Program Revenues	\$ 322,191,026	\$ 342,056,242	\$ 389,916,826	\$ 336,088,200	\$ 314,962,058	\$ 325,502,594	\$ 312,190,856	\$ 325,013,733	\$ 353,574,686	\$ 394,775,607
Business-type Activities:										
Charges for Services:										
Public Housing (1)	\$ 3,894,804	\$ 4,337,148	\$ 4,006,300	\$ 3,881,856	\$ 4,382,173	\$ 3,720,409	\$ 3,802,862	\$ 4,026,225	\$ 6,816,292	\$ 7,309,091
Non-PHA Asset Management (2)		728,920	1,093,525	1,008,228	1,084,595	1,627,855	1,789,259	1,841,195	2,035,674	2,033,997
Environmental Services	48,442,224	50,327,999	48,646,855	48,788,808	48,731,484	49,654,020	51,374,445	51,751,334	52,151,243	52,074,082
Tucson Golf Enterprise Fund	7,015,322	6,126,611	6,011,381	6,125,375	7,139,282	7,508,666	7,450,029	7,408,870	7,818,726	8,494,244
Water Utility	143,991,812	151,809,779	158,996,999	171,755,468	181,654,170	187,201,847	205,732,514	228,822,111	223,679,715	244,916,641
Operating Grants and Contributions	6,769,831	6,876,004	6,511,555	6,077,057	6,110,015	6,295,102	5,882,512	6,629,928	6,344,128	9,057,323
Capital Grants and Contributions	10,963,141	11,214,120	9,214,121	8,463,198	7,631,102	9,573,927	14,373,302	8,371,840	9,584,432	9,939,050
Total Business-type Activities Program Rev	221,077,134	231,420,581	234,480,736	246,099,990	256,732,821	265,581,826	290,404,923	308,851,503	308,430,210	333,824,428
Total Primary Government Program Revenues	\$ 543,268,160	\$ 573,476,823	\$ 624,397,562	\$ 582,188,190	\$ 571,694,879	\$ 591,084,420	\$ 602,595,779	\$ 633,865,236	\$ 662,004,896	\$ 728,600,035

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expenses) Revenue										
Governmental Activities	\$ (286,113,531)	\$ (285,111,289)	\$ (293,630,329)	\$ (321,771,197)	\$ (430,103,732)	\$ (399,890,998)	\$ (467,204,483)	\$ (472,954,456)	\$ (465,527,820)	\$ (454,449,564)
Business-type Activities	24,351,264	23,145,452	30,971,326	18,498,760	27,161,758	29,153,923	69,765,105	74,838,367	60,351,140	78,078,006
Total Primary Government Net Expense	\$ (261,762,267)	\$ (261,965,837)	\$ (262,659,003)	\$ (303,272,437)	\$ (402,941,974)	\$ (370,737,075)	\$ (397,439,378)	\$ (398,116,089)	\$ (405,176,680)	\$ (376,371,558)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 36,313,914	\$ 39,869,881	\$ 41,787,498	\$ 43,912,695	\$ 44,992,133	\$ 48,798,741	\$ 50,726,533	\$ 46,886,789	\$ 50,075,217	\$ 49,109,409
Business Privilege Taxes	175,207,546	182,474,594	189,238,160	193,235,470	194,523,190	200,472,119	208,573,221	280,883,697	301,888,742	310,952,555
Public Utility Taxes	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368	23,031,922	23,786,210	26,220,025	24,929,107	24,215,598
Hotel/Motel Surcharge (6)	12,524,705	12,411,247	12,217,409	12,290,994	13,397,772	14,016,293	18,626,692	19,961,452	20,570,989	17,781,816
Occupational Taxes (5)	86,091	84,690	102,558	87,846						
Liquor Taxes (5)	760,615	743,322	749,028	750,481						
Unrestricted Grants and Contributions	110,567,181	105,988,454	115,792,652	124,171,684	131,349,102	133,663,259	135,764,176	142,795,992	146,210,462	154,874,953
Investment Income (Loss)	718,308	916,820	227,689	1,127,524	988,190	2,088,982	676,098	2,486,914	4,681,992	5,749,436
Miscellaneous	1,966,010	3,860,699	5,756,461	14,843,790	1,225,842	21,545,539	25,482,001	7,286,229	15,713,447	7,847,664
Transfers	1,618,501	(9,228,249)	(1,410,120)	957,697	1,785,611	(2,816,307)	1,381,242	1,891,737	1,838,295	(1,361,223)
Total Governmental Activities	\$ 365,054,039	\$ 359,296,620	\$ 391,178,911	\$ 412,264,407	\$ 410,053,208	\$ 440,800,548	\$ 465,016,173	\$ 528,412,835	\$ 565,908,251	\$ 569,170,208
Business-type Activities:										
Investment Income (Loss)	\$ 1,813,164	\$ 1,739,089	\$ 1,226,119	\$ 2,079,879	\$ 1,761,345	\$ 1,641,136	\$ 1,635,722	\$ 2,402,465	\$ 3,525,040	\$ 4,345,248
Miscellaneous								631,258	785,816	123,227
Transfers	(1,618,501)	9,228,249	1,410,120	(957,697)	(1,785,611)	2,816,307	(1,381,242)	(1,891,737)	(1,838,295)	1,361,223
Total Business-type Activities	\$ 194,663	\$ 10,967,338	\$ 2,636,239	\$ 1,122,182	\$ (24,266)	\$ 4,457,443	\$ 254,480	\$ 1,141,986	\$ 2,472,561	\$ 5,829,698
Total Primary Government	\$ 365,248,702	\$ 370,263,958	\$ 393,815,150	\$ 413,386,589	\$ 410,028,942	\$ 445,257,991	\$ 465,270,653	\$ 529,554,821	\$ 568,380,812	\$ 574,999,906
Change in Net Position (3)										
Governmental Activities	\$ 78,940,508	\$ 74,185,331	\$ 97,548,582	\$ 90,493,210	\$ (20,050,524)	\$ 40,909,550	\$ (2,188,310)	\$ 55,458,379	\$ 100,380,431	\$ 114,720,648
Business-type Activities	24,545,927	34,112,790	33,607,565	19,620,942	27,137,492	33,611,366	70,019,585	75,980,353	62,823,701	83,907,704
Total Primary Government	\$ 103,486,435	\$ 108,298,121	\$ 131,156,147	\$ 110,114,152	\$ 7,086,968	\$ 74,520,916	\$ 67,831,275	\$ 131,438,732	\$ 163,204,132	\$ 198,628,352

Notes:

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

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

(3) 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.

(4) Public Safety/Neighborhood Services and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development functions.

(5) Beginning in fiscal year 2015, liquor and occupational fees are categorized as a charge for service as they are permits, not taxes.

(6) Beginning in fiscal year 2016, former Hotel/Transient Occupancy Taxes are "Hotel/Motel Surcharge".

CITY OF TUCSON

TABLE III

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 2,725,063	\$ 2,736,679	\$ 7,885,432	\$ 10,539,014	\$ 11,175,121	\$ 4,535,987	\$ 4,546,261	\$ 5,149,702	\$ 5,231,999	\$ 5,877,876
Restricted	5,477,328	4,875,762	4,337,530	5,401,397	4,876,013	3,379,729	3,581,948	3,720,621	3,813,568	3,997,182
Committed	28,162,175	28,074,273	27,692,762	28,356,051	29,635,059	31,306,965	33,312,757	33,551,248	35,272,013	62,298,442
Assigned	13,264,761	18,056,275	1,680,900	6,464,860	4,285,870	8,458,874	43,196,713	30,743,763	30,999,957	62,263,485
Unassigned	11,107,980	8,668,230	12,765,747	15,991,136	15,736,784	28,269,669	18,022,572	37,969,704	48,053,627	50,353,043
Total General Fund	<u>\$ 60,737,307</u>	<u>\$ 62,411,219</u>	<u>\$ 54,362,371</u>	<u>\$ 66,752,458</u>	<u>\$ 65,708,847</u>	<u>\$ 75,951,224</u>	<u>\$102,660,251</u>	<u>\$111,135,038</u>	<u>\$123,371,164</u>	<u>\$ 184,790,028</u>
All Other Governmental Funds										
Nonspendable	\$ 4,186,004		\$ 4,115,915	\$ 4,505,250	\$ 5,831,208	\$ 3,111,753	\$ 5,382,988	\$ 3,678,236	\$ 5,107,484	\$ 5,314,701
Restricted	85,453,622	59,880,453	76,975,091	93,614,555	89,416,493	96,748,168	89,075,997	112,817,768	152,553,505	208,468,603
Committed	3,360,321	3,142,812	5,187,925	1,611,378	104,954	1,628,147	402,142	151,860	100,938	43,670
Assigned	18,901,488	9,861,655	9,559,070	15,359,731	4,498,593	7,496,550	2,580,576	4,164,188	4,471,631	3,650,555
Unassigned	(177,479)	(421,037)	(96,591)						(401,373)	(4,476,461)
Total All Other Governmental Funds	<u>\$111,723,956</u>	<u>\$ 72,463,883</u>	<u>\$ 95,741,410</u>	<u>\$115,090,914</u>	<u>\$ 99,851,248</u>	<u>\$108,984,618</u>	<u>\$ 97,441,703</u>	<u>\$120,812,052</u>	<u>\$161,832,185</u>	<u>\$ 213,001,068</u>

Notes: (1) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows.

CITY OF TUCSON

TABLE IV

Tax and Other Agency Revenues, General Fund

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tax Revenues										
Property Taxes (2)	\$ 12,034,959	\$ 12,048,032	\$ 12,467,667	\$ 12,993,033	\$ 13,413,323	\$ 13,985,797	\$ 14,215,063	\$ 14,710,170	\$ 15,430,330	\$ 15,898,663
Public Utility Taxes (1)	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368	23,031,922	23,786,210	26,220,025	24,929,107	24,215,598
Local Use Taxes	6,361,392	5,229,898	4,332,206	3,275,783	5,336,256	6,193,640	7,769,947	10,838,598	12,661,617	12,547,773
Business Privilege Taxes	168,139,915	176,758,407	182,861,378	187,178,747	188,784,244	194,093,020	198,629,422	213,375,580	219,326,265	225,912,194
Transient Occupancy Taxes	8,865,662	8,881,638	9,018,728	8,853,403	9,743,022	10,345,642	11,079,644	12,355,878	13,045,172	11,179,433
Other Taxes	4,793,061	4,704,477	4,280,298	4,788,139	3,990,156	4,280,368	7,976,651	7,947,324	7,820,193	6,899,737
Total Tax Revenues	<u>\$ 225,486,157</u>	<u>\$ 229,797,614</u>	<u>\$ 239,677,853</u>	<u>\$ 237,975,331</u>	<u>\$ 243,058,369</u>	<u>\$ 251,930,389</u>	<u>\$ 263,456,937</u>	<u>\$ 285,447,575</u>	<u>\$ 293,212,684</u>	<u>\$ 296,653,398</u>
Other Agency Revenues										
State Auto Lieu Taxes	\$ 19,718,347	\$ 19,743,016	\$ 19,090,499	\$ 20,030,860	\$ 20,709,722	\$ 21,801,786	\$ 21,754,173	\$ 23,677,715	\$ 25,925,868	\$ 25,874,187
State Sales Tax	40,564,009	40,807,325	42,757,073	45,344,556	47,733,015	48,829,221	48,859,397	53,529,411	54,458,475	57,110,824
State Urban Revenue Sharing	50,284,825	45,438,112	53,945,081	58,796,268	62,906,365	63,032,252	65,150,605	65,588,866	65,826,118	71,889,941
Contributions and Agency Billings (2)	3,862,945	4,855,284	4,486,826	4,563,843	5,606,984	6,563,219	8,030,774	6,617,690	5,606,136	5,334,313
Total Other Agency Revenue	<u>\$ 114,430,126</u>	<u>\$ 110,843,737</u>	<u>\$ 120,279,479</u>	<u>\$ 128,735,527</u>	<u>\$ 136,956,086</u>	<u>\$ 140,226,478</u>	<u>\$ 143,794,949</u>	<u>\$ 149,413,682</u>	<u>\$ 151,816,597</u>	<u>\$ 160,209,265</u>

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

TABLE V

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 249,762,745	\$ 255,269,345	\$ 267,885,494	\$ 265,975,961	\$ 273,206,471	\$ 284,287,630	\$ 297,449,821	\$ 373,467,494	\$ 394,101,602	\$ 400,789,275
Licenses and Permits	22,480,422	22,566,668	20,660,558	20,271,165	28,604,577	29,907,393	33,006,093	32,362,623	34,594,279	34,632,736
Fines and Forfeitures	14,656,099	13,845,465	12,852,016	15,761,622	16,831,650	13,051,724	9,983,776	9,655,907	9,871,496	8,800,521
Developer Fees	4,923,737	6,435,351	7,865,777	5,198,521	1,522,640	4,352,737	11,442,519	9,291,985	10,582,494	14,668,545
Use of Money and Property	2,812,446	2,822,212	2,475,035	3,185,971	2,248,794	3,420,636	2,020,203	3,761,093	5,668,605	7,449,412
Federal Grants and Contributions	98,431,053	130,698,957	147,167,365	81,133,301	89,328,863	82,643,881	75,485,901	78,409,187	84,669,378	132,256,566
Other Agencies	228,230,267	205,536,890	232,434,327	259,994,992	240,999,776	259,636,618	242,806,078	243,265,570	261,534,914	272,143,535
Charges for Services	60,487,549	59,580,884	63,383,040	61,868,702	62,646,317	64,921,055	67,542,851	84,596,382	85,844,924	73,830,585
Special Assessments	598,613	523,362	390,049	355,263	323,164	270,738	227,596	68,779	12,952	0
Contributions from Outside Services							1,392,085	11,223,594	8,327,145	788,190
Miscellaneous	3,798,046	3,162,594	6,856,402	14,916,576	8,083,996	21,002,312	13,389,263	8,476,065	8,368,209	10,659,313
Total Revenues	686,180,977	700,441,728	761,970,063	728,662,074	723,796,248	763,494,724	754,746,186	854,578,679	903,575,998	956,018,678
Expenditures										
Current										
Elect and Official	21,539,110	22,745,526	22,220,220	22,491,683	21,123,774	18,137,378	17,079,371	17,063,660	17,450,540	19,257,420
Support Services	37,282,485	32,198,197	33,533,949	44,022,242	45,244,122	43,888,000	61,374,216	78,960,906	82,656,605	111,148,286
Neighborhood Services	328,579,562	446,212,801								
Environment and Development	110,638,943	12,266,031								
Public Safety/Neighborhood Services			359,047,300							
Public Safety and Justice Services				255,356,475	261,650,102	276,028,768	271,728,976	305,271,081	293,751,582	272,930,876
Operations and Development			133,123,134							
Community Enrichment and Development				223,217,451	247,138,055	240,994,849	226,207,082	239,509,517	226,518,983	240,810,808
Strategic Initiatives										
General Government	22,190,452	26,530,390	25,093,204	26,787,570	24,012,380	29,828,832	32,484,571	32,739,324	48,971,538	47,896,419
Capital Outlay	15,074,167	16,464,806	31,567,755	25,149,554	27,411,744	15,831,246	7,914,051	16,506,078	24,418,487	27,287,381
Capital Projects	120,926,947	105,148,263	114,500,756	81,701,341	63,066,809	73,713,543	67,664,011	54,839,687	68,779,962	48,091,249
Debt Service										
Principal	20,722,468	38,542,247	27,754,913	33,961,609	49,743,385	54,255,966	54,949,228	62,889,544	66,407,991	59,614,251
Interest	27,928,190	31,471,681	29,846,761	24,241,560	25,539,124	22,609,407	21,704,785	21,172,727	18,604,611	15,963,549
Fiscal Agent Fees	31,250	40,800	6,138	37,850	23,625	91,914	45,150	27,100	26,300	
Issuance Cost of Debt	1,774,291	1,093,410	643,784	1,276,819	1,197,267	967,303	414,389			
Total Expenditures	706,687,865	732,714,152	777,337,914	738,244,154	766,150,387	776,347,206	761,565,830	828,979,624	847,586,599	843,000,239
Excess of Revenues										
Over (Under) Expenditures	\$ (20,506,888)	\$ (32,272,424)	\$ (15,367,851)	\$ (9,582,080)	\$ (42,354,139)	\$ (12,852,482)	\$ (6,819,644)	\$ 25,599,055	\$ 55,989,399	\$ 113,018,439

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other Financing Sources (Uses)										
Bond Issuance	\$ 10,730,000	\$ 23,060,000	\$ 54,500,000	\$ 40,000,000	\$ 83,950,000	\$ 43,020,000	\$ 25,875,000			
Capital Leases	66,565,000	24,280,000	1,150,000	29,505,017	20,659,864	42,095,984				
Premium on Issuance of Debt	1,575,158	3,624,218	4,008,299	4,123,622	8,287,282	7,143,323	3,292,450			
Refunded Bond Escrow Agent	(21,992,814)	(50,175,809)	(37,576,983)	(32,257,750)	(88,426,284)	(54,144,197)	(8,830,000)			
Discount on Issuance of Debt	(252,090)									
Transfers In	49,484,780	55,836,769	45,444,401	58,034,047	71,625,419	60,221,549	61,245,301	\$ 63,265,262	\$ 56,094,325	\$ 32,977,515
Transfers Out	(49,387,896)	(54,626,769)	(44,241,334)	(58,083,265)	(70,025,419)	(66,108,430)	(59,326,995)	(61,364,762)	(54,054,976)	(33,408,207)
Total Other Financing Sources (Uses)	56,722,138	1,998,409	23,284,383	41,321,671	26,070,862	32,228,229	22,255,756	1,900,500	2,039,349	(430,692)
Net Change in Fund Balances	\$ 36,215,250	\$ (30,274,015)	\$ 7,916,532	\$ 31,739,591	\$ (16,283,277)	\$ 19,375,747	\$ 15,436,112	\$ 27,499,555	\$ 58,028,748	\$ 112,587,747
Debt Service as a % of										
Noncapital Expenditures (1)	8.5%	11.5%	9.1%	9.2%	11.1%	11.2%	11.2%	11.1%	11.3%	9.8%

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.
(3) Public Safety/Neighborhood Services and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development functions.

CITY OF TUCSON

TABLE VI

Taxable Sales by Category
Last Ten Fiscal Years

Activity (1)	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Utilities (2)	\$ 718,552,700	\$ 750,007,650	\$ 753,704,450	\$ 761,478,800	\$ 782,177,122	\$ 827,836,228	\$ 761,882,646	\$ 848,786,259	\$ 840,996,751	\$ 843,608,056
Communications	267,402,622	227,677,700	232,882,104	201,169,667	184,659,928	167,040,690	153,860,278	169,803,092	138,859,321	136,933,687
Publishing & Printing	46,369,408	50,777,500	47,314,952	46,030,420	46,225,728	44,861,010	42,694,048	40,173,943	38,752,063	39,304,446
Restaurants	913,184,999	996,147,700	1,031,086,030	1,053,054,171	1,116,095,399	1,174,744,611	1,169,221,596	1,254,106,028	1,327,070,724	1,303,355,406
Amusements	81,730,112	84,884,600	88,969,460	85,607,140	85,427,724	90,656,814	94,681,152	107,192,937	100,613,398	96,897,128
Rentals	971,487,214	985,211,000	1,015,055,763	998,954,427	972,479,203	1,002,169,113	992,517,487	1,038,329,369	1,119,817,010	1,112,794,934
Contracting	707,955,711	745,759,900	835,481,024	862,574,090	654,854,410	499,557,358	594,318,178	708,684,759	832,753,858	877,134,904
Retail	4,793,591,280	5,062,139,300	5,336,970,626	5,455,905,198	5,804,257,368	6,133,012,334	5,947,723,431	6,351,368,840	6,402,322,534	7,080,998,034
Use Tax	325,202,306	256,853,800	219,717,771	208,957,129	274,254,592	308,009,316	347,898,340	495,634,302	603,855,245	607,015,660
Other	2,324,982	2,051,050	2,812,713	1,388,506	1,711,651	2,465,771	684,208	3,071,768	215,620	1,529,944
Total Business Privilege Activity	\$ 8,827,801,334	\$ 9,161,510,200	\$ 9,563,994,893	\$ 9,675,119,548	\$ 9,922,143,125	\$10,250,353,245	\$10,105,481,364	\$11,017,151,297	\$11,405,256,524	\$ 12,099,572,199
City's Tax Rate (3)	2%	2%	2%	2%	2%	2%	2%	2.6%	2.6%	2.6%

Notes: (1) Tax activity reporting were re-calculated for fiscal years 2009-2014 due to changes in tax software collection systems.

(2) Utility is only based on 2%/2.5%/2.6% utility tax. It does not include either of the public utility taxes. 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.

(3) The City's Tax rate increased to 2.5% on July 1, 2017 and it increased again to 2.6 % on February 1, 2018.

(4) Prior to FY17, Peddler activity was reported under "Other" taxes. The peddler food activity is now reported under the restaurant activity and the peddler variety activity is now reported under the retail activity.

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

TABLE VII

<u>Fiscal Year</u>	<u>City's Rate (1)</u>	<u>State's Rate (2)</u>	<u>County's Rate - RTA (3)</u>
2011	2.0%	5.6%	0.5%
2012	2.0%	6.6%	0.5%
2013	2.0%	6.6%	0.5%
2014	2.0%	6.6%	0.5%
2015	2.0%	5.6%	0.5%
2016	2.0%	5.6%	0.5%
2017	2.0%	5.6%	0.5%
2018	2.6%	5.6%	0.5%
2019	2.6%	5.6%	0.5%
2020	2.6%	5.6%	0.5%

- Notes:** (1) In May 2017, City voters approved a 0.5% increase for five years, effective July 1, 2017. These revenues are restricted for Public Safety and road improvements. In November 2017, voters approved a 0.1% increase for ten years, effective February 1, 2018. These revenues are restricted for zoo operations and improvements.
- (2) 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.
- (3) On May 16, 2006 voters in Pima County approved a 20-year Regional Transportation Plan and a regional half-cent sales tax to pay for roadway, transit, bike and pedestrian improvements.

CITY OF TUCSON

TABLE VIII

Principal Business Privilege Tax Remitters By Activity

Current Year and Nine Years Ago

Business Sector	Fiscal Year 2011		Fiscal Year 2020	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility	\$ 14,371,054	7.2%	\$ 21,934,104	6.5%
Public Utility	21,059,897	10.6%	24,422,101	7.2%
Public Utility (Right of Way)	606,542	0.3%	660,570	0.2%
Communications	5,348,052	2.7%	3,559,932	1.0%
Publishing & Printing	927,388	0.5%	1,021,853	0.3%
Restaurants	18,263,670	9.2%	33,866,622	10.0%
Amusements	1,634,602	0.8%	2,508,165	0.7%
Rentals	19,429,744	9.8%	28,916,221	8.5%
Contracting	14,159,114	7.1%	22,768,545	6.7%
Retail	95,871,826	48.4%	184,053,364	54.2%
Use Tax	6,504,046	3.3%	15,793,800	4.7%
Other Activities	46,500	0.0%	39,772	0.0%
Total (1)	<u>\$ 198,222,435</u>	<u>100%</u>	<u>\$ 339,545,049</u>	<u>100%</u>

Notes: (1) Total does not include refunds and other reductions.

(2) Utility is split into three categories. The tax rate for Utility is 2%, for Public Utility is 4.5%, and for Public Utility Right of Way is 1.5%.

(3) Retail is the combination of reported taxes for retail sales and remote sellers. Remote sellers business activity started on October 1, 2019

(4) Covid-19 saw the shut down of several business activities on March 17, 2020 which continued until May 15, 2020. For May 15 through June 29, different business activities were allowed to reopen in limited capacity

CITY OF TUCSON

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

TABLE IX

Fiscal Year	Governmental Activities						
	General Obligation Bonds	Street & Highway Revenue Bonds	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	Total Governmental Activities
2011	228,830,948	129,040,167	250,893,995	3,052,000	2,875,924	17,662,300	632,355,334
2012	215,939,228	115,753,502	243,748,461	2,469,000	1,660,877	16,458,000	596,029,068
2013	220,197,706	116,685,796	236,008,762	2,006,000	2,340,221	15,178,700	592,417,185
2014	221,448,585	103,815,714	256,206,057	1,577,000	2,062,612	13,889,400	598,999,368
2015	221,866,839	89,760,231	241,337,521	1,139,000	3,073,227	12,580,100	569,756,918
2016	218,709,143	74,955,413	226,053,035	692,000	19,272,245	11,260,800	550,942,636
2017	211,247,606	59,868,118	210,351,828	293,000	18,789,417	9,926,500	510,476,469
2018	183,531,175	44,211,118	189,968,018	36,000	15,268,587	8,577,200	441,592,098
2019	150,626,539	31,905,000	161,987,595		13,599,767	7,212,900	365,331,801
2020	125,305,391	22,242,108	151,003,590		12,062,482	5,833,600	316,447,171

Fiscal Year	Business-type Activities						
	Water System Revenue Bonds (1)	Capital Leases	Certificates of Participation (1)	Total Business- type Activities	Total Primary Government	Percentage of Personnel Income (2)	Per Capita (2)
2011	508,483,331	1,261,542	14,554,345	524,299,218	1,156,654,552	3.14 %	1,187.53
2012	530,725,708	517,185	14,429,000	545,671,893	1,141,700,961	3.10 %	1,152.07
2013	543,238,800		10,714,000	553,952,800	1,146,369,985	3.11 %	1,150.05
2014	554,163,377		10,753,136	564,916,513	1,163,915,881	3.16 %	1,168.54
2015	553,470,977		10,617,119	564,088,096	1,133,845,014	3.16 %	1,125.74
2016	537,088,662	273,463	11,753,754	549,115,879	1,100,058,515	2.87 %	1,092.19
2017	535,541,471	189,437	11,444,063	547,174,971	1,057,651,440	2.74 %	1,047.80
2018	521,267,908	103,865	11,089,386	532,461,159	974,053,256	2.29 %	949.28
2019	443,916,199	206,966	10,731,165	454,854,330	820,186,131	1.93 %	849.12
2020	409,236,187	149,471	9,961,740	419,347,398	777,395,814	1.63 %	742.30

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

(1) Includes any Unamortized Premiums and/or Discounts (Does not include Loss on Refunding)

(2) Population and personal income information can be found on Table XIV - Demographics and Economic Statistics

CITY OF TUCSON

TABLE X

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
2011	228,830,948	1,101,917	227,729,031	29,724,994,272	0.77%	233.80
2012	215,939,228		215,939,228	26,361,320,625	0.82%	217.90
2013	220,197,706		220,197,706	25,277,236,323	0.87%	220.90
2014	221,448,585		221,448,585	23,573,852,432	0.94%	222.33
2015	221,866,839		221,866,839	23,621,125,299	0.94%	220.28
2016	218,709,143	2,205,248	216,503,895	24,914,786,731	0.87%	214.96
2017	211,585,375	2,554,745	209,060,630	26,918,515,852	0.79%	212.66
2018	183,531,175	2,199,040	181,332,135	28,316,305,308	0.79%	224.55
2019	150,626,539	982,650	149,643,889	30,525,729,250	0.80%	244.21
2020	125,305,391	87,182	125,218,209	34,988,121,143	0.81%	283.40

Source: Estimated net full cash value is from the General Obligations, Series 2018-A (2020) Official Statement.

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

CITY OF TUCSON

Direct and Overlapping Governmental Activities Debt

As of June 30, 2020

TABLE XI

Overlapping Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 856,463,540	40.75 %	\$ 349,008,893
Drexel Heights Fire District	7,095,000	6.28 %	445,566
Tucson Unified School District No. 1	134,120,191	70.69 %	94,809,563
Flowing Wells Unified School District No. 8	22,835,000	1.75 %	399,613
Amphitheater Unified School District No. 10	76,795,000	7.61 %	5,844,100
Sunnyside Unified School District No. 12	68,844,715	9.95 %	6,850,049
Tanque Verde Unified School District No. 13	8,450,000	0.13 %	10,985
Vail Unified School District No. 20	99,760,000	6.49 %	6,474,424
Sahuarita Unified School District No. 30	43,010,000	0.01 %	4,301
Other Debt (1)			
Pima County	748,540	40.75 %	305,030
Tucson Unified School District No. 1 Capital Leases	1,000,595	70.69 %	707,321
Sahuarita Unified School District No. 30	17,132,702	0.01 %	1,570
Flowing Wells Unified School District No. 8	15,698,301	1.75 %	41,859
Tanque Verde Unified School District No. 13	529,396	0.13 %	688
Vail Unified School District No. 20	2,391,945	6.49 %	155,237
			465,059,199
City of Tucson, Arizona Direct Debt			316,447,171
Total Direct and Overlapping Debt			<u>\$ 781,506,370</u>

Source: State of Arizona Outstanding Indebtedness Report Dated June 30, 2020.

Notes: (1) Proportion applicable to the City is computed on a ratio of secondary assessed valuation of the overlapping entity within the City to the amount of the total secondary assessed valuation of the City.

CITY OF TUCSON
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XII

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary Tax Rate (1)	0.3289	0.4297	0.4125	0.5245	0.4829	0.5326	0.5348	0.4581	0.5311	0.4555
Secondary Tax Rate	0.6261	0.7324	0.8514	0.9059	0.9777	1.0634	1.0634	0.9761	0.9508	0.9255
Total Property Tax Rate (2)	0.9550	1.1621	1.2639	1.4304	1.4606	1.5960	1.5982	1.4342	1.4819	1.3810
Secondary Assessed Value	\$ 3,914,105,239	\$ 3,487,959,628	\$ 3,377,401,416	\$ 3,151,042,287	\$ 3,151,042,287	\$ 3,248,105,418	\$ 3,403,761,338	\$ 3,824,846,552	\$ 4,104,342,952	\$ 4,104,342,952
6% Limitation (3)	210,076,018	209,277,578	202,644,085	189,062,537	189,062,537	194,886,325	201,270,680	229,490,793	246,260,577	246,260,577
Less: Direct G.O. Bonds Outstanding										
Legal Debt Margin	\$ 210,076,018	\$ 209,277,578	\$ 202,644,085	\$ 189,062,537	\$ 189,062,537	\$ 194,886,325	\$ 201,270,680	\$ 229,490,793	\$ 246,260,577	\$ 246,260,577
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	782,821,048	697,591,926	675,480,283	630,208,457	624,735,746	649,621,083	680,752,267	764,969,310	820,868,590	820,868,590
Less: Direct G.O. Bonds Outstanding	222,360,610	209,071,010	213,450,000	214,760,000	213,495,000	208,860,000	200,270,000	174,640,000	148,145,000	148,145,000
Legal Debt Margin	\$ 560,460,438	\$ 488,520,916	\$ 462,030,283	\$ 415,448,457	\$ 411,240,746	\$ 440,761,083	\$ 480,482,267	\$ 590,329,310	\$ 672,723,590	\$ 672,723,590
Legal Debt Margin as a Percentage of the Debt Limit	71.59%	70.03%	68.40%	65.92%	65.83%	67.85%	70.58%	77.17%	81.95%	81.95%

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

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

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

CITY OF TUCSON

TABLE XIII

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	Senior Lien Annual
								Debt Service Coverage Ratio	Debt Service Coverage Ratio (1)
				Principal	Interest	Principal	Interest		
2011	148,473,207	75,307,470	73,165,737	20,147,455	22,130,225	16,500,000	20,919,848	1.73	1.96
2012	156,327,453	83,267,358	73,060,095	21,198,854	22,226,365	18,330,000	20,946,272	1.68	1.86
2013	163,836,521	84,757,495	79,079,026	24,503,570	21,875,823	19,595,000	20,729,587	1.71	1.96
2014	176,411,669	91,766,938	84,644,731	22,543,481	19,291,096	19,345,000	18,170,704	2.02	2.26
2015	186,136,837	96,997,979	89,138,858	28,201,640	21,117,117	24,900,000	20,073,447	1.81	1.98
2016	192,222,574	112,336,250	79,886,324	30,538,155	20,378,867	27,130,000	19,395,157	1.57	1.82
2017	210,873,823	100,943,373	109,930,450	28,615,133	21,207,005	25,100,000	20,316,300	2.21	2.42
2018	234,878,094	107,676,138	127,201,956	33,526,690	21,098,202	28,360,000	20,303,593	2.33	2.61
2019	231,108,859	115,926,957	115,181,902	39,453,943	20,591,751	35,705,000	19,961,759	1.92	2.07
2020	252,402,811	116,302,883	136,099,928	34,680,012	19,655,493	29,195,000	19,047,396	2.50	2.82

Highway User Fees (HURF)

Fiscal Year	HURF Revenues	Debt Service		Coverage
		Principal	Interest	
2011	40,018,318		5,941,298	6.74
2012	37,160,062	12,255,000	6,167,389	2.02
2013	40,613,665		5,437,808	7.47
2014	41,266,976	11,660,000	5,042,561	2.47
2015	44,846,287	12,965,000	4,544,350	2.56
2016	46,779,437	13,185,000	3,855,618	2.75
2017	48,218,829	13,610,000	3,408,559	2.83
2018	49,000,113	14,145,000	2,757,450	2.90
2019	54,562,146	10,130,000	2,090,250	4.46
2020	55,265,233	10,560,000	1,583,750	4.55

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include depreciation, interest, or amortization expenses.

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

City of Tucson
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIV

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2011	974,000	35,187,500,000	36,127	9.1%
2012	991,000	36,864,000,000	37,199	7.2%
2013	996,800	37,031,000,000	37,150	7.0%
2014	996,046	37,587,700,000	37,737	6.6%
2015	1,007,200	38,272,000,000	37,998	5.7%
2016	1,009,400	38,606,000,000	38,246	5.7%
2017	1,013,100	40,182,115,000	39,663	4.9%
2018	1,026,100	42,585,356,000	41,637	4.6%
2019	1,039,073	45,748,033,000	44,028	4.7%
2020	1,047,279	47,604,994,000	45,456	6.5%

Sources: U. S. Census/U.S. Bureau of Economic Analysis/U.S. Bureau of Labor Statistics

Notes: (1) Population and Personal Income are for the Tucson Metropolitan Statistic Area.

(2) Data is for the calendar year that ends during that fiscal year. For example, fiscal year 2020 contains data for the calendar year ending December 31, 2019

CITY OF TUCSON

Principal Employers

Current Year and Nine Years Ago

TABLE XV

Employer	2011		Employer	2020	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
Raytheon Missile Systems	11,850	3.42%	University of Arizona	11,251	2.27%
University of Arizona	11,635	3.36%	State of Arizona	8,580	1.73%
State of Arizona	8,700	2.51%	Davis-Monthan Air Force Base	8,406	1.69%
Davis-Monthan Air Force Base	8,462	2.44%	Pima County	7,060	1.42%
Wal-Mart Stores, Inc.	7,140	2.06%	Tucson Unified School District No. 1	6,770	1.36%
Pima County	6,630	1.91%	Banner University Health Center	6,272	1.26%
U.S. Army Intelligence Center & Fort Huachuca	6,300	1.82%	U.S. Customs and Border Patrol	5,739	1.16%
Tucson Unified School District No. 1	5,547	1.60%	Wal-Mart Stores, Inc.	5,500	1.11%
Tohono O'Odham Nation	5,400	1.56%	U.S. Army Intelligence Center & Fort Huachuca	5,477	1.10%
City of Tucson	4,896	1.41%	City of Tucson	4,595	0.93%
Total	76,560	22.10%		69,650	14.03%

Source: Arizona Daily Star-200 June 2020, The Book of Lists 2020, Inside Tucson Business

City of Tucson

TABLE XVI

Adopted Budget Full-time-Equivalent City Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elected and Official	214.50	207.50	209.50	223.00	206.50	212.50	183.50	184.50	190.50	192.50
Neighborhood Services (1)	3,167.80	2,413.75								
Public Safety/Neighborhood Services (2)			2,974.75							
Public Safety and Justice Services				2,239.30	2,237.80	2,254.80	2,126.80	2,116.80	2,102.30	2,168.50
Operations and Development (2)	450.00	1159.25	594.00							
Community Enrichment and Development				1,090.25	1,052.5	1,027.00	931.00	929.00	884.75	896.25
Support Services	644.50	303.00	301.50	524.00	518.00	522.50	489.50	480.00	520.50	539.00
General Government										
Pension Services (3)			4.00	4.00	4.00	4.00	4.00	4.00	4.50	4.50
Utility Services-Environmental Services	241.00	241.00	237.00	222.00	216.00	214.00	241.00	236.00	224.00	223.50
Utility Services-Water	556.00	556.00	549.00	547.00	547.50	547.50	550.50	554.50	564.50	563.50
Golf Courses (4)	145.25	63.75	68.00	68.00						
Total	5,419.05	4,944.25	4,937.75	4,917.55	4,782.30	4,782.30	4,526.30	4,504.80	4,491.05	4,587.75

Source: Adopted Budget - Volume I

- Note:
- (1) The Neighborhood Services function was re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.
 - (2) Public Safety/Neighborhood Service and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development.
 - (3) Beginning in fiscal year 2013, the City began to report Pension Services separately. Prior to FY13 it was reported in Support Services.
 - (4) Beginning in fiscal year 2015, Tucson City Golf Enterprise is managed by an independent contractor.

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

TABLE XVII

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police Facilities	13	13	13	13	9	9	9	9	9	9
Fire Stations	21	21	21	21	22	22	22	22	22	22
Parks & Recreation										
Recreation/Regional Centers	18	18	18	18	20	20	20	20	20	20
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	142	142	142	142	127	127	127	127	164	164
Play Fields	231	231	231	231	225	225	231	225	225	236
Swimming Pools (2)	27	27	27	27	45	45	41	25	25	25
Transportation (1)										
Residential (Miles)	1,384	1,604	1,604	1,629	1,645	1,328	1,328	1,347	1,353	1,358
Collectors (Miles)	101	101	101	101	101	85	85	85	85	86
Arterials (Miles)	287	316	316	371	381	310	310	310	317	323
Interstate (Miles)	80	80	80	80	80					
Transit										
Buses (Active Fleet)	240	237	252	240	252	252	246	246	237	237
Water										
Operable Wells	221	226	206	230	225	221	202	216	201	211
Miles of Water Mains	4,620	4,687	4,793	4,606	4,623	4,579	4,596	4,650	4,611	4,616

Source: Various City Departments

Notes: (1) Previous reporting numbers were figures for all mileage within Tucson limits regardless of ownership. In fiscal year 2016 a new application was adopted that can identify only the City of Tucson owned roads and streets.

(2) Prior to 2017, stand-alone splash pads inside pool grounds were included. For 2017, these splash pads have been excluded.

CITY OF TUCSON

TABLE XVIII

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Number of Construction Permits (Residential and Commercial)	2,984	2,430	2,295	1,932	2,094	2,164	2,532	2,558	2,492	2,242
Permit Revenue	\$8,278,724	\$8,179,531	\$8,909,982	\$6,870,350	\$8,644,604	\$12,784,997	\$24,091,020	\$17,959,189	\$19,384,909	\$23,405,114
Police										
Calls for Service	299,191	305,662	328,015	346,817	326,900	286,811	288,755	310,396	328,336	374,496
Calls for Service per Capita	0.57	0.56	0.62	0.66	0.62	0.54	0.54	0.58	0.60	0.69
Part I Crimes (% Cleared) (1)	17.04%	17.13%	11.52%	14.73%	14.80%	12.34%	12.88%	15.21%	16.30%	18.64%
Part II Crimes (% Cleared) (1)	100.00%	93.02%	83.61%	79.22%	37.94%	65.51%	64.12%	76.65%	89.10%	86.71%
Fire										
Emergency Responses	79,721	80,236	81,941	79,704	85,594	91,272	92,009	90,966	87,801	90,393
Inspections	8,301	8,319	6,293	7,199	5,471	5,140	5,810	6,368	9,246	10,516
Parks & Recreation										
KIDCO Registration	3,710	4,161	3,407	3,209	3,195	3,285	2,978	2,785	2,826	956
Class Enrollment-Other than KIDCO	18,304	19,418	17,607	16,949	16,724	16,248	15,615	15,427	15,302	8,724
Facility Rental	11,509	11,734	9,325	9,231	10,688	10,810	8,882	10,544	10,066	7,003
Zoo Visitors	524,701	585,583	549,929	568,028	618,357	519,829	485,074	505,238	512,396	336,020
Environmental Services										
Landfill Tons of Waste Collected (3)	435,864	453,400	471,400	517,564	560,938	575,469	582,181	948,481	717,062	747,028
Tons of Material Recycled (3)	43,534	39,000	38,000	38,623	39,506	39,792	39,344	29,247	26,187	33,000
Water										
Average Total Monthly Connections										
Potable	222,736	223,139	224,284	225,791	227,052	228,450	230,030	231,927	233,031	234,657
Reclaimed	1,087	1,087	1,082	1,086	1,076	1,056	1,047	1,043	1,042	1,040
New Connections										
Potable	1,127	1,018	1,459	1,186	1,258	1,398	1,580	1,897	1,474	1,626
Reclaimed	0	0	9	0	(10)	(20)	(9)	(4)	(8)	(2)
Water Sales (1000 ccf)										
Potable	42,885	41,433	41,109	41,266	39,876	39,500	39,546	39,700	38,160	37,240
Reclaimed	6,872	6,285	6,483	7,154	6,188	5,981	6,269	6,694	5,347	5,905
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	4 to 6 weeks	42	16	2 to 3 weeks	18	14	4	9	18	22
The % of Lane Miles Assessed as Satisfactory or Better (2)	67%	43%	46%	23%	28%	26%	27%	30%	32%	30%
Traffic Signal Expenditure per Repair	\$567.00	\$700.00	\$746.00	\$831.00	\$593.00	\$510.00	\$503.00	\$649.00	\$665.00	\$555.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$5.78	\$6.89	\$6.20	\$7.11	\$7.08	\$7.47	\$7.36	\$7.07	\$7.01	\$7.35
Sun Tran's Operating Expenses per Passenger Mile	\$0.74	\$0.70	\$0.64	\$0.73	\$0.68	\$0.94	\$0.73	\$0.80	\$0.75	\$0.74

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.

(2) The criteria for assessing the range of conditions have become more strict. Other factors for the decrease include deferred maintenance from prior years.

(3) The increase in waste collected in FY18 is due to the Congress Landfill excavation. For 2017, 20% of the 39,344 was determined "contaminated/waste materials", this is also included in the waste collected for FY17.



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 or Business Services Director.

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 outflows. A consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets.

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.

Encumbrance. 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.

HURF. Highway User Revenue Fund.

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 lowest level of budgetary detail at which a government's management may not reassign resources without approval from the governing authority. The legal level of control shall be, at a minimum, expenditures for each department for each fund for which a budget is required.

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. 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

www.tucsonaz.gov/finance