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CITY OF TUCSON, ARIZONA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR JULY 1, 2008 - JUNE 30, 2009

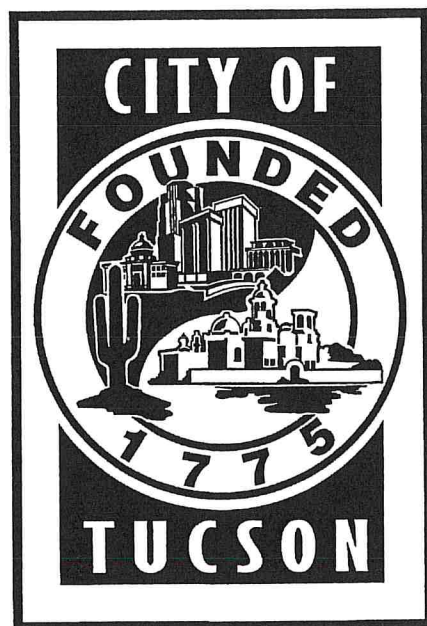
City of Tucson, Arizona

Comprehensive Annual Financial Report

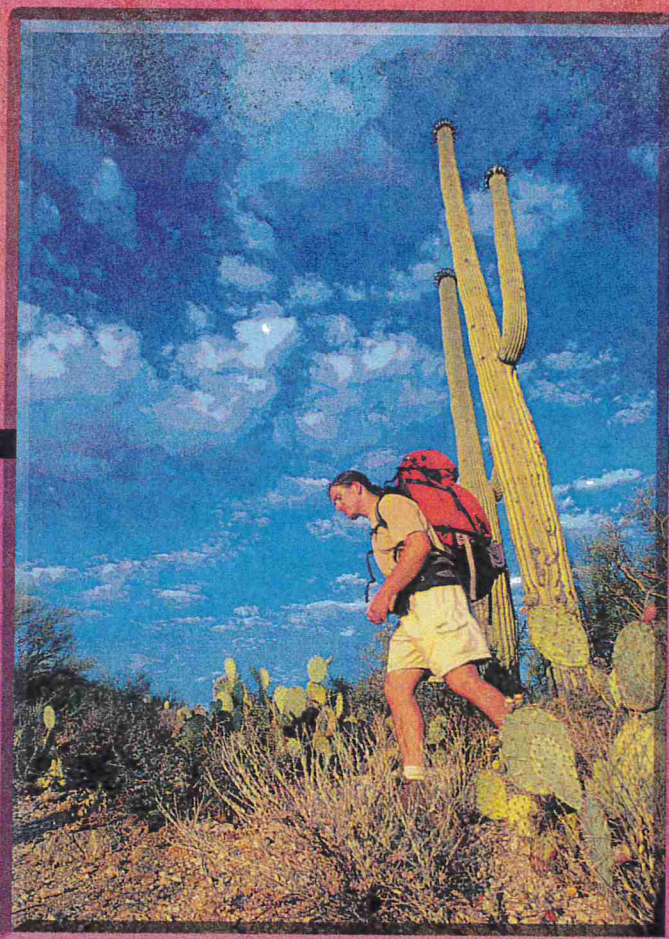
Fiscal Year Ended June 30, 2009



Prepared by: The Department of Finance,
Accounting Division



CITY OF TUCSON, ARIZONA



INTRODUCTION

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For the Year Ended June 30, 2009

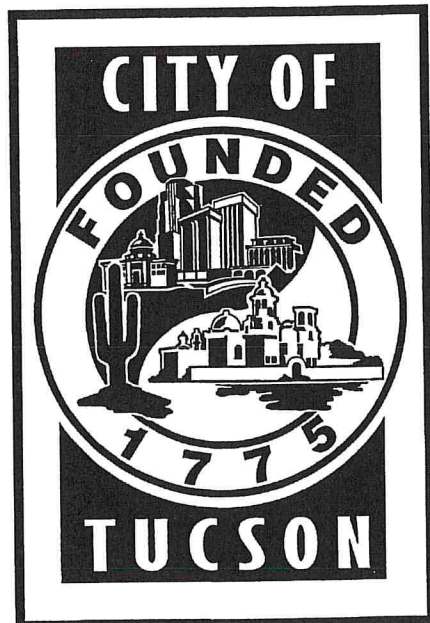
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CITY OF TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

December 18, 2009

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

Formal Transmittal

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2009, as required by Chapter XXIX of the City Charter. The CAFR was prepared in accordance with accounting principles generally accepted in the United States of America.

City management is responsible for both the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management's Discussion and Analysis (MD&A) beginning on page 3 provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

Independent Audits

The City Charter requires an annual independent audit. The City engaged Heinfeld, Meech, and Company, P.C. to express an opinion on the financial statements based on their audit. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the financial section of this report. Heinfeld, Meech, and Company, P.C. also audited the City's federal financial assistance program, complying with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

City Profile

Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. More than 300 years after Tucson's founding as a mission site, the City continues to grow and celebrate its diverse cultural influences. It is the second largest city in the State of Arizona and largest in Southern Arizona. It is the home of the University of Arizona and Davis-Monthan Air Force Base. The City was incorporated on

February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. All funds and entities related to the City are controlled by the Mayor and Council and are included in the basic financial statements. These funds and entities provide a full range of services including General Government, Police, Fire, Environmental Services, Transportation, Parks and Recreation, Golf, and Water.

A component unit is a separate legal entity that is included in the reporting entity due to the significance of its financial or operational relationships with the City. The City has five discretely presented component units: The Rio Nuevo Multipurpose Facilities District, Silverbell Homes Limited Partnership, Posadas Sentinel, L.L.L.P., South Park Development Partners, L.L.L.P., and Tucson House Apartments, L.L.L.P. All component units are presented separately from the City in the basic financial statements. Additional information concerning the City's component units is provided in the notes to the basic financial statements.

Budget System and Controls

Tucson, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-80 adjusted to reflect subsequent inflation and population growth. On November 8, 2005, city voters approved an Alternative Expenditure Limitation (Home Rule Option) that is determined by the City's annual balanced budget, which became effective in fiscal year 2007.

Legal control over the budget derives from state statutes that prohibit the City from exceeding the budget by purpose. The City of Tucson defines "purpose" as a series of departments organized into the following six program categories: Elected and Official, Neighborhood Services, Environment and Development, Strategic Initiatives, Support Services, and Non-departmental. The Budget Director and the City Manager approve changes within purpose categories and Mayor and Council approve changes between purposes. Additional information is provided in the notes to the basic financial statements.

Assessing Economic Condition

The recession hit Arizona harder than any state, with the exception of Nevada. Arizona's economy entered the recession earlier than the national economy, and will emerge later. The State and the Tucson Metropolitan Area have seen unprecedented declines in retail sales and employment with the construction industry leading the way. Declines in the housing market have reduced market value and created large inventories of unsold houses. Figures 1 through 4 provide Tucson and State of Arizona comparisons of population growth, unemployment, retail sales, and personnel income.

FIGURE 1

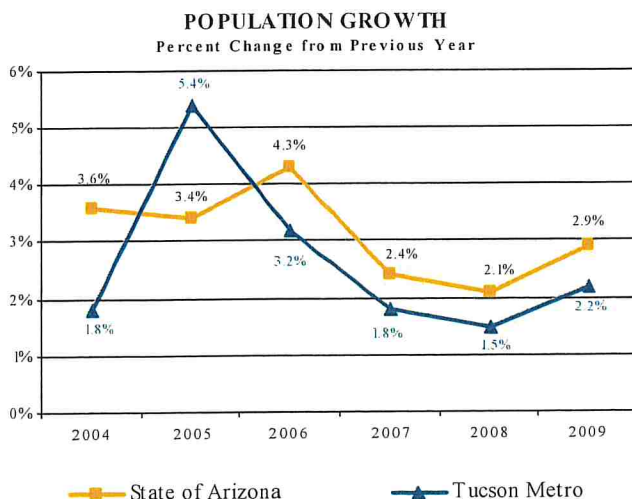


FIGURE 2

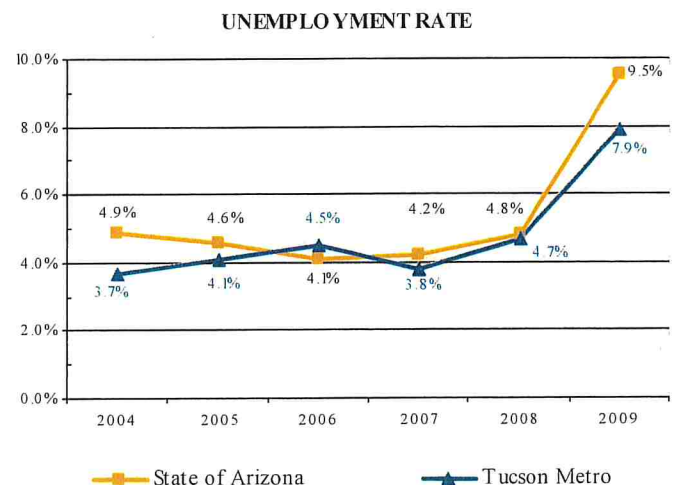


FIGURE 3

AGGREGATE RETAIL SALES

Percent Change from Previous Year

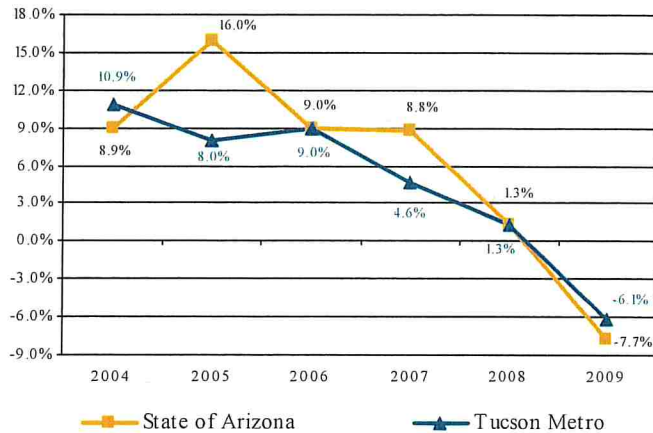
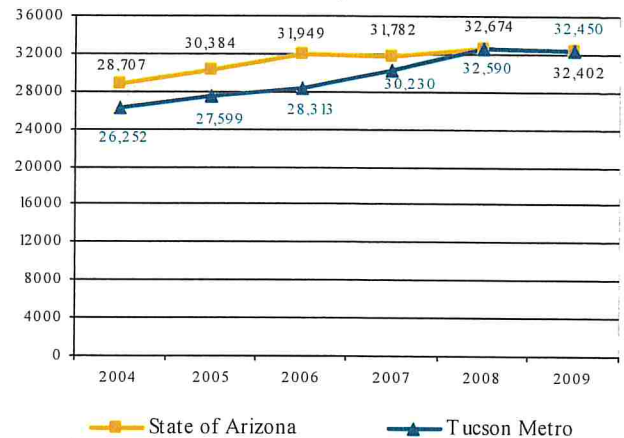


FIGURE 4

PERSONAL INCOME

Per Capita



The recession has caused declines in sales tax collections for the City and the City's portion of State shared taxes. These revenue sources comprise 69% of the General Fund revenues and were a combined \$32.6 million below fiscal year 2008 levels or about 8% of General Fund revenues. Management measures such as hiring freezes, implementing purchasing controls, and restricting travel, training and maintenance activities provided savings of over \$18 million. These measures, along with using \$14.1 million of unreserved/undesignated fund balance allowed the City to withstand a very challenging fiscal year 2009. The City's unreserved/undesignated fund balance accomplished its intended purpose by providing protection during the economic recession, ending the fiscal year at 4.1% of general fund expenditures. With projected revenues continuing to decline further management actions will be necessary to provide critical City services and protect the unreserved/undesignated fund balance for fiscal year 2010 and beyond until City's revenues begin to recover.

Long-Term Planning

As a result of controlling expenditures and taking corrective actions in fiscal year 2009, the City avoided major reductions in public safety budgets, wide-scale layoffs, and drastic cuts in service delivery to citizens. Some of the expenditure reductions were one-time solutions such as debt restructuring. However, the City cannot rely on continued cuts or one-time solutions because of our reliance on economic sensitive revenues. Since the City does not have a diversified revenue stream, an *Analysis of Potential Revenue Sources Report* was submitted to Mayor and Council proposing revenue enhancements, which over \$17 million was approved for the fiscal year 2010 budget. The revenue enhancements along with reductions in City department budgets, elimination of positions and implementation of furlough days, debt refinancing and use of one-time revenues and expenditures allowed the City to balance the budget and maintain critical City services. A Financial Monitoring Team has been established that will focus on improving the City's financial condition. It will focus on current revenue and expenditure trends, analyze revenue trends and enhancements, and service efficiencies.

Mayor and Council approved The Financial Recovery Plan on September 9, 2009 that outlines both short-term and long-term strategies the City will follow for fiscal years 2011-2014. Strategies include a pilot user fee policy, adding new fees, asset management/leaseback options, and reviewing discretionary expenditures and non-core services. The financial plan assumes flat revenues, additional debt restructuring, and continued employee benefit saving. If revenues continue to drop, further actions will be taken. If revenues increase it would fund health insurance increases, eliminate personnel reductions, and provide steady growth to the general fund unreserved/undesignated fund balance to an estimated 6.6% by fiscal year 2013.

As an indication of the City's long term financial stability, a Standard & Poor's Ratings Direct Summary, Rio Nuevo Multipurpose Facilities District, Arizona Tucson; Appropriations; General Obligation states: "The City of Tucson's management practices are considered to be 'strong' under Standard & Poor's Financial Management Assessment (FMA). A FMA of 'strong' indicates practices are strong, well embedded, and likely sustainable. Policies and practices include a 10% reserve policy, debt policy, an annually updated five-

year capital improvement plan with identified funding, and five year financial projections that incorporate information from outside sources including the University of Arizona; the budget and the City's investments are reviewed quarterly."

Standard & Poor's Ratings Direct Summary further stated "The stable outlook reflects the City's projections of good ending unreserved fund balance levels in the current fiscal 2010 budget year. The outlook also reflects the City's recent successful budget adjustment measures on both the revenue and expenditure sides to prevent further declines in the general fund reserves, with the aim to return to a 10% reserve position."

Major Initiatives

Even with the recession, the City continued to support its major priorities, particularly public safety. \$3.3 million of general fund support provided for 82 miles of residential pavement improvements. Although the current economic conditions have led to the suspension of the City's Financial Sustainability Plan, Mayor and Council is still focused on making disciplined financial decision to maintain core services.

City Policies

Unreserved/Undesignated Reserve: The Mayor and Council's policy is to maintain an unreserved/undesignated fund balance at 10% of General Fund expenditures. Management's priorities are to restore the unreserved/undesignated reserve balance to this level.

Debt Management: The City's debt program includes a variety of financing mechanisms to meet long-term capital needs of the community. In all cases, the City aggressively manages the debt program with the assistance of a financial advisor and bond counsel. Restructuring, refinancing, and advance refunding are used to limit the City's debt service costs and provide maximum future borrowing flexibility.

Financial Sustainability Plan: The Mayor and Council approved a long-term financial sustainability plan provides a strategic framework and clear benchmarks for addressing future service needs. The plan incorporates the City's strategic priorities, as well as input from citizens and other planning processes. It provides the basis for the City's budget and drives efforts in evaluating services and efficiencies as well as workforce planning. It focuses 60% growth of revenues for improving community services such as, maintaining roadways, reducing crime, saving lives and property, addressing social concerns, and improving parks and recreation opportunities. The remaining 40% of growth funds employee salary and benefit requirements such as rising pension costs. For fiscal year 2009, this plan was suspended until revenue projections improve.

Risk Management: The City maintains a self insurance program for liability claims, unemployment compensation, and workers' compensation. For workers' compensation, the City posted a \$24,943,069 bond required by the Industrial Commission of Arizona for self insurance purposes. The liability insurance program is largely self-funded for liability claims and lawsuits, settlements and expenses. Third-party liability claims against the City and subrogation efforts by the City are handled internally by licensed claim adjusters. The property and casualty insurance program combines commercial and self insurance to cover standard risks associated with City structures, equipment and vehicles. Casualty coverage's include crime insurance, public official bonds and auto liability on vehicles. The workers' compensation program is a self-insured program with employer's liability insurance at the \$1,000,000 limit.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 27 consecutive years (fiscal years ended 1982 through 2008). We believe our

current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

A special word of appreciation is due to Shane Oman, Finance Manager, Vivian Newsheller, Principal Accountant, and Michael Mason, CPA, Finance Administrator, and to the entire accounting staff who prepared this CAFR.

Omar Garcia
Ted Garza
Aaron Williams, CPA

Valerie Sparks
Cheryl Van De Beuken

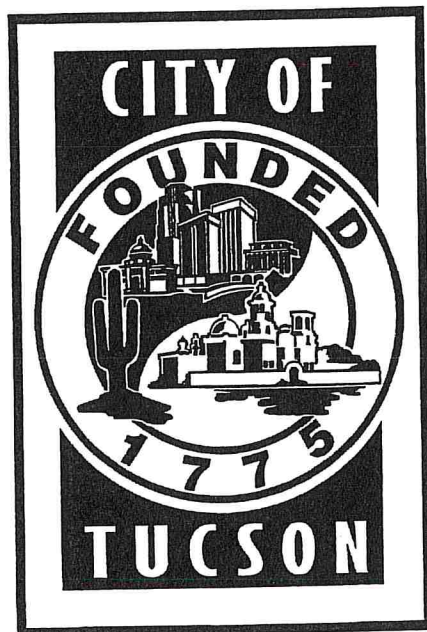
Marsha Schlanger
Kathy Maish

Acknowledgment should also be made for the helpful suggestions received from members of the Mayor and Council, the Office of the City Manager and the willing cooperation of the other operating and staff departments of the City.

Respectfully submitted,



Kelly Gottschalk, CPA
Chief Financial Officer/Finance Director



City Of Tucson Officials

CITY COUNCIL



HONORABLE
ROBERT E. WALKUP
MAYOR



REGINA ROMERO
WARD 1



RODNEY GLASSMAN
WARD 2



KARIN UHLICH
WARD 3



SHIRLEY C. SCOTT
WARD 4



STEVE LEAL
WARD 5



NINA J. TRASOFF
WARD 6

CITY ADMINISTRATION

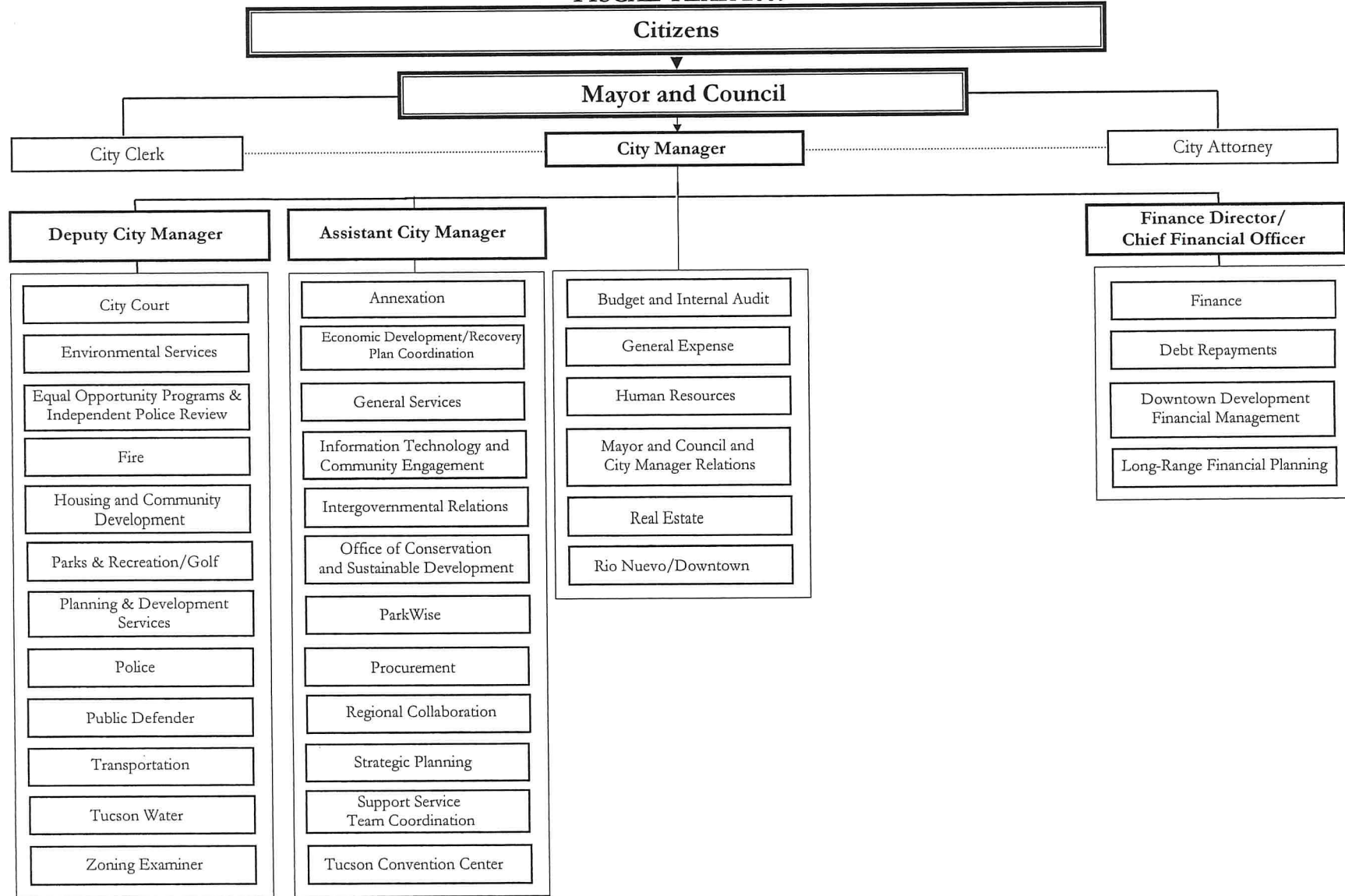
Mike Letcher
City Manager

Silvia Amparano
Acting Finance Director

Michael Mason
Finance Administrator



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2009**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tucson
Arizona

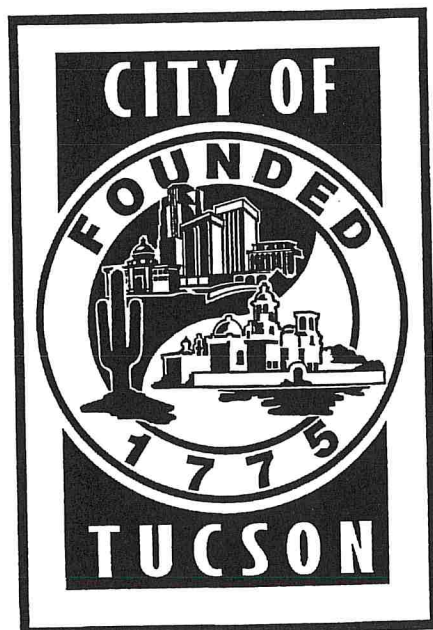
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

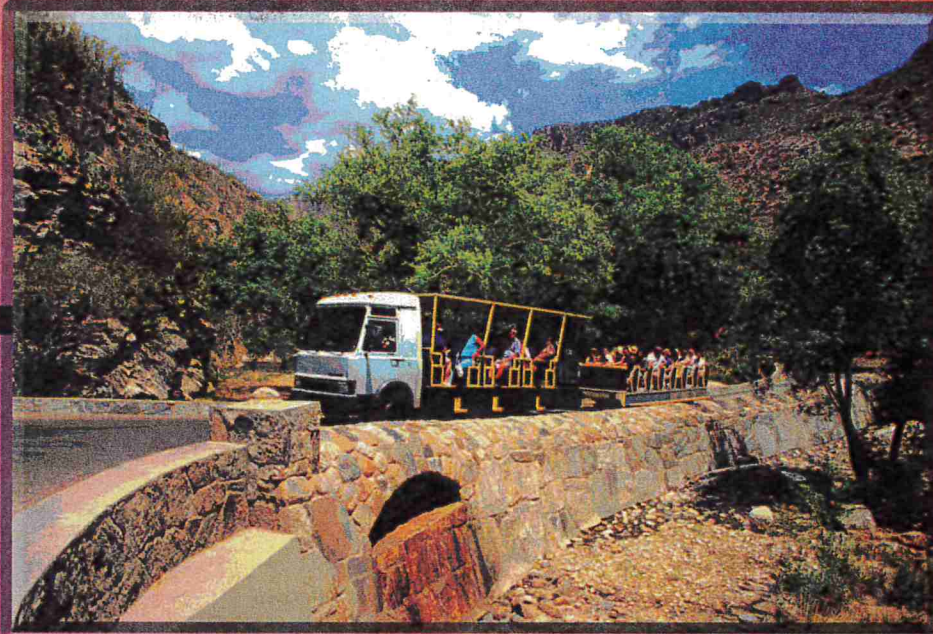


President

Executive Director



CITY OF TUCSON, ARIZONA



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Tucson, Arizona (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Partnerships discretely presented component units, which represent 5%, 1%, and 1%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Partnerships discretely presented component units is based on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Tucson, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 14 and budgetary comparison information on pages 71 through 73 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

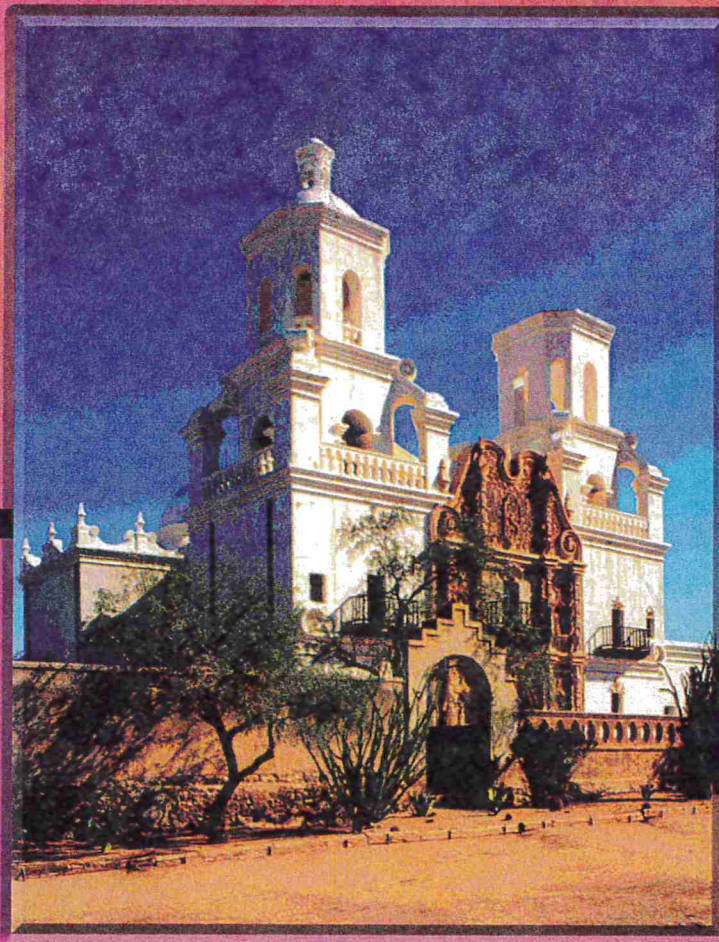
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining Statements and Individual Fund Statements and Schedules of the Financial Section, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statements and Individual Fund Statements and Schedules of the Financial Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 18, 2009

CITY OF TUCSON, ARIZONA



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

INTRODUCTION

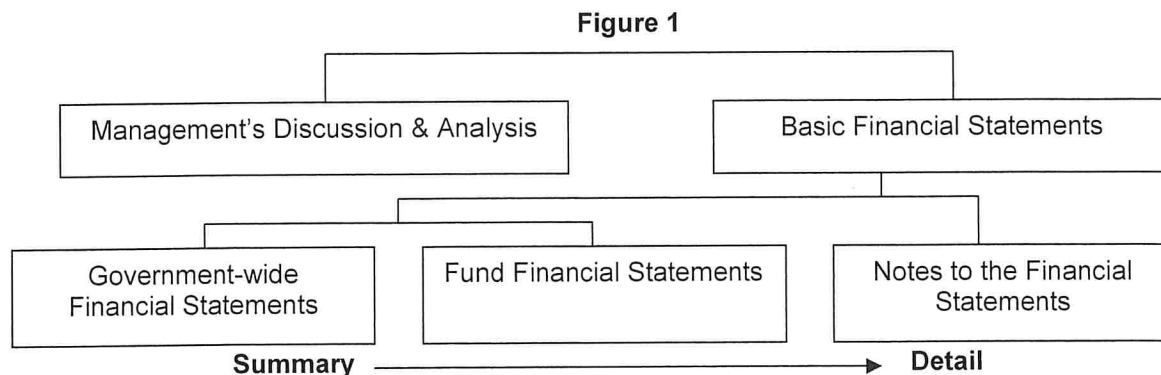
The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the transmittal letter at the beginning of the CAFR and the City's financial statements which immediately follow this section. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns and (5) provide descriptions of significant asset and debt activity.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$2.0 billion—reported as net assets. Assets totaled \$3.3 billion and liabilities were \$1.3 billion.
- Total net assets increased \$97.3 million over last fiscal year. Governmental activities increased \$80.5 million in net assets, while business-type activities increased of \$16.9 million.
- The City's governmental funds reported a combined fund balance of \$144.4 million, a decrease of \$29.3 million from last fiscal year. The primary factors for the decrease are lower tax revenues collected than budgeted and expending both state highway grant proceeds and certificates of participation proceeds received in prior years. Within the combined fund balance total, \$18.1 million is unreserved, while \$126.3 million is reserved for specific purposes.
- The General Fund reported a fund balance of \$39.7 million, which represents a \$18.3 million decrease from last year. The unreserved/undesignated balance is \$17.0, a \$14.1 million decrease from last year, which represents 4.1% of total General Fund expenditures for the fiscal year.
- With unprecedented revenue shortages due to the economic recession, the City's focus was to sustain critical services and protect unreserved/undesignated fund balance by implementing management measures such as hiring freezes and holding positions vacant, implementing purchasing controls, and restricting travel, training and maintenance.

OVERVIEW OF FINANCIAL STATEMENTS

Required Components of Annual Financial Report



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

This annual report consists of a series of financial statements that are categorized as either government-wide financial statements or fund financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements represent how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Also included in the fund financial statements are the fiduciary funds. These include financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Finally, the notes to the financial statements should be read in conjunction with the financial statements as they are an integral part of fully understanding the statements.

Basic Financial Statements

The Basic Financial Statements section present two types of statements that reflect different views of the City. The first two statements represent the *government-wide* financial statements, and they provide short and long-term information about the City's overall financial status comparable to a private-sector business. Following the government-wide statements are the *fund* financial statements which provide a short-term view of the City's operations at a more detailed level.

The financial statements also include notes that provide more detailed data for some of the figures in the financial statements. The statements are followed by a section of Required Supplementary Information that provides a major fund budgetary analysis. The Combining Statements and Individual Fund Statements and Schedules section presents combining statements for non-major governmental funds, non-major enterprise funds, non-major internal service funds, and non-major component funds, along with budget to actual comparisons on individual funds.

Government-wide Financial Statements

The government-wide financial statements, found in the Basic Financial Statements section, report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (pg. 15) includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities (pg. 16) regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure financial health. Increasing net assets show financial improvement, while decreasing net assets indicate financial decline. To assess the overall health of the City, additional non-financial factors, such as changes in bond ratings, changes in the City's property tax base, projected business privilege tax collection trends, and the condition of the City's infrastructure are also considered.

Two activities exist in the government-wide financial statements. The first activity, governmental, represents most of the City's basic services such as police, fire, transportation and parks. Business privilege taxes, property taxes, state revenue sharing, and grants finance most of these activities. The second activity, business-type, represents those areas in which the City charges fees to customers to cover the costs of certain services it provides. The City's enterprise funds: Environmental Services, Water Utility, Golf Course and Public Housing Asset Management Properties (AMP) are business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds by focusing on the most significant or "major" funds rather than the City as a whole. Funds are accounting entities that the City uses to record and report specific funding sources and expenditures/expenses for particular programs. Some funds are required by State law or by bond covenants, while Mayor and Council establish other funds for management purposes.

There are three types of fund financial statements: governmental, proprietary, and fiduciary. As described below, the governmental fund statements use a different accounting approach from the proprietary and fiduciary statements.

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- *Governmental fund statements (pgs. 18-21)* disclose how general government services, such as police, fire and parks and recreation, were financed in the short-term as well as what remains for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities, reported in the government-wide financial statements, and governmental funds is provided in a reconciliation following the respective fund financial statements. Reconciling items include: converting fund capital expenditures to capital assets, reducing long-term debt by debt service principal expenditures, and issuing new debt such as bonds and capital leases.
- *Proprietary fund statements (pgs.22-25)* contain revenues from fees charged to customers for services provided by the City and are reported in the same manner as the government-wide financial statements. Because both types of statements utilize the full accrual basis of accounting, the total enterprise column on the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provides the same, but more detailed, financial information as the business-type activity columns in the government-wide financial statements. In addition, a Statement of Cash Flows is provided. Internal service funds are combined into a single column on these statements, and they are reported as part of both the governmental and business-type activities in the government-wide financial statements.
- *Fiduciary fund statements (pgs. 26-27)* represent funds for which the City acts as a trustee, and like the proprietary funds, they also use the full accrual basis of accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net assets for the primary government increased 5.2% over the course of the year to \$1.98 billion. Governmental activities contributed to \$80.5 million of the increase, while business-type net assets increased \$16.9 million. As shown in Figure 2 below, the largest component of net assets represents the City's investment in capital assets, i.e., land, buildings, equipment and infrastructure, net of accumulated depreciation and related debt. The second largest component of net assets represents restricted net assets, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net assets is unrestricted.

The change in net assets for Governmental Activities was largely due to an increase of \$80.5 million in the invested capital assets, net of related debt. This increase is due to capital asset activity exceeding debt activity. The \$7.0 million decrease in the unrestricted net assets balance is mainly due to a decrease of \$18.3 million in the General Fund reserved and unreserved fund balances and an increase of \$9.3 million in the Highway User Revenue Fund (HURF).

The General Fund had a decrease in its unreserved/undesignated fund balance of \$14.1 million. This decrease is primarily due to shrinking general revenues and increased personnel costs, especially for Tucson Fire and Police pension and health care costs. In addition, the unrestricted reserve for advances and deposits decreased \$7.8 million due to a \$6.8 million repayment of a loan made to the Rio Nuevo District in 2004.

The HURF Fund typically transfers funds to the Street and Highway Debt Service Fund to subsidize the July 1 principal and interest payments. The City refunded the July 1, 2009 Streets and Highway principal payment (see Long-term Debt discussion) as a costs saving measure for fiscal year 2009.

During the fiscal year 2009, the business-type unrestricted balance increased \$9.0 million. This increase is primarily due to an increase of \$8.6 million in the Water Utility's unrestricted net assets resulting from cost-saving measures implemented throughout the fiscal year. The overall deficit in business-type activities is primarily due to

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incurring liabilities, such as compensated absences (vacation and sick leave liabilities) and environmental mandates, with no corresponding assets.

Figure 2 is a comparative summary of the City's Net Assets for fiscal years 2009 and 2008:

Net Assets						Figure 2
	Governmental Activities		Business-type Activities		Total	
	2009	2008 Restated	2009	2008 Restated	2009	2008 Restated
Current and Other Assets	\$ 278,908,833	\$ 304,367,628	\$ 129,920,753	\$ 125,323,590	\$ 408,829,586	\$ 429,691,218
Capital Assets	1,716,762,586	1,619,724,011	1,200,184,801	1,162,304,125	2,916,947,387	2,782,028,136
Total Assets	1,995,671,419	1,924,091,639	1,330,105,554	1,287,627,715	3,325,776,973	3,211,719,354
Current and Other Liabilities	137,617,017	154,157,054	61,483,765	66,503,491	199,100,782	220,660,545
Long-term Liabilities	599,074,905	591,435,495	544,934,286	514,295,625	1,144,009,191	1,105,731,120
Total Liabilities	736,691,922	745,592,549	606,418,051	580,799,116	1,343,109,973	1,326,391,665
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,128,906,123	1,031,920,873	727,347,232	726,251,205	1,856,253,355	1,758,172,078
Restricted	154,738,778	164,195,246	33,361,233	26,615,863	188,100,011	190,811,109
Unrestricted (Deficit)	(24,665,404)	(17,617,029)	(37,020,962)	(46,038,469)	(61,686,366)	(63,655,498)
Total net assets	\$ 1,258,979,497	\$ 1,178,499,090	\$ 723,687,503	\$ 706,828,599	\$ 1,982,667,000	\$ 1,885,327,689

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

Changes in Net Assets						Figure 3
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 101,861,260	\$ 101,682,900	\$ 182,202,735	\$ 182,028,875	\$ 284,063,995	\$ 283,711,775
Operating Grants and Contributions	119,638,739	112,001,911	6,761,845		126,400,584	112,001,911
Capital Grants and Contributions	124,734,954	87,427,159	16,126,145	18,768,422	140,861,099	106,195,581
Total Program Revenues	346,234,953	301,111,970	205,090,725	200,797,297	551,325,678	501,909,267
General Revenues:						
Taxes:						
Property Taxes	36,427,562	38,247,154			36,427,562	38,247,154
Business Privilege Taxes	184,328,136	204,012,348			184,328,136	204,012,348
Public Utility Taxes	6,711,441	7,048,842			6,711,441	7,048,842
Transient Occupancy Taxes	10,987,895	12,367,631			10,987,895	12,367,631
Occupational Taxes	86,868	881,679			86,868	881,679
Liquor Taxes	702,523	670,480			702,523	670,480
Unrestricted Grants and Contributions	141,187,557	148,335,159			141,187,557	148,335,159
Investment Income (Loss)	2,505,708	6,480,118	1,752,143	2,633,875	4,257,851	9,113,993
Miscellaneous	2,082,053	3,750,250			2,082,053	3,750,250
Total General Revenues	385,019,743	421,793,661	1,752,143	2,633,875	386,771,886	424,427,536
Total Revenues	731,254,696	722,905,631	206,842,868	203,431,172	938,097,564	926,336,803
Expenses:						
Elected and Official	18,779,409	20,700,143			18,779,409	20,700,143
Support Services	42,727,879	47,471,907			42,727,879	47,471,907
Neighborhood Services	366,985,315	372,033,490			366,985,315	372,033,490
Environment and Development	143,961,284	156,511,559			143,961,284	156,511,559
Strategic Initiatives	6,517,311	7,217,537			6,517,311	7,217,537
Non-Departmental	43,079,731	46,693,111			43,079,731	46,693,111
Interest on Long-term Debt	27,364,406	27,105,560			27,364,406	27,105,560
Fiscal Agent and Other	327,635	41,025			327,635	41,025
Neighborhood Services (AMP funds)			11,006,286	11,184,715	11,006,286	11,184,715
Environmental Services			44,676,920	53,420,043	44,676,920	53,420,043
Golf			9,864,806	10,847,587	9,864,806	10,847,587
Water			125,467,271	130,340,130	125,467,271	130,340,130
Total Expenses	649,742,970	677,774,332	191,015,283	205,792,475	840,758,253	883,566,807
Changes in Net Assets before transfers	81,511,726	45,131,299	15,827,585	(2,361,303)	97,339,311	42,769,996
Transfers	(1,031,319)	(783,799)	1,031,319	783,799		
Changes in Net Assets	\$ 80,480,407	\$ 44,347,500	\$ 16,858,904	\$ (1,577,504)	\$ 97,339,311	\$ 42,769,996

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Governmental Activities

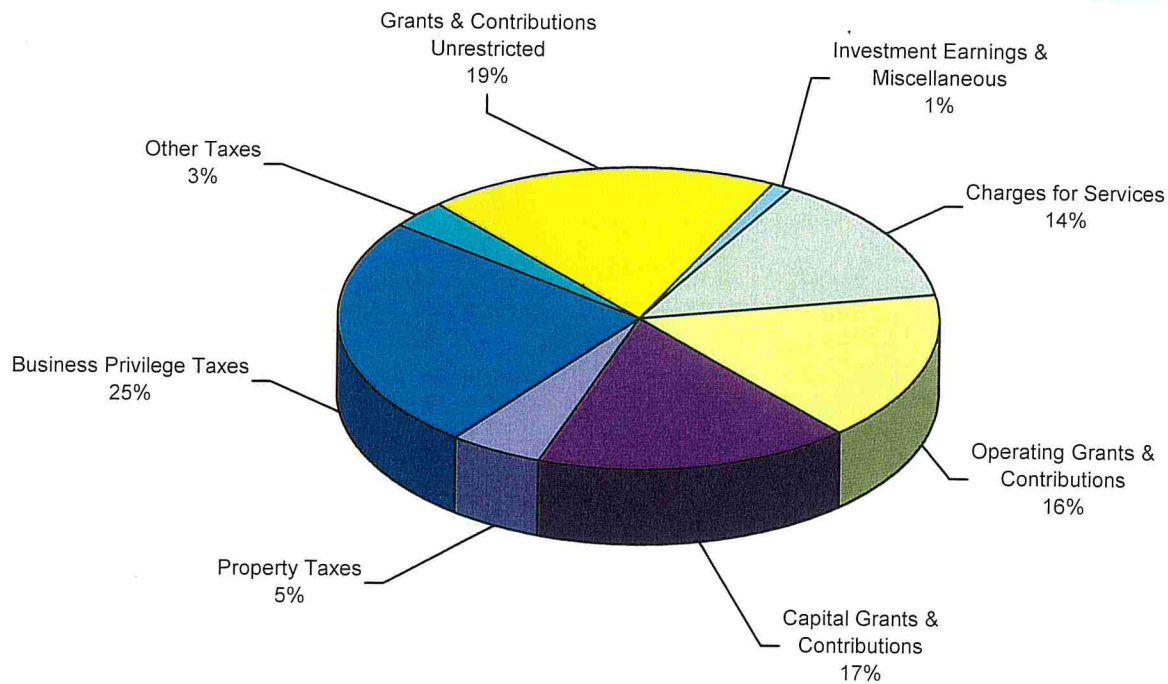
Total expenses for governmental activities for fiscal year 2009 were \$649.7 million. Program revenues, including charges for services and restricted grants or contributions, covered 53.3% of these costs. General revenues covered the remaining 46.7% of governmental costs. Components of general revenues include taxes, unrestricted grants and contributions, investment income and miscellaneous revenues.

The significant changes in program revenues were both the operating and capital grants and contributions. The operating grants and contributions increased \$7.6 million mostly due to an increase in housing grants. One of the new housing grants is a Disaster Recovery grant. The other increases were due to more activity in the City's Housing and Urban Development (HUD) grants.

The capital grants and contributions increased \$37.3 million over fiscal year 2008. \$33.3 million of this increase is due to increased transportation project construction under the Regional Transportation Authority (RTA). The RTA \$2.1 billion plan was approved by Pima County voters on May 16, 2006. The plan is largely funded by a 1/2-cent excise tax that is collected along with the City and State business privilege tax.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2009:

Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2009



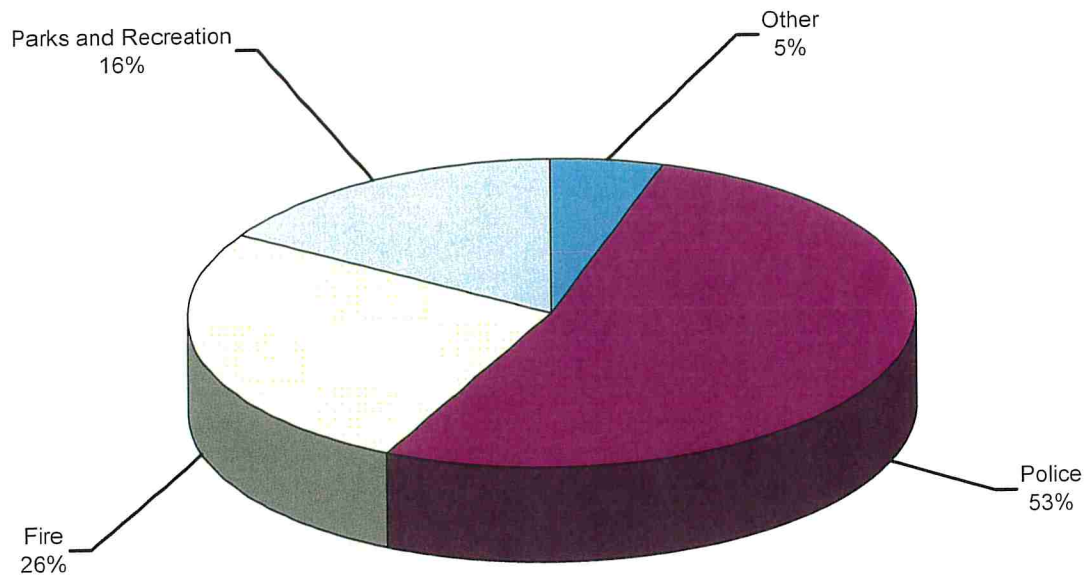
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Net expenses (program revenues less expenses) generated from governmental activities are presented by function in Figure 4 below to illustrate how much support each function receives from the City's general revenues:

Net Expense/Revenue-Governmental Activities				Figure 4	
Function	2009		2008		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and Official	\$ (17,914,765)	6%	\$ (19,842,328)	5%	
Support Services	(21,395,572)	7%	(24,863,504)	7%	
Neighborhood Services	(262,708,902)	87%	(279,018,376)	74%	
Environment and Development	59,592,881	(20%)	12,865,326	(3%)	
Strategic Initiatives	(3,036,256)	1%	(3,761,133)	1%	
Non-Departmental	(30,353,362)	10%	(34,895,762)	9%	
Interest on Long-term Debt	(27,364,406)	9%	(27,105,560)	7%	
Fiscal Agent Fees and Other	(327,635)	0%	(41,025)	0%	
Total Net Expense	\$ (303,508,017)	100%	\$ (376,662,362)	100%	

For Governmental Activities, the largest user of resources is Neighborhood Services which includes expenditures for the Police, Fire, and Parks and Recreation Departments. The following chart illustrates the break out of expenditures by Neighborhood Services:

Neighborhood Services-Net Expenses/Revenues by Department
For Fiscal Year ended June 30, 2009



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Business-type Activities

The Environmental Service Fund, the Golf Course Fund, the Public Housing Asset Management Project (AMP) Fund, and the Water Utility Fund compromise the City's business-type, or enterprise, activities. The Environmental Service Fund and the Water Utility Fund are major funds for the City's enterprise activity. In fiscal year 2009 the business-type net assets increased \$16.9 million. The majority of this change is the capital contributions to the Water Fund during the fiscal year. The contributions are the infrastructure built by developers that are then donated to the City. These consist mainly of water distributions systems.

Water Utility Revenues

Total program revenues increased in fiscal year 2009 by \$4.2 million. This was due to an increase of reclaimed water sales, sale of water rights to other entities, and a new conservation program fee implemented during fiscal year 2009.

Water Utility Expenses

Total operating expenses decreased \$4.0 million in fiscal year 2009 compared to fiscal year 2008. This decrease is a result of personnel retirements, positions left vacant and a reduction in non-personnel expenses due to budgetary restrictions.

Environmental Services Revenues

Total operating revenues increased \$1.0 million in fiscal year 2009 compared to fiscal year 2008. The main reasons for the increase are due to a rate increase for commercial users in fiscal year 2009 and decreases in the sale of recyclable materials and landfill service charges.

Environmental Services Expenses

Total operating expenses decreased \$5.6 million. Decreases in contractual services are due to reduced landfill closure costs estimates of \$4.1 million. Reduced overtime and discontinued inspection costs shared with the City's Department of Neighborhood Resources are the other reasons for the reduction in operating expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City has two major governmental funds: the General Fund and the Mass Transit Fund. General Fund revenues decreased \$34.0 million and expenditures decreased by \$29.6 million. The decrease in revenues is largely attributed to a decrease in tax revenue of \$26.6 million. Current economic conditions have resulted in both a lower business privilege tax (sales tax) collections and shared revenues from the State of Arizona. Because of these conditions, the city placed budget restrictions on departments which resulted in decreased expenditures. In addition the City refunded the July 1, 2009 principal payment on the COPS, resulting in a decrease of lease principal expenditure in the General Fund. The unreserved fund balance decreased by \$14.1 million.

General Fund Revenues

- Total tax revenues decreased \$26.6 million (11.3%). Specifically, business privilege taxes, the 2% sales tax charged by the City, decreased an unprecedented 13.4%, or \$26.4 million. This decline is an obvious result on the downturn in the economy which worsened in fiscal year 2009. Property taxes increased \$1.3 million due to the current year collections based on property values a year prior, when values were still increasing. Local occupancy taxes decreased \$1.2 million, again, due to the current economic conditions.
- Fines and forfeitures increased \$2.2 million. The bulk of the increase (\$1.9 million) is from increased traffic violation fines and related charges.

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- Revenue from contributions from agencies decreased by \$7.0 million. Nearly the entire decrease is attributed to the City receiving \$6.7 million less in revenue sharing (state sales taxes) from the State of Arizona than in fiscal year 2008. Two factors resulted in this decline. (1) The impact on the City sales tax from the recession was even greater on the state sales tax, which resulted in less shared revenue to distribute. (2) The State of Arizona allocates sales tax based on population. Because Tucson's growth rate was less than other cities in the state such as Mesa and Gilbert, Tucson has a smaller percentage of the state's population, which reduces the City's portion of the shared income.

General Fund Expenditures

- General Fund expenditures decreased in all areas except Neighborhood Services. The decrease is attributed to significant budget restrictions implemented in fiscal year 2009 based on the projected (and resulting) decrease in revenues. Neighborhood Resources expenditures increased in the Police and Fire Departments \$5.1 million and \$5.2 million, respectively, both critical City services. The significant portion of the increases is the additional pension contributions the City was required to make based on the pension actuary's calculations. Within Neighborhood Services, the Parks and Recreation Department reported a decrease of \$3.4 million. The decrease is the result of cost cutting measures such as leaving positions vacant, reducing equipment purchased, and closing pools for the winter and reduced water usage.
- Capital expenditures decreased \$6.5 million due to a significant drop in new vehicle purchase in fiscal year 2009 compared to fiscal year 2008. Additionally, two large capital projects were completed in fiscal year 2008, thus no fiscal year 2009 General Fund resources were used. The projects were the central district heating and cooling loop and the tax revenue software system.
- Debt service decreased \$8.6 million largely due to the City COPS refunding, which defers principal payments to later years.

Mass Transit Fund Revenues

- Total revenues increased by \$17.7 million, a 46.8% increase over fiscal year 2008. The significant part of the increase is due to \$15.8 million more collected from the Federal Transit Authority (FTA). The FTA reimburses the City for capital expenditures and maintenance costs. In fiscal year 2009, the City purchased \$17.6 million of buses and mini-buses, an increase over fiscal year 2008. These costs were reimbursed by the FTA. Also, in fiscal year 2009, the City applied for more maintenance cost reimbursement compared to fiscal year 2008.

Mass Transit Fund Expenditures

- Total expenditures increased \$17.8 million, a 25.3% increase over fiscal year 2008. The increase is largely explained by an increase of \$12.2 million in bus purchases and a \$4.1 million increase for the City's Sun Tran maintenance facility.

General Fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The budgetary comparison schedule for the General Fund (pg 71) shows the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year. The variance of the actual revenues to the final budget is a negative \$53.7 million (11%).

- Actual revenues from taxes were \$28.0 million less than the final budget. The largest portion of taxes the City collects is the Business Privilege Tax, which is a 2% sales and use tax paid by consumers. As the economy slowed, spending by consumers tightened, resulting in a shortfall of tax revenues collected by the City as compared to budgeted revenues.

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- The other large variance is a negative \$13.9 for other agencies revenues. The main source of other agency revenues is the Arizona state shared revenues. The current economic conditions and slower population growth of Tucson compared to other Arizona cities resulted in lower state shared revenues such as sales and auto lieu taxes.
- The positive variance of \$44.2 in expenditures is largely due to a reduction in principal payments because of the COPS refunding discussed earlier. Also, an aggressive cost cutting policy City-wide resulted in lower budgeted costs, especially in Neighborhood Services, which is the majority of General Fund expenditures.
- The variances in the revenue and expenditure budgets between the Original and the Final budgets of \$11.3 million and \$11.9 million, respectively, are due to the management actions in response to the economic recession. Reduced revenue collections and the corresponding expenditure reduction initiatives resulted in the changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2009 and June 30, 2008:

Capital Assets (net of depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2009	2008 Restated	2009	2008 Restated	2009	2008 Restated
Land	\$ 655,817,293	\$ 647,717,208	\$ 65,569,319	\$ 64,862,425	\$ 721,386,612	\$ 712,579,633
Buildings and Improvements	261,374,423	251,308,483	93,502,503	99,048,096	354,876,926	350,356,579
Equipment	108,246,035	97,373,887	31,027,646	23,807,403	139,273,681	121,181,290
Infrastructure	378,969,472	395,679,349	839,100,794	795,775,761	1,218,070,266	1,191,455,110
Construction in Progress	312,355,363	227,645,081	118,810,783	126,608,611	431,166,146	354,253,692
Goodwill			46,788	74,861	46,788	74,861
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 1,716,762,586	\$ 1,619,724,008	\$ 1,200,184,801	\$ 1,162,304,125	\$ 2,916,947,387	\$ 2,782,028,133

Additional information regarding capital assets can be found in Note 7 on page 52.

Governmental Activities

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

- The net increase in land value is \$8.1 million. The City recognized \$3.2 million additional right-of-way conveyed to the City by developers after construction of neighborhoods and commercial developments was completed. The City also purchased land valued at \$2.2 for the Houghton Road "Park and Ride" lot. In addition, the City's Community Development Block Grant Fund received an ARRA grant to purchase homes for low income. The grant recognized \$1.4 million for the land portion of the homes.
- Building and improvements had additions of \$27.4 million due to the closure of several capital improvement projects (CIP) including the Central Energy District Loop Replacement, the Transit Headquarters improvements, Fire Station 22 and the Reid Park Zoo Conservation Learning Center. Capital asset additions were offset with \$14.7 million of depreciation expense.

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- Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage. The City added only \$3.2 million of improvements to its assets in fiscal year 2009 mainly due to the reduction of large infrastructure projects due to economic conditions. Depreciation for the City's Infrastructure assets was \$19.9 million, which resulted in a net decrease in Infrastructure of \$16.7 million over fiscal year 2008.
- The increase in equipment of \$10.9 million is largely due to the City's purchase of several full-size buses and mini-buses, completion of the tax revenue software project, and police equipment such as in-car video systems.
- The City restated its 2008 construction-in-progress upward by \$14.0 million. During fiscal year 2009, it was decided that some of the construction-in-progress costs incurred by the Rio Nuevo Multipurpose Facilities District (District) in prior years would be part of City capital assets, not District capital assets. These construction in progress balances were transferred to the City.

Business-type Activities

Business-type activities had a net increase of \$37.9 million in capital assets during the fiscal year.

- The Water Utilities' capital program provides for the construction, expansion, and replacement of both potable and reclaimed water distribution systems. In fiscal year 2009 there were additions of \$31.6 for pipes, \$8.7 for well equipment and \$14.0 million for hydrants and meters.
- The net change for business-type construction in progress is a decrease of \$7.8. This is because more capital projects were completed and capitalized than capital project expenditures incurred during the year. However, the Environmental Services fund increased its construction-in-progress balance by \$6.7 million for the Los Reales landfill project.

Long-term Debt

Figure 6, on the following page, illustrate the City's long-term debt as of June 30, 2009 and June 30, 2008. Additional information regarding long-term debt can be found in Notes 8 through 12 starting on page 53:

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2009	2008 Restated	2009	2008 Restated	2009	2008 Restated
General Obligation Debt	\$ 254,075,610	\$ 269,105,610		\$	\$ 254,075,610	\$ 269,105,610
Street & Highway Revenue Bonds	124,150,000	124,665,000			124,150,000	124,665,000
Certificates of Participation	191,226,000	172,670,000	14,529,000	4,645,000	205,755,000	177,315,000
Special Assessment Bonds	4,192,635	4,333,254			4,192,635	4,333,254
Federal Highway Loan	5,900,000	13,400,000			5,900,000	13,400,000
Clean Renewable Energy Bonds	7,595,900				7,595,900	
Water Revenue Bonds			459,874,394	436,255,222	459,874,394	436,255,222
Central Arizona Project Loan			3,264,066	4,246,344	3,264,066	4,246,344
Deferred Amount on Refundings, Premiums and Discounts	6,813,126	6,384,810	100,721	(1,531,688)	6,913,847	4,853,122
Landfill Closure/Post Closure			40,016,425	44,107,721	40,016,425	44,107,721
Deferred Revenue			42,362,755		42,362,755	
Remediation	1,991,951		785,000		2,776,951	
Capital Leases Payable	7,697,512	11,484,700	5,028,084	7,687,215	12,725,596	19,171,915
Other Post-employment Benefits	1,924,809	1,595,727	433,506	405,812	2,358,315	2,001,539
Compensated Absences	35,848,372	35,422,156	5,748,864	5,521,479	41,597,236	40,943,635
Claims and Judgments	31,117,560	32,094,391			31,117,560	32,094,391
Total	\$ 672,533,475	\$ 671,155,648	\$ 572,142,815	\$ 501,337,105	\$ 1,244,676,290	\$ 1,172,492,753

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Outstanding debt for the City totaled \$1.24 billion with 54% attributed to governmental activities and the remaining 46% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year:

Governmental Activities

- To assist with cash flow constraints, the City issued two debt refundings during fiscal year 2009. The first refunding was issued May 28, 2009 to refund the July 1, 2009 Senior Lien Street & Highway bond principal payment. The refunded amount is \$10.6 million, while the amount of the new debt is \$10.1 million. The second refunding was also issued May 28, 2009 to refund the July 1, 2009 principal Certificates of Participation (COPS) payments for all COPS, and to refund three entire COPS series. The total refunded amount for governmental funds is \$16.1 million. The amount of the new debt is \$17.6 million.
- On May 28, 2009 the City issued COPS for governmental funds in the amount of \$20.1 million. The issue will be used to purchase fire apparatus and public safety vehicles, to help construct fire headquarters and other City capital projects.
- The City paid \$15.0 million in general obligation principal debt in fiscal year 2009.
- The City paid \$7.5 million for the fiscal year 2009 payment on the federal highway loan received through the Arizona Department of Transportation in fiscal year 2008. Most of this loan payment is reimbursed by a federal grant.
- The City paid \$3.9 million in capital lease payments and issued one new capital lease for \$144,000. During the past four years the City issued several capital leases to purchase fire medical equipment, public safety vehicles and heavy equipment for street maintenance. The lease purchasing cycle has ended resulting in a decrease in the capital lease debt balance due to principal payments exceeding new lease purchases.

Business-type Activities

- The Water Utility issued revenue bonds in the amount of \$38.5 million to pay for water infrastructure improvements and to refund \$2.9 million of the July 1, 2009 payment.
- A COPS refunding defeased \$3.3 million in the Golf Fund and \$85,000 in the Environmental Services Fund. The new debt amounts for these funds are \$3.6 million and \$93,000 respectively. A new COPS issuance included \$9.5 million for the Environmental Services fund to construct improvements to the Los Reales landfill facility.

Bond Ratings

Figure 7 illustrates previous and current bond ratings for fiscal year 2009 (current) and fiscal year 2008 (previous):

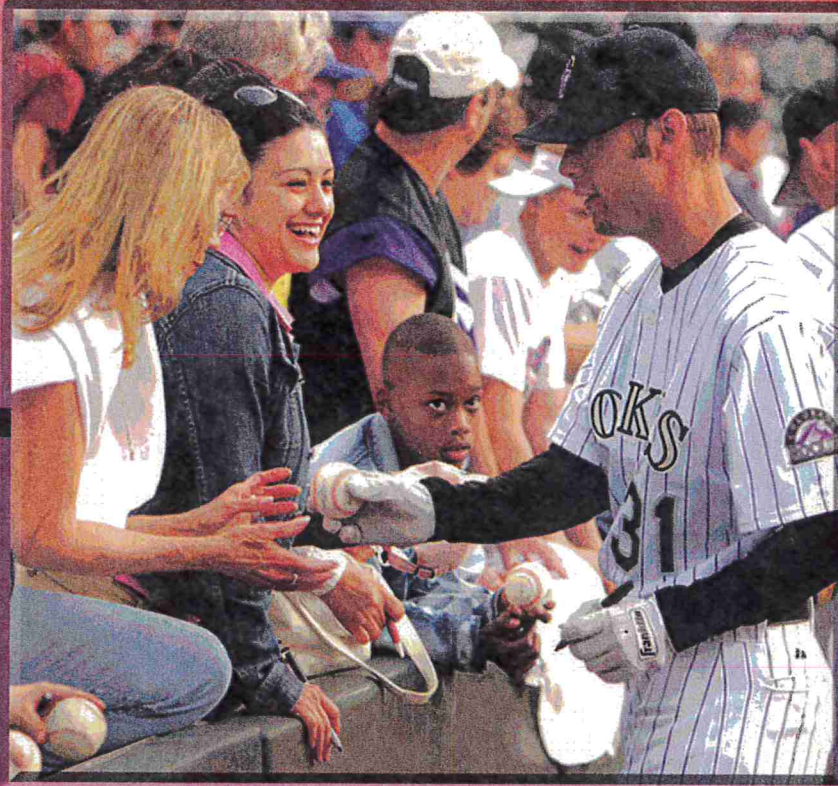
Bond Ratings	Figure 7					
	Moody's		Standard & Poor's		Fitch	
	Current	Previous	Current	Previous	Current	Previous
Type of Bond:						
General Obligation Bonds	Aa3	Aa3	AA-	AA	AA	AA
Street & Highway User Revenue Bonds						
Senior Lien	A1	A1	AA+	AA+	AA-	AA-
Junior Lien	A2	A2	A	A	A+	A+
Water System Revenue Bonds						
Senior Lien	Aa3	Aa3	AA-	AA-	AA	AA
Junior Lien	N/R	N/R	N/R	N/R	N/R	N/R
Certificates of Participation	A1	A1	A+	AA-	AA-	AA-

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Division, 255 W. Alameda, 8th floor, Tucson, Arizona 85701, (520) 837-4330, www.tucsonaz.gov.

CITY OF TUCSON, ARIZONA



BASIC FINANCIAL STATEMENTS

CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rio Nuevo	Housing Partnerships
ASSETS					
Current assets:					
Pooled Cash and Investments	\$ 32,660,803	\$ 14,143,535	\$ 46,804,338	\$ 26,436,540	\$ 60,655
Cash & Investments - Restricted		24,667,425	24,667,425		680,059
Cash & Investments with Fiscal Agent - Restricted	42,423,423	27,342,190	69,765,613	14,769,699	
Taxes Receivable, Net	20,210,189		20,210,189	2,506,184	
Accounts Receivable, Net	30,842,162	23,097,598	53,939,760	6,167	525,331
Special Assessments Receivable	3,452,243		3,452,243		
Internal Balances	13,424,397	(13,424,397)			
Due from Other Agencies	51,917,177	508,678	52,425,855		
Interest Receivable	32,538	3,881	36,419	10,330	
Inventories	4,895,627	2,354,553	7,250,180		
Other Assets	1,015,601	3,326,084	4,341,685		16,698
Total current assets	200,874,160	82,019,547	282,893,707	43,728,920	1,282,743
Noncurrent assets:					
Long Term Accounts Receivable	19,529,705	43,192,304	62,722,009	7,480,290	
Long Term Notes Receivable	25,545,316		25,545,316		
Long Term Investments	1,468,923		1,468,923		
Other Assets - Restricted	24,943,069	565,288	25,508,357		
Deferred Charges	6,547,660	4,143,614	10,691,274	1,820,336	102,974
Land & Construction in Progress	968,172,656	184,380,103	1,152,552,759	27,028,298	1,025,901
Other Capital Assets, Net	748,589,930	963,630,942	1,712,220,872	24,525,257	43,372,550
Goodwill, Net		46,788	46,788		
Water Rights, Net		52,126,968	52,126,968		
Total noncurrent assets	1,794,797,259	1,248,086,007	3,042,883,266	60,854,181	44,501,425
Total assets	1,995,671,419	1,330,105,554	3,325,776,973	104,583,101	45,784,168
LIABILITIES					
Current liabilities:					
Accounts Payable	19,365,164	4,917,488	24,282,652	4,004,310	652,442
Accrued Payroll Liabilities	9,165,276	1,561,711	10,726,987		9,785
Accrued Principal Payable	1,141,650		1,141,650		
Accrued Interest Payable	130,808	5,268	136,076	2,396,766	769,065
Due to Other Agencies	1,090,620	801,494	1,892,114	6,217	
Refundable Deposits	7,452,824	3,000,945	10,453,769	30,000	186,414
Liabilities Payable from Restricted Assets	24,531,265	24,831,989	49,363,254	688,047	
Unearned Revenue	1,280,840	189,697	1,470,537		11,446
Current portion of Long Term Liabilities	73,458,570	26,175,173	99,633,743	10,551,828	
Total current liabilities	137,617,017	61,483,765	199,100,782	17,677,168	1,629,152
Noncurrent liabilities:					
Long Term Liabilities	599,074,905	544,934,286	1,144,009,191	88,833,121	41,969,523
Total non-current liabilities	599,074,905	544,934,286	1,144,009,191	88,833,121	41,969,523
Total liabilities	736,691,922	606,418,051	1,343,109,973	106,510,289	43,598,675
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,128,906,123	727,347,232	1,856,253,355	41,408,728	2,950,757
Restricted for:					
Debt Service	20,689,015	28,939,296	49,628,311	14,078,137	
Capital	78,585,416	2,022,901	80,608,317	3,515	
Self Insurance Mandates	25,440,379		25,440,379		
Transportation	3,463,650		3,463,650		
Grants and Entitlements	21,452,682	2,399,036	23,851,718		
Other Purposes	5,107,636		5,107,636	21,348,516	680,059
Unrestricted	(24,665,404)	(37,020,962)	(61,686,366)	(78,766,084)	(1,445,323)
Total net assets	\$ 1,258,979,497	\$ 723,687,503	\$ 1,982,667,000	\$ (1,927,188)	\$ 2,185,493

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 18,779,409	\$ 462,176	\$ 402,468	\$
Support Services	42,727,879	20,924,106	117,713	290,488
Neighborhood Services	366,985,315	36,449,748	61,510,665	6,316,000
Environment and Development	143,961,284	28,648,628	57,489,380	117,416,157
Strategic Initiatives	6,517,311	3,448,055	33,000	
Non-Departmental	43,079,731	11,928,547	85,513	712,309
Interest	27,364,406			
Fiscal agent fees and other	327,635			
Total governmental activities	649,742,970	101,861,260	119,638,739	124,734,954
Business-type activities:				
Neighborhood Resources	11,006,286	3,454,415	6,761,845	
Environmental Services	44,676,920	43,888,522		298,623
Golf Course	9,864,806	7,861,067		
Water Utility	125,467,271	126,998,731		15,827,522
Total business-type activities	191,015,283	182,202,735	6,761,845	16,126,145
Total primary government	\$ 840,758,253	\$ 284,063,995	\$ 126,400,584	\$ 140,861,099
Component Units:				
Rio Nuevo	\$ 23,045,694	\$ 3,729,974		
Housing Partnerships	\$ 7,876,331	\$ 1,827,285	\$ 1,844,787	

General revenues:

Taxes:

Property Taxes

Business Privilege

Public Utility

Transient Occupancy

Occupational

Liquor

Unrestricted Grants and Contribution

Investment Income (Loss)

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year, as restated

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets

			Component Units	
Governmental Activities	Business-type Activities	Totals	Rio Nuevo	Housing Partnerships
\$ (17,914,765)	\$	\$ (17,914,765)		
(21,395,572)		(21,395,572)		
(262,708,902)		(262,708,902)		
59,592,881		59,592,881		
(3,036,256)		(3,036,256)		
(30,353,362)		(30,353,362)		
(27,364,406)		(27,364,406)		
(327,635)		(327,635)		
(303,508,017)		(303,508,017)		
	(790,026)	(790,026)		
	(489,775)	(489,775)		
	(2,003,739)	(2,003,739)		
	17,358,982	17,358,982		
	14,075,442	14,075,442		
<u>\$ (303,508,017)</u>	<u>\$ 14,075,442</u>	<u>\$ (289,432,575)</u>		
			\$ (19,315,720)	
				\$ (4,204,259)
36,427,562		36,427,562		
184,328,136		184,328,136	9,791,088	
6,711,441		6,711,441		
10,987,895		10,987,895		
86,868		86,868		
702,523		702,523		
141,187,557		141,187,557	93,336	
2,505,708	1,752,143	4,257,851	141,477	11,562
2,082,053		2,082,053		
(1,031,319)	1,031,319			
<u>383,988,424</u>	<u>2,783,462</u>	<u>386,771,886</u>	<u>10,025,901</u>	<u>11,562</u>
80,480,407	16,858,904	97,339,311	(9,289,819)	(4,192,697)
<u>1,178,499,090</u>	<u>706,828,599</u>	<u>1,885,327,689</u>	<u>7,362,631</u>	<u>6,378,190</u>
<u>\$ 1,258,979,497</u>	<u>\$ 723,687,503</u>	<u>\$ 1,982,667,000</u>	<u>\$ (1,927,188)</u>	<u>\$ 2,185,493</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$	\$	\$	\$
Cash/Investments with Fiscal Agents	4,875,508	261,500	28,834,795	29,096,295
Cash & Investments with Fiscal Agent - Restricted		81,493	24,932,856	29,889,857
Taxes Receivable - Current	23,749,557		4,540,172	4,540,172
Accounts Receivable, Net	23,642,831	548,082	581,478	23,749,557
Special Assessments Receivable			3,452,243	24,772,391
Notes & Loans Receivable	8,336,681		17,208,635	3,452,243
Advances to Other Funds	46,280			25,545,316
Due from Other Agencies	25,170,389	3,474,215	23,228,848	46,280
Interfund Receivable	41,245,742		48,260,303	51,873,452
Grants & Entitlements Receivable		6,300,181	19,256,633	89,506,045
Interest Receivable	12,328		19,016	25,556,814
Inventories	1,242,223	2,792,777		31,344
Long Term Investments			1,468,923	4,035,000
Other Assets	38,402	561,192	48,414	1,468,923
Total assets	\$ 128,359,941	\$ 14,019,440	\$ 171,832,316	\$ 314,211,697
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,504,377	\$ 3,354,287	\$ 10,316,096	\$ 17,174,760
Accrued Payroll Liabilities	7,718,314	225,300	804,387	8,748,001
Advances from Other Funds			46,280	46,280
Interfund Payable	48,260,301	6,704,983	16,719,911	71,685,195
Due to Other Agencies	1,040,012	126	49,771	1,089,909
Refundable Deposits	6,260,457	1,162	1,179,829	7,441,448
Bonds & Interest Payable, including Special Assessments			24,531,265	24,531,265
Deferred Revenue	21,848,912	36,620	17,199,662	39,085,194
Total liabilities	88,632,373	10,322,478	70,847,201	169,802,052
Fund balances:				
Reserved for Debt Service	4,042,673		13,200,689	17,243,362
Reserved for Capital Improvements	1,076,026		70,013,306	71,089,332
Reserved for Advances and Deposits	8,604,413	342,993	31,900	8,979,306
Reserved for Inventories	1,242,223			1,242,223
Reserved for Other Purposes	7,761,828	3,353,969	16,639,787	27,755,584
Unreserved:				
Undesignated	17,000,405			17,000,405
Unreserved reported in:				
Special revenue funds			1,099,433	1,099,433
Total fund balances	39,727,568	3,696,962	100,985,115	144,409,645
Total liabilities and fund balances	\$ 128,359,941	\$ 14,019,440	\$ 171,832,316	\$ 314,211,697

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

CITY OF TUCSON, ARIZONA
Reconciliation of the Balance Sheet for
Governmental Funds to the Statement of Net Assets
June 30, 2009

Total Governmental Fund Balances (pg. 18)		\$ 144,409,645
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Capital Assets Net of Accumulated Depreciation		1,681,394,194
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred Charges	6,450,865	
Allowance for Doubtful Accounts	(3,539,367)	
Total Other Long-term Assets		2,911,498
Long-term liabilities 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	(395,131,371)	
Capital Leases	(198,906,461)	
Matured Lease Principal	(1,141,650)	
Compensated Absences	(35,848,371)	
OPEB Liabilities	(1,924,809)	
Total Long-term Liabilities		(632,952,662)
Interest payable on long-term debt is not reported in governmental funds.		(130,808)
Deferred revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.		37,804,353
Internal service funds are used by management to charge the costs of fleet maintenance, self-insurance, and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		17,616,975
Adjustment to consolidate internal service activities.		7,926,302
Net Assets of Governmental Activities (pg. 15)		<u>\$ 1,258,979,497</u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 208,541,321	\$	\$ 24,814,858	\$ 233,356,179
Licenses and Permits	22,024,832		42,449	22,067,281
Fines and Forfeitures	15,391,829		553,416	15,945,245
Developer Fees			6,782,474	6,782,474
Use of Money and Property	3,329,518	373,544	1,060,514	4,763,576
Federal Grants and Contributions	22,997	29,410,759	68,357,850	97,791,606
Other Agencies	142,752,341	14,139,982	109,837,091	266,729,414
Charges for Services	38,419,209	11,058,854	6,111,992	55,590,055
Special Assessments			1,155,596	1,155,596
Miscellaneous	2,612,290	667,573	1,908,403	5,188,266
Total revenues	<u>433,094,337</u>	<u>55,650,712</u>	<u>220,624,643</u>	<u>709,369,692</u>
Expenditures:				
Current -				
Elected and Official	17,924,650		402,311	18,326,961
Support Services	37,537,540		86,216	37,623,756
Neighborhood Services	299,163,806		56,189,538	355,353,344
Environment and Development	16,869,453	62,137,600	33,655,003	112,662,056
Strategic Initiatives			6,298,094	6,298,094
Non-Departmental	30,330,467		6,025,626	36,356,093
Capital Outlay	1,060,433	18,264,784	8,654,600	27,979,817
Capital Projects	1,541,768	7,486,745	100,220,120	109,248,633
Debt service -				
Principal	3,661,184		23,947,955	27,609,139
Interest	6,857,042		20,419,485	27,276,527
Fiscal agent fees and other	39,647		9,550	49,197
Issuance Costs of Debt	906,256		277,356	1,183,612
Total expenditures	<u>415,892,246</u>	<u>87,889,129</u>	<u>256,185,854</u>	<u>759,967,229</u>
Excess (deficiency) of revenues over expenditures	<u>17,202,091</u>	<u>(32,238,417)</u>	<u>(35,561,211)</u>	<u>(50,597,537)</u>
Other financing sources (uses):				
Bond issuance			10,505,635	10,505,635
Capital Leases	20,399,261		17,466,000	37,865,261
Premium on Debt Issuance	729,130		1,028,499	1,757,629
Transfers In	1,528,351	31,430,439	9,278,419	42,237,209
Refunded Bond Escrow Agent	(17,894,771)		(10,883,901)	(28,778,672)
Discount on Debt Issuance	(275,753)			(275,753)
Transfers Out	(40,033,756)		(2,018,700)	(42,052,456)
Total other financing sources (uses)	<u>(35,547,538)</u>	<u>31,430,439</u>	<u>25,375,952</u>	<u>21,258,853</u>
Changes in fund balances	<u>(18,345,447)</u>	<u>(807,978)</u>	<u>(10,185,259)</u>	<u>(29,338,684)</u>
Fund balances, beginning of year	58,073,015	4,504,940	111,170,374	173,748,329
Fund balances, end of year	<u>\$ 39,727,568</u>	<u>\$ 3,696,962</u>	<u>\$ 100,985,115</u>	<u>\$ 144,409,645</u>

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

CITY OF TUCSON, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (pg. 20)		\$ (29,338,684)
---	--	-----------------

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	137,228,450	
Depreciation Expense	<u>(48,615,294)</u>	88,613,156

Only gains or losses on sale of capital assets are reported in the Statement of Activities, whereas total proceeds are recorded in the governmental funds. The change in net assets differs by the the cost of the assets sold.

Proceeds on the sale of an asset	(2,465,884)	
Gain on the sale of an asset	446,536	
Loss on the sale of an asset	<u>(1,853,689)</u>	(3,873,037)

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

17,679,506

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments:

Debt Proceeds	(50,128,525)	
Discount on Debt	275,753	
Repayment of Debt Principal	<u>27,609,139</u>	(22,243,633)

Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Assets.

Extinguishment of Debt	28,035,000	
Payment of Refunded Bond Escrow	<u>504,771</u>	28,539,771

Issuance costs are deferred in the Statement of Assets and amortized over the life of the debt. In the governmental funds, they represent an expenditure. The following amount represents the amount by which issuance costs exceeded amortization expenses.

Issuance Costs	1,147,280	
Amortization of Issuance Costs	<u>(547,230)</u>	600,050

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	(87,879)	
Amortization of Premium on Debt	<u>548,790</u>	460,911

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

Change in Compensated Absences Liability		(426,216)
Change in OPEB Liability		(329,082)

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.

797,665

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

\$ 80,480,407

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

CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Enterprise Funds				Governmental Activities Internal Service Funds
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	
ASSETS					
Current assets:					
Pooled Cash and Investments	\$ 8,114,171	\$ 2,508,705	\$ 3,520,659	\$ 14,143,535	\$ 3,564,508
Cash & Investments - Restricted	2,022,901	22,644,524		24,667,425	
Cash & Investments with Fiscal Agent - Restricted	1,048,684	26,001,303	292,203	27,342,190	7,993,394
Accounts Receivable, Net	3,154,324	19,875,050	68,224	23,097,598	42,662
Due from Other Agencies	62,681	251,010	194,987	508,678	43,725
Interest Receivable	2,030	794	1,057	3,881	1,194
Inventories		1,861,629	492,924	2,354,553	860,627
Other Assets		3,326,084		3,326,084	367,593
Total current assets	14,404,791	76,469,099	4,570,054	95,443,944	12,873,703
Noncurrent assets:					
Long Term Accounts Receivable		829,549	42,362,755	43,192,304	
Other Assets - Restricted		565,288		565,288	24,943,069
Deferred Charges	375,628	3,687,525	80,461	4,143,614	96,795
Land & Construction in Progress	16,679,082	155,741,314	11,959,707	184,380,103	4,979,922
Other Capital Assets, Net	18,451,595	908,739,640	36,439,707	963,630,942	30,388,469
Goodwill, Net		46,788		46,788	
Water Rights, Net		52,126,968		52,126,968	
Total noncurrent assets	35,506,305	1,121,737,072	90,842,630	1,248,086,007	60,408,255
Total assets	49,911,096	1,198,206,171	95,412,684	1,343,529,951	73,281,958
LIABILITIES					
Current liabilities:					
Accounts Payable	1,238,075	2,990,862	688,551	4,917,488	2,190,404
Accrued Payroll Liabilities	402,356	965,532	193,823	1,561,711	417,275
Accrued Interest Payable			5,268	5,268	
Interfund Payable			5,498,095	5,498,095	12,322,755
Due to Other Agencies	157	770,850	30,487	801,494	711
Refundable Deposits	43,643	2,243,819	713,483	3,000,945	11,376
Current Portion of Bonds Payable		18,681,153		18,681,153	584,300
Current Portion of Contracts Payable	1,988,606	382,343	8,937	2,379,886	7,223
Claims Payable					9,960,416
Remediation Obligations					211,200
Current Portion of Compensated Absences	660,276	1,946,831	171,780	2,778,887	
Liabilities Payable from Restricted Assets		24,831,989		24,831,989	
Unearned Revenue		12,787	176,910	189,697	
Current portion of Long Term Liabilities	2,335,247			2,335,247	
Total current liabilities	6,668,360	52,826,166	7,487,334	66,981,860	25,705,660
Noncurrent liabilities:					
Unearned Revenue			42,362,755	42,362,755	
Bonds Payable		441,189,270		441,189,270	7,011,600
Contracts Payable	13,383,440	198,592	3,699,858	17,281,890	9,828
Claims Payable					21,157,144
Remediation Obligations					1,780,751
Compensated Absences	682,644	2,039,433	247,900	2,969,977	
Other Post-employment Benefits	140,591	244,283	48,632	433,506	
Long Term Liabilities	38,466,178	2,230,710		40,696,888	
Total non-current liabilities	52,672,853	445,902,288	46,359,145	544,934,286	29,959,323
Total liabilities	59,341,213	498,728,454	53,846,479	611,916,146	55,664,983
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	20,197,055	662,379,097	44,771,080	727,347,232	27,854,808
Restricted for:					
Debt Service	1,048,684	27,598,409	292,203	28,939,296	
Capital	2,022,901			2,022,901	7,496,084
Self Insurance Mandates					25,440,379
Grants and Entitlements			2,399,036	2,399,036	
Unrestricted	(32,698,757)	9,500,211	(5,896,114)	(29,094,660)	(43,174,296)
Total net assets	\$ (9,430,117)	\$ 699,477,717	\$ 41,566,205	\$ 731,613,805	\$ 17,616,975
Reconciliation to government-wide Statement of Net Assets					
Adjustment to consolidate internal service activities	(6,389,457)	(1,407,917)	(128,928)	(7,926,302)	
Total net assets - Business-type	\$ (15,819,574)	\$ 698,069,800	\$ 41,437,277	\$ 723,687,503	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:					
Charges for Services	\$ 41,777,814	\$ 126,996,977	\$ 11,229,642	\$ 180,004,433	\$ 55,760,434
Federal Grants and Contributions			6,761,845	6,761,845	
Miscellaneous	2,110,708	1,754	85,840	2,198,302	146,241
Total operating revenues	43,888,522	126,998,731	18,077,327	188,964,580	55,906,675
Operating expenses:					
Personal Services	16,040,686	34,135,011	8,390,430	58,566,127	15,698,056
Contractual Services	16,645,962	40,018,564	7,011,884	63,676,410	16,585,243
Commodities	4,458,703	6,566,700	2,336,889	13,362,292	15,586,815
Cost of Goods Sold			329,656	329,656	
Benefits and Claims					6,056,560
Depreciation	4,441,645	24,587,584	2,519,391	31,548,620	6,636,156
Total operating expenses	41,586,996	105,307,859	20,588,250	167,483,105	60,562,830
Operating income (loss)	2,301,526	21,690,872	(2,510,923)	21,481,475	(4,656,155)
Nonoperating revenues (expenses):					
Investment Income	71,395	483,345	26,929	581,669	529,779
Gain (loss) on Sale of Property/Equipment	715,470	454,044	960	1,170,474	193,229
Federal Grants and Contributions	298,623	368,804		667,427	
Interest Expense	(268,106)	(18,498,571)	(231,273)	(18,997,950)	(657)
Amortization of Issuance Costs	(1,593)	(258,496)	(20,167)	(280,256)	(3,205)
Other Non-operating Income (Expense)		(1,053,674)		(1,053,674)	
Total nonoperating revenues (expenses)	815,789	(18,504,548)	(223,551)	(17,912,310)	719,146
Income (loss) before capital contributions and transfers	3,117,315	3,186,324	(2,734,474)	3,569,165	(3,937,009)
Capital Contributions		15,458,718		15,458,718	2,982,035
Transfers In	857,717	839,448	412,602	2,109,767	
Transfers Out		(839,448)	(239,000)	(1,078,448)	(1,447,659)
Changes in net assets	3,975,032	18,645,042	(2,560,872)	20,059,202	(2,402,633)
Total net assets, beginning of year, as restated	(13,405,149)	680,832,675	44,127,077	711,554,603	20,019,608
Total net assets, end of year	\$ (9,430,117)	\$ 699,477,717	\$ 41,566,205	\$ 731,613,805	\$ 17,616,975
Reconciliation to government-wide Statement of Net Assets					
Change in net assets	3,975,032	18,645,042	(2,560,872)	20,059,202	
Adjustment to consolidate internal service activities	(2,820,225)	(348,671)	(31,402)	(3,200,298)	
Change in net assets - Business-type activities	1,154,807	18,296,371	(2,592,274)	16,858,904	

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 41,705,841	\$ 124,485,306	\$ 11,511,911	\$ 177,703,058	\$ 56,109,926
Cash Payments to Suppliers for Goods and Services	(27,322,465)	(51,068,314)	(9,847,803)	(88,238,582)	(29,631,898)
Cash Payments to Employees for Services	(15,941,096)	(33,788,039)	(8,454,002)	(58,183,137)	(15,590,305)
Subsidy from Federal Grant			6,703,607	6,703,607	
Other Operating Revenues	2,108,965		81,048	2,190,013	186,869
Cash Payments to Claimants					(7,033,391)
Net Cash Provided (Used) by Operating Activities	<u>551,245</u>	<u>39,628,953</u>	<u>(5,239)</u>	<u>40,174,959</u>	<u>4,041,201</u>
Cash Flows from Noncapital Financing Activities:					
Interfund Transfers	857,717		1,169,518	2,027,235	17,830
Subsidy from Federal Grant	268,415	435,088		703,503	
Subsidy from State Grant	71,656			71,656	
Interest Paid on Advances			(59,201)	(59,201)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,197,788</u>	<u>435,088</u>	<u>1,110,317</u>	<u>2,743,193</u>	<u>17,830</u>
Cash Flows from Capital and Related Financing Activities:					
Bond Issuance	9,226,890	40,642,012	292,202	50,161,104	7,495,900
Acquisition and Construction of Capital Assets	(11,923,954)	(44,657,856)	(373,270)	(56,955,080)	(4,957,449)
Principal Paid on Capital Debt	(2,753,411)	(14,323,649)	(2,766)	(17,079,826)	(2,222)
Interest Paid on Capital Debt	(526,373)	(18,920,589)	(89,304)	(19,536,266)	(349)
Fiscal Agent Fees Paid on Capital Debt		(832,864)		(832,864)	
Landfill Closure Costs	346,549			346,549	
Proceeds from Sale of Assets/Equipment	1,000,171	504,801	374,230	1,879,202	233,623
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,630,128)</u>	<u>(37,588,145)</u>	<u>201,092</u>	<u>(42,017,181)</u>	<u>2,769,503</u>
Cash Flows from Investing Activities:					
Interest on Investments	79,168	273,147	27,318	379,633	526,063
Proceeds from Sale of Investments					22,100,000
Purchase of Investments					(24,599,619)
Net Cash Provided (Used) by Investing Activities	<u>79,168</u>	<u>273,147</u>	<u>27,318</u>	<u>379,633</u>	<u>(1,973,556)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,801,927)</u>	<u>2,749,043</u>	<u>1,333,488</u>	<u>1,280,604</u>	<u>4,854,978</u>
Cash and Cash Equivalents - July 1	<u>13,987,683</u>	<u>48,405,489</u>	<u>2,479,374</u>	<u>64,872,546</u>	<u>6,702,924</u>
Cash and Cash Equivalents - June 30	<u>\$ 11,185,756</u>	<u>\$ 51,154,532</u>	<u>\$ 3,812,862</u>	<u>\$ 66,153,150</u>	<u>\$ 11,557,902</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 2,301,526	\$ 21,690,872	\$ (2,510,923)	\$ 21,481,475	\$ (4,656,155)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	4,441,645	24,587,584	2,519,391	31,548,620	6,636,156
Provision for Landfill Closure	(3,652,846)			(3,652,846)	
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable	(80,458)	(1,605,121)	29,626	(1,655,953)	158,148
Inventory		10,708	(211,786)	(201,078)	(28,569)
Prepaid Expenses					281,133
Due from Other Agencies			(194,987)	(194,987)	187,867
Decrease in Other Assets		(2,329,182)		(2,329,182)	
Increase (Decrease) in Liabilities:					
Accounts Payable	(2,564,899)	(2,125,739)	90,126	(4,600,512)	366,593
Accrued Interest Payable					(21,615)
Accrued Payroll Liabilities	40,963	86,631	15,799	143,393	107,754
Compensated Absences	15,732	273,610	(75,200)	214,142	
Accrued Other Post-Employment Benefits	42,895	(13,271)	(1,930)	27,694	
Customer/Refundable Deposits	6,742	(918,037)	255,916	(655,379)	(3,268)
Claims and Judgments Payable					(976,832)
Remediation Obligation					1,991,951
Due to Other Agencies	(55)	(29,102)	(22,554)	(51,711)	(1,962)
Increase in Other Operating Liabilities			101,283	101,283	
Net Cash Provided (Used) by Operating Activities	\$ 551,245	\$ 39,628,953	\$ (5,239)	\$ 40,174,959	\$ 4,041,201
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets		11,935,580		11,935,580	2,982,035
Total Noncash Investing, Capital, and Financing Activities:	\$	\$ 11,935,580	\$	\$ 11,935,580	\$ 2,982,035

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

CITY OF TUCSON, ARIZONA
STATEMENT OF FIDUCIARY FUNDS NET ASSETS
JUNE 30, 2009

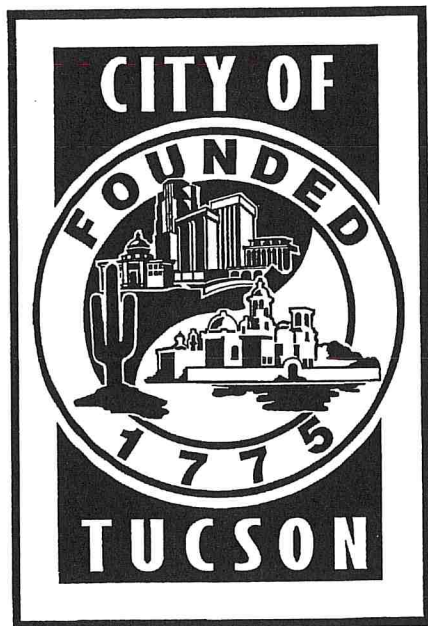
	<u>Pension Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 1,139,653	\$ 1,045,788
Accounts Receivable, Net		6,104,761
Employer Contributions	802,823	
Employee Contributions	318,882	
Due from Other Agencies		3,382,697
Interest Receivable		1,211
Interest & Dividends	1,494,348	
Due from Brokers	7,030,446	
Short Term Investments	32,710,691	
Securities Lending Collateral	13,097,459	
U.S. Treasuries, Agencies & other Government Bonds	85,063,178	
Bonds & Preferred Stocks	32,969,692	
Common Stocks	212,182,300	
International Investments	68,010,556	
Mutual Funds	405,546	
Real Estate	38,606,147	
Infrastructure	23,213,414	
Other Capital Assets, Net	116,077	
Total assets	<u>517,161,212</u>	<u>\$ 10,534,457</u>
<u>LIABILITIES</u>		
Accounts Payable	796,690	565,400
Accrued Payroll Liabilities	6,403	
Due to Other Agencies		9,969,057
Due to Securities Borrowers	13,097,459	
Due to Brokers	18,621,045	
Refundable Deposits	287	
Total liabilities	<u>32,521,884</u>	<u>\$ 10,534,457</u>
<u>NET ASSETS</u>		
Held in trust	<u>\$ 484,639,328</u>	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2009

	<u>Pension Trust</u>
Additions:	
Employer Contributions	\$ 21,279,536
Employee Contributions	9,712,947
Contributions from Other Sources	140,512
Redeposits	8,331
Other Plans	1,589,190
Net Increase (Decrease) in Fair Value of Investment	(155,121,980)
Interest, Dividends and Other Income	18,306,728
Securities Lending Income	359,394
Less: Investment Activity Expense	(4,580,029)
Less: Securities Lending Expense	(197,429)
Miscellaneous Additions	120,820
Total additions	<u>(108,381,980)</u>
Deductions:	
Payments to Participants	51,996,508
Refunds and Transfers to Other Plans	4,345,017
Administrative Expense	864,382
Total deductions	<u>57,205,907</u>
Changes in net assets	<u>(165,587,887)</u>
Net assets, beginning of year	650,227,215
Net assets, end of year	<u><u>\$ 484,639,328</u></u>

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



CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting framework and the most significant accounting principles and practices of the City of Tucson (City) are discussed in subsequent sections of this note. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The accompanying financial statements include the City and all of its component units, collectively referred to as "the financial reporting entity". The component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Tucson Supplemental Retirement System

The Tucson Supplemental Retirement System (System or TSRS) is a single-employer defined benefit plan established by the City and administered by a seven-member Board of Trustees. Although the system is a separate legal entity, its sole purpose is to provide services exclusively to the City; therefore, it is included as a Pension Trust Fund in these basic financial statements. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Human Resources Department, PO Box 27210, Tucson, AZ 85726.

Rio Nuevo Multipurpose Facilities District

The Rio Nuevo Multipurpose Facilities District (District) was created in July 1999 to take advantage of a State law under which the State will provide incremental tax financing to help develop multipurpose facilities in the downtown Tucson area. The District is governed by a Board of Directors appointed by the Mayors and Councils of the Cities of Tucson and South Tucson. Through a weighted-average voting system, the City maintains control of the District. The governing body of the District is not substantially the same as the governing body of the City, and the District will provide revitalization and economic development opportunities in the downtown area of the City. Therefore, the District is included within these basic financial statements as a discretely presented component unit. Separately issued financial statements are not prepared.

Silverbell Home Limited Partnership

The Silverbell Homes Limited Partnership (the Partnership) was formed on September 18, 2006. The Partnership developed 28 rental-housing units for elderly or disabled residents. All units are public housing with Low Income Housing Tax Credits pursuant to Internal Revenue Code Section 42. The units were built on property obtained from the City on an 89-year ground lease. The units were completed in December 2007 with certificates of occupancy and available for rent as of December 31, 2007. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

Posadas Sentinel, L.L.L.P.

Posadas Sentinel, L.L.L.P. (Posadas) was organized under the laws of the State of Arizona on October 29, 1999. Posadas was formed to acquire, develop, finance, rehabilitate, own, maintain, operate and sell or otherwise dispose of a total of 200 units of multi-family housing (140 units of which are to be publicly assisted units) intended for rental to low-income individuals and families. Posadas has qualified for and been allocated Low Income Housing Tax Credits pursuant to Internal Revenue Code Section 42. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

South Park Development Partners, L.L.L.P.

South Park Development Partners, L.L.L.P. (South Park) was formed as a limited liability limited partnership under the laws of the State of Arizona on November 8, 2002, for the purpose of constructing and operating a rental housing project. South Park has developed 48 rental-housing units in Tucson, Arizona, of which 28 were existing public housing units, rehabilitated as public housing tax credit units, and 20 units were newly constructed as lease purchase tax credit units. The lease purchase tax credit units will be rental housing for 15 years. At the end of the 15-year tax credit compliance period, the residents of each unit will have an option to purchase the unit at fair market value. Until that time, the units will remain as low-income housing. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

Tucson House Apartments, L.L.L.P.

Tucson House Apartments, L.L.L.P. (Tucson House) was organized under the laws of the State of Arizona on November 4, 2007; for the purpose of acquiring, developing, rehabilitating, and operating a rental housing project know as Tucson House. The project consists of 408 units located in Tucson, Arizona. Tucson House consists of two buildings and each building of the project has qualified for and been allocated low-income housing credits pursuant under Internal Revenue Code Section 42. Each building must meet the provision of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Assets and Statement of Activities) report information on all nonfiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, include all governmental funds, along with internal service funds. Business-type activities, which rely to a significant extent on fees and charges for services, include the enterprise funds and are reported separately from the governmental activities.

The Statement of Net Assets reports the assets and liabilities of the primary government. The net asset section of this statement represents the residual amount of assets less their associated liabilities. The net asset section is divided into three categories. The first category is *Invested in Capital Assets, Net of Related Debt*, which includes all capital assets, net of accumulated depreciation, less any debt outstanding associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Assets*, which includes those assets, net of their related debt, that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is *Unrestricted Net Assets*, and this represents net assets that generally can be used for any purpose. However, they are not necessarily in a spendable form, like 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. In general, major individual funds are reported as separate columns in the fund financial statements, while nonmajor funds are displayed in aggregate.

C. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The City accounts for the operations of each fund through a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. Governmental Funds

Major Funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources of the general government, except those accounted for in another fund.

Mass Transit Fund - This fund is used to account for all the financial resources necessary to operate the fixed route and paratransit services within the Tucson metropolitan area.

Nonmajor Funds:

Special Revenue Funds - These funds and certain other governmental funds are used to account for the proceeds of specific revenue sources (other than proprietary and fiduciary functions) that are restricted to expenditures for specified purposes. This includes federal grants and various City functions such as Tucson Convention Center, Highway User Revenue Fund, Human and Community Development, and Development Fees.

Debt Service Funds - These funds and certain other governmental funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for General Obligation, Street and Highway, and Special Assessment Bonds.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by General, Special Revenue, or Proprietary Funds) using proceeds from the sale of General Obligation, Street and Highway, and Special Assessment Bonds.

2. Enterprise Funds

These funds are used to account for certain operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity; 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges; or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

The City has four enterprise funds:

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 Tucson metropolitan area. Since the Environmental Services Fund is a segment accounted for within an individual fund, no further segment information is presented in these notes.

Nonmajor Funds

The Public Housing AMP Fund accounts for the operating and capital activities necessary to support public housing programs. Since the Public Housing AMP Fund is a segment accounted for within an individual fund, no further segment information is presented.

The Golf Course Fund accounts for the financing and operation of the City's golf courses, driving ranges, pro shops and clubhouses. Since the Golf Fund is a segment accounted for within an individual fund, no further segment information is presented in these notes.

3. Internal Service Funds

These funds are used to account for the financing of self insurance, facilities maintenance and motor pool (fleet) services provided to City departments on a cost-reimbursement basis. The costs of the internal service fund services are spread to the appropriate functions on the government-wide Statement of Activities, and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any "doubling-up" effect of these revenues and expenses.

4. Fiduciary Funds

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

D. Basis of Accounting

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

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

Major revenue sources susceptible to accrual are property taxes and special assessments when an enforceable legal claim has arisen, grants and similar items when all eligibility requirements are met, and privilege and other taxes. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Governmental fund inventories, deposits, and long-term advances receivable do not represent "available spendable resources" and are offset by fund balance reserve accounts.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. Water connection fees for the Water Utility, established at an amount necessary to recover related costs, are recorded as capital contributions.

The City does not currently employ an indirect cost allocation system. The General Fund and certain other funds charge service fees to other operating funds to support general services used by the operating funds (like accounting and maintenance).

E. Reserve for Loss and Loss Adjustment Expenses

The Self-Insurance Fund establishes claim liabilities based on 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

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. Through a Home Rule option, any city can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. In November 2005, the City of Tucson voters approved an alternative expenditure limitation for fiscal years 2007 through 2010. For each of those four fiscal years, the City's expenditure limitation will equal the total amount of budgeted expenditures in the annual budget adopted by the Mayor and Council.

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

1. On or before the first Monday in June of each year, the City Manager submits to the Mayor and Council a proposed biennial budget for the fiscal year commencing the following July 1. The budget includes proposed operating and capital expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget by purpose. Purpose is defined as a series of departments/offices as follows: Elected Officials, Neighborhood Services, Environment and Development, Strategic Initiatives, Support Services and Non-Departmental. Transfers between purposes, such as Neighborhood Services and Support Services, can be made upon Mayor and Council approval.
4. All appropriations lapse at year-end.
5. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2009.

G. 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, 2009, the City intended to honor \$93,354,071 of outstanding encumbrances in the new year listed on the next page.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

General Fund	\$ 4,313,075
Convention Center Fund	13,342
H.U.R.F. Fund	366,464
Civic Contribution Fund	39,496
Capital Improvement Fund	13,654,582
Human and Community Development Fund	997,606
Public Housing Fund	66,648
Public Housing HOME Program Fund	2,501,595
Miscellaneous Housing Grant fund	1,299,658
Impact Fee Fund	644,737
2000 General Obligation	641,801
Other Federal Grants Fund	7,809,923
Non-Federal Grants Fund	32,365
Regional Transit Authority Fund	46,218,526
Mass Transit Fund	14,754,253
	<u>\$ 93,354,071</u>

H. 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.

I. 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.

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

Income from pooled investments is allocated to the individual funds based on each fund's monthly average daily cash balance in relation to the total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. This is the case for certain special revenue funds. Income from non-pooled investments is recorded based on the specific investments held by the fund. All other interest income is recorded in the fund that earned the interest.

J. Accounts/Notes Receivable

Accounts Receivables of the major and nonmajor governmental and proprietary funds and fiduciary funds as of June 30, 2009, are reported in the accompanying basic financial statements net of allowance for doubtful accounts, as follows:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

Fund	Receivables	Allowance for Doubtful Accounts	Net
Governmental Activities:			
General Fund	\$ 24,495,863	\$ 853,032	\$ 23,642,831
Mass Transit Fund	548,082		548,082
Non-major Governmental Funds	633,741	52,263	581,478
Total Governmental Activities	<u>25,677,686</u>	<u>905,295</u>	<u>24,772,391</u>
Business-Type Activities:			
Environmental Services Fund	3,310,945	156,621	3,154,324
Water Utility Fund	20,165,833	290,783	19,875,050
Internal Service Funds	76,021	33,359	42,662
Non-major Business-Type Fund	130,074	61,850	68,224
Total Business-Type Activities	<u>23,682,873</u>	<u>542,613</u>	<u>23,140,260</u>
Fiduciary Funds	<u>6,104,761</u>		<u>6,104,761</u>
Total All Funds	<u>\$ 55,465,320</u>	<u>\$ 1,447,908</u>	<u>\$ 54,017,412</u>

The Water Utility Funds' assets and revenues include \$8,343,342 for water sales delivered, but unbilled at June 30, 2009.

The Community Services Department provides many loans to homeowners through Housing and Urban Development financing. The loans are placed on each homeowner's title as a lien against the property naming the City as the lien holder. Dependent upon the homeowner's qualification, an affordability period (from 5 to 20 years) is determined. Each lien is forgiven evenly over the determined affordability period. The City only receives a payoff if a property is sold prior to the end of the affordability period (some sales do not result in payment to the City). Less than 10% of these liens have resulted in payoffs to the City in the past 5 years and have totaled approximately 5% of the original loans. As of June 30, 2009, these loans totaled \$5,672,839. Due to the immateriality and infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

K. 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 reservation of fund balance is established for the inventory amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. A reservation (for other purposes) of funds is established for prepaid items that are material.

L. Restricted Assets/Liabilities

In accordance with applicable covenants of enterprise fund bond issues or other agreements, appropriate assets and liabilities have been restricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

M. Capital Assets

Capital assets, which include property, equipment, buildings, and infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), are depreciated and reported in the applicable governmental or business-type activity columns in the government-wide financial statements. No capital assets or depreciation are shown in the governmental fund financial statements.

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimated useful lives for City assets are determined on a variety of methods that include engineering estimates, industry standards, and replacement cycles. Additions subsequent to that date are stated at cost. Donated capital assets are valued at their estimated fair value on the date donated. The capitalization threshold for equipment is \$5,000.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Construction costs of capital assets and improvements are capitalized when the project is completed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Land and construction-in-progress are not depreciated.

	<u>Estimated Useful Life (Years)</u>
Buildings and Building Improvements	20 – 40
Improvements Other Than Buildings	10 – 40
Wells, Tanks and Improvements	40 – 100
Machinery and Equipment	3 – 20

The City's policy is to capitalize interest on proprietary fund capital projects if it is material, based upon Financial Accounting Standards Board Statement 62, Capitalization of Interest Cost. Interest costs capitalized during the fiscal year for the City's water utility fund was \$1,247,613. Interest on general government capital projects is not capitalized.

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

N. Goodwill

Enterprise fund goodwill is recorded upon acquisition of water companies and represents the excess of cost over the fair market value at the time of acquisition. Goodwill is being amortized over forty (40) years on the straight-line method. The total goodwill and the amount amortized at June 30, 2009, were \$1,187,338/\$1,140,550 for the Water Utility Fund.

O. Water Rights

The City does not place a limitation on the 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 amount for water rights for the Water Utility Fund is \$52,126,968 at June 30, 2009.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

P. Long-term Obligations

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

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

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

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

Compensated absences are recognized as fund liabilities to the extent the liabilities mature or come due for payment each period in the governmental fund statements. These costs are accrued and reported as liabilities in the Statement of Net Assets. Compensated absences and other long-term liabilities other than debt were liquidated in the general and special revenue funds in prior years.

Q. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties to use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In addition to the reserves for inventories, the City has established other reservations of fund balances as follows:

Reserved for Debt Service represents amounts maintained under the provisions of various bond ordinances or amounts reserved for future debt service requirements.

Reserved for Capital represents the following: revenues from utility agreements to be used for various capital projects in the General Fund of \$1,076,026; proceeds from capital lease agreements and federal grants for various projects of \$62,184,401 in the Special Revenue Funds; and bond proceeds reserved for construction projects of \$7,828,905 in the Capital Project Funds.

Reserved for Advances and Deposits represent amounts the City has advanced to or deposited with outside agencies or other funds.

Reserved for Employees' Retirement Benefits represents the equity of the Tucson Supplemental Retirement System of \$484,639,328 which are reserved for future payments to their respective members.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

Reserved for Other Purposes represents amounts reserved for purposes designated by contributors in the special revenue; reserves for grant compliance purposes; reserves for prepaid expenditures in various special revenue funds; and reserves for the following purposes in the General Fund:

Low Income Housing Programs	\$ 1,814,705
City Courts Projects	2,447,184
Police Projects	1,567,141
Parks Projects	631,634
Civano	271,303
Information Technology	25,390
Community Resources Center	408,288
Communications 911	30,549
Fire Equipment	31,349
Downtown Development	80,402
Open Spaces	15,493
Housing Trust Fund	438,390
Total General Fund Reserved for Other Purposes	<u>\$ 7,761,828</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 Assets as Internal Receivables/Payables. 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.

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 \$19,592 and is included in restricted net assets as Restricted for Other Purposes. 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 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 2 – ACCOUNTING RESTATEMENTS:

When the Environmental Services Enterprise Fund was established, debt service for certain General Obligation (GO) debt associated with environment activities was paid and liabilities were established. For Fiscal Year 2009, debt service will now be the responsibility of the general government. Therefore, all GO debt was removed from Environmental Services Enterprise Fund and transferred to the general government resulting in a restatement.

The restatement reflects the removal of GO debt totaling \$45,515,233 and correction of prior year amortizations of (\$555,829) resulting in a restatement of the Invested in Capital Assets, Net of Related Debt of \$30,122,801 and the Unrestricted Net Assets of \$14,836,603 for the Governmental and Business-type Activities.

The Rio Nuevo Multipurpose District (District), a discretely presented component unit of the City of Tucson, had ownership of capital assets that were determined either not to be District capital assets or capital assets owned by the City of Tucson. The accompanying financial statements reflect the restatement in the Net Assets Invested in Capital Assets, Net of Related Debt for the City of Tucson of \$14,039,098 and the District of \$29,851,003.

The above changes are summarized below:

	Primary Government			
	Governmental Activities		Business-type Activities	
	July 1	July 1, Restated	July1	July 1, Restated
Invested in Capital Assets, Net of Related Debt	\$ 1,048,004,576	\$ 1,031,920,873	\$ 696,128,404	\$ 726,251,205
Restricted for:				
Debt Service	20,779,541	20,779,541	23,347,119	23,347,119
Capital Project Funds	78,162,730	78,162,730		
Self Insurance Mandates	24,595,252	24,595,252		
Transportation	3,959,741	3,959,741		
Grants and Entitlements	32,000,835	32,000,835	1,220,894	1,220,894
Other Purposes	4,697,147	4,697,147	2,047,850	2,047,850
Unrestricted	(2,780,426)	(17,617,029)	(60,875,072)	(46,038,469)
Total Net Assets	<u>\$ 1,209,419,396</u>	<u>\$ 1,178,499,090</u>	<u>\$ 661,869,195</u>	<u>\$ 706,828,599</u>

	Component Unit Rio Nuevo	
	Previously Reported	Restated
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 56,948,851	\$ 27,097,849
Restricted for:		
Debt Service	1,672,425	1,672,425
Capital	95,504	95,504
Unrestricted	(21,503,147)	(21,503,147)
Total Net Assets	<u>\$ 37,213,633</u>	<u>\$ 7,362,631</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 2 – ACCOUNTING RESTATEMENTS (continued):

In addition, the removal of the GO debt resulted in the restatement of the Environmental Services Enterprise Fund Net Assets for the Environmental Services Enterprise Fund as summarized below:

	<u>Environment Services Enterprise Fund</u>	
	<u>July 1</u>	<u>July 1, Restated</u>
Invested in Capital Assets, Net of Related Debt	\$ (7,728,585)	\$ 22,394,216
Restricted for:		
Debt Service	1,675,544	1,675,544
Unrestricted	(52,311,512)	(37,474,909)
Total Net Assets	<u>\$ (58,364,553)</u>	<u>\$ (13,405,149)</u>

Note 3 - PROPERTY TAX:

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

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

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

There is also a control on the assessed value of property for primary tax purposes. The base year for the tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are controlled by being allowed to grow or increase by no more than 10% a year. The dollar amount of the secondary property tax levy is unlimited, and the actual full cash value of property is used in determining the tax rate.

Note 4 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2009, the following funds had deficit fund balances or net assets:

Environmental Services Fund	\$ (9,430,117)
Self Insurance Fund	\$ (17,721,075)

Deficits are intended to be recovered through annual increased fees and transfers.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS:

The City maintains an investment pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "Pooled Cash and Investments." A single master custodian holds all assets of the investment pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

The majority of deposits and investments of the Tucson Supplemental Retirement System (TSRS), a defined benefit pension plan, are held in trust separately from those of other City funds by a master custodian. However, biweekly contributions to the fund for this plan are held in the investment pool to cover recurring expenditures.

A. Deposits

At year-end, the book value of the City's cash and deposits was \$96,626,910 and the bank balance was \$120,880,370. The difference of \$24,253,460 represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2009. This total bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name.

Cash with fiscal agents in the General Fund of \$4,875,508, Mass Transit of \$81,493, the other non-major governmental funds of \$24,932,856, and the Proprietary funds of \$35,335,584 on June 30, 2009, were covered by collateral held in the fiscal agents' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds.

B. Investments

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations of the U.S. Government, its agencies and instrumentalities, money market funds consisting of the above, repurchase agreements, bank certificates of deposit, commercial paper rated A-2/P-2 (or better), corporate bonds and notes rated AAA or AA, and the State of Arizona Local Government Investment Pool. Operating and capital projects funds may be invested for a maximum of 3 years based on projected construction schedules.

The Tucson Supplemental Retirement System (TSRS) is governed by a separate management board. The City Code provides that the TSRS Board of Trustees make investments in accordance with the "prudent person rule." Trust investments are also governed by an approved investment policy. The TSRS Board of Trustees authorizes domestic and foreign investments including U.S. Government obligations and agency issues, corporate bonds, stocks, real estate, and money market funds, as well as derivative investments. The investment policy also establishes the asset mix and target allocations for each asset class permitted.

Short-term investments for this fund may be made up of commercial paper, time deposits, guaranteed insurance contracts, money market funds or any other short-term investment fund (STIF) vehicle permitted.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

	<u>Fair Value</u>
U.S. Issues not on Securites Loan:	
U.S. Treasuries, Agencies & Other Government Bonds	\$ 116,956,652
Corporate Bonds	32,117,315
Corporate Stock	203,626,374
Non-U.S. Issues not on Securites Loan:	
International Bonds	6,181,641
International Stock	58,610,526
Sub-Total	<u>417,492,508</u>
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Corporate Bonds	852,377
U.S. Stock	8,555,926
International Stock	3,218,389
Sub-Total	<u>12,626,692</u>
Securities Lending Short-Term Collateral Investment Pool	13,097,459
Money Market Funds/Short-Term Investments	154,052,181
Bond Mutual Funds	4,048,222
Real Estate Funds	38,606,147
Infrastructure Funds	23,213,414
Sub-Total	<u>233,017,423</u>
Total Deposits and Investments	<u>\$ 663,136,623</u>

C. Credit Risk

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

The City has the following investment policies governing the City investment pool account that addresses the various credit risks defined above. Investments shall be limited to the following instruments and percentages:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

1) Obligations of the U.S. Government, its agencies and instrumentalities, 2) Repurchase agreements whose underlying collateral is commercial paper rated A-1/P-1 with maturities not to exceed 180 days or rated A-2/P-2 with maturities not to exceed 60 days, 3) Bonds, notes and debentures issued by U.S. corporations rated "AAA" or "AA" by Moody's and Standard & Poors, 4) Money market funds, CD's, etc., either insured by an agency of the federal government or collateralized by obligations of the U.S. Government, its agencies and instrumentalities or General Obligation municipal bonds rated A or better at 105% of the amount on deposit calculated on market values. The collateral must be held by the Trust department of the financial institution or delivered to the City's agent, 5) Except for direct obligations of the U.S. Treasury, not more than 25% of the portfolio shall be invested in securities issued by a single agency or instrumentality of the United States. Not more than 5% of the portfolio shall be invested in securities of any other entity, 6) A minimum of 15% of the portfolio shall be in highly liquid securities, 7) Not more than 25% of the portfolio shall be invested in corporate bonds, notes and commercial paper.

The City's investment pool account had the following credit risk structure as of June 30, 2009:

<u>Investment Type</u>	<u>Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Money Market Funds:			
Wells Fargo Treasury Plus MM	AAA	\$ 10,000	
Wells Fargo Government Money MM	AAA	101,322,336	
		<u>101,332,336</u>	95.27%
Federal Agency:			
<u>Federal Home Loan Mortgage Corp</u>			
FFCB Coupon Note	AAA	5,026,550	
		<u>5,026,550</u>	4.73%
Grand Total		\$ <u>106,358,886</u>	<u>100%</u>

(1) Per Moody's

The City also maintains funds in specific accounts outside of the investment pool account to meet certain operational and legal requirements. As of June 30, 2009, these funds consisted of: a U.S. Treasury Note with a fair market value of \$25,483,309 a U.S. Agency Bond with a fair market value of \$1,383,615 and various cash balance accounts totaling \$19,885,880. The City of Tucson banking policy for these cash accounts are consistent with the investment pool account policy described above.

The TSRS fund presently maintains one internally managed and one externally managed fixed income (bond) account, which are exposed to some form of credit risk. The investment policy guidelines for securities purchased for the internally managed fixed income account are as follows: 1) With the exception of securities issued by or guaranteed by the U.S. Treasury or U.S. Government agencies and instrumentalities, the maximum position in a single issuer's securities should not exceed 5% of the portfolio's assets at current market value, 2) Exposure to corporate bonds should be limited to 50% of the portfolio, 3) The investment manager is expected to maintain a weighted average bond portfolio quality rating of at least "AA", 4) Securities, at the time of purchase, shall be rated no lower than "A3" by Moody's and "A-" by Standard & Poors.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS Board has given the external fixed income manager discretion to invest in a broad array of public and private asset classes, instruments and investment vehicles in order to meet or exceed the agreed upon investment return benchmark. However, the following specific investment policy guidelines pertain to the external fixed income manager: 1) The maximum position in a single issuer (excluding obligations of U.S. Government and its Agencies) should not exceed 5% of the portfolio's assets at current market value, 2) The portfolio should maintain an average quality of a least "A", 3) Money market instruments must be rated in one of the two highest categories by a nationally recognized rating agency, 4) The minimum rating of individual issues should be CCC as rated by Moody's, Standard & Poors or Fitch, 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken.

The TSRS fund had the following credit risk structure as of June 30, 2009:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Cash and Cash Equivalents:				
Cash & Short Term Investment Fund	2	AAA	\$ 16,866,435	
U.S. Treasury Bills - Less than 1 Year	1	UST	448,925	
Sub Total	3		17,315,360	11.89%
U.S. Treasury Notes & Bonds:	2	UST	2,280,469	1.57%
U.S. Agency & Other Government Obligations:				
U.S. Agency Bonds	22	AGY	22,542,423	
Mortgage Backed Securities (MBS)	56	AGY	52,564,416	
Municipal Bonds	9	AA3	7,675,869	
Sub Total	87		82,782,708	56.86%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	3	AA3	463,485	
Asset Backed Securities	2	AAA	679,599	
Fixed Income Swaps & Options	64	AA3	(2,052,301)	
Banks & Finance	17	BAA1	13,010,122	
Industrials	8	BAA2	6,863,295	
Utilities	7	BAA1	7,404,709	
Other Corporate Issues	9	A1	5,658,651	
Convertible Securities	3	CAA1	783,139	
Futures Contracts	13	AAA	158,993	
Sub Total	126		32,969,692	22.65%
International Bonds:	24	A1	6,181,641	4.25%
Bond Mutual Funds:	2	AA - BAA3	4,048,222	2.78%
Grand Total	244		\$ 145,578,092	100%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - 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) Surplus and idle money related to the day-to-day operation of the City may be invested in authorized investments with a final maturity not exceeding two years from the date of investment. 2) Monies not related to the day-to-day operation of the City may be invested for periods up to three years with maturities base upon anticipated needs. 3) Not more than 25% of the portfolio shall be invested in securities with a maturity longer than two years. 4) Not more than 50% of the portfolio shall be invested in securities with a maturity longer than eighteen months.

The City's investment pool account had the following maturity structure as of June 30, 2009:

<u>Investment Type</u>	<u>Maturity Date</u>	<u>Next Call Date</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Money Market Funds:				
Wells Fargo Treasury Plus MM			\$ 10,000	
Wells Fargo Government Money MM			101,322,336	
			<u>101,332,336</u>	95.27%
<u>Due Between 1 & 2 Years</u>				
Federal Agency:				
FFCB Coupon Note	09/17/10	09/17/09	<u>5,026,550</u>	<u>4.73%</u>
<u>Due Between 1 & 2 Years</u>				
Grand Total			\$ <u>106,358,886</u>	<u>100%</u>

The TSRS fund's investment policy regarding interest rate risk for the internally managed fixed income account is to limit duration to within two years (plus or minus) to its investment performance benchmark: the Barclays Government/Credit Bond Index. For the externally managed fixed income account for the TSRS trust fund, the investment policy is to limit duration to within 30% of the custom benchmark which is defined as 70% Barclays Mortgage Backed Securities Index, 15% Barclays U.S. Credit Index, 15% Barclays Corporate High Yield Index.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following maturity structure as of June 30, 2009:

Investment Type	Investment Maturities (in Years)				Total Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Cash & Short Term Investment Fund	\$ 16,866,435	\$	\$	\$	\$ 16,866,435
U.S. Treasury Issues	448,925	463,639		1,816,830	2,729,394
U.S. Agency & Other Government Obligations		8,536,453	6,989,850	67,256,405	82,782,708
Corporate & Other Fixed Income Instruments	1,274,554	14,338,558	5,723,007	11,633,574	32,969,693
International Bonds	819,625	4,535,897	299,618	526,500	6,181,640
Bond Mutual Funds Average Effective Maturity: 3.19 Years					4,048,222
Total	\$ 19,409,539	\$ 27,874,547	\$ 13,012,475	\$ 81,233,309	\$ 145,578,092
Average Modified Duration:					
Internal Account	6.71	yrs			
External Account	4.07	yrs			

E. Foreign Currency Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The exposure to foreign currency risk is currently limited to some of the investments within the TSRS fund. The TSRS Board has given the fund's international equity managers discretion to invest in a broad array of common and preferred stocks, convertibles and warrants of companies headquartered outside of the United States in order to meet or exceed their agreed upon investment return benchmarks. However, the following specific investment policy guidelines pertain to these managers: 1) Investments in any single country market should not exceed more than 4 times the weight of the country in the benchmark index or 50% of portfolio assets, whichever is lower, 2) If a country has a greater than 50% weight in the index, the maximum exposure to that country in the portfolio may be as high as its weight in the index, 3) No more than 30% of each manager's portfolio should be invested in "emerging markets" (i.e., markets that are not included in the Morgan Stanley Capital International Europe, Australia and Far East index), 4) Managers are permitted to enter into hedging strategies, including cross-currency hedges, using forward currency exchange contracts and currency options, 5) Derivatives should not be used for the purpose of speculation or for leveraging the portfolio.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2009:

Foreign Currency Risk Exposure		
Currency	Fair Value (1)	Percent of Total
Australian Dollar	\$ 5,636	0.001%
Brazil Real	148,382	0.031%
British Pound Sterling	3,534,107	0.734%
Canadian Dollar	1,414,136	0.294%
Chinese Yuan Renminbi	1,902,087	0.395%
Euro Currency Unit	31,409,236	6.524%
Hong Kong Dollar	996,956	0.207%
Japanese Yen	5,517,137	1.146%
Mexican New Peso	14,851	0.003%
Norwegian Krone	673,347	0.140%
Singapore Dollar	523,785	0.109%
South Korean Won	671,262	0.139%
Swedish Krona	831,837	0.173%
Swiss Franc	2,713,657	0.564%
U.S. Dollar	431,052,455	89.540%
TOTAL	\$ 481,408,871	100%

Footnotes:

(1) Over 50% of the total fair value is held in equity securities.

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, 2009, the carrying amount and fair value of securities on loan was \$12,626,692. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day.

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The lender cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2009, 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 permits the use of foreign exchange contracts by its international equity and external fixed income managers. Derivatives are also permitted in the portfolio, including financial futures, forwards, options and swaps on fixed income securities.

Forward foreign exchange contracts for the purchase or sale of foreign currency were entered into to settle specific transactions, for investment and hedging purposes and to modify the foreign currency exposure of international securities held. The duration of these contracts typically was three months or less and, for those used to settle specific transactions, typically was three business days. During the terms of such forward contracts, the System was exposed to counterparty risk, which is the risk of loss of the amount expected to be delivered under a forward agreement in the event of the default or bankruptcy of a forward agreement counterparty. This risk is controlled through dealing with a number of different counterparties reasonably deemed to be creditworthy by the manager.

The System also permits the use of financial futures and options by its external fixed income manager to reduce or eliminate undesirable/unintended risks, to maintain desirable risks so as to improve the portfolio's return patterns, and to enhance portfolio liquidity, flexibility and/or efficiency. The external fixed income manager used long and short positions in exchange-traded government futures during the year to modify exposure to various parts of the yield curve and to modify the risk characteristics of the portfolio. The government futures positions were fully supported by cash and cash equivalents. The net market exposure as of June 30, 2009 was \$1,951,129. Money market futures were also used to gain exposure to future short-term interest rates. The net market exposure as of June 30, 2009 was \$21,237,336. Additionally, forward and mortgage "to be announced" securities (TBAs) were used in the portfolio during the period; the net market value of these positions was \$0 and \$10,636,411 respectively. As of the same date, the portfolio contained net market exposure to put and call options (including options on swaps or "swaptions") of \$(98,127).

Interest rate swaps are used to provide high-grade agency/corporate exposure. Swaps also provide an effective and inexpensive means by which to quickly adjust portfolio duration, maturity mix and sector exposure. Swaps are over-the-counter transactions as opposed to being traded on an organized exchange. Counterparty risk 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). They also reduce legal risk and increase speed of execution that, in turn, improves liquidity. Credit default swaps provide attractive means of hedging credit risk and increasing/decreasing credit exposure. When deemed necessary, interest rate and credit default swaps are backed by high-grade liquid cash equivalent securities. They are also subject to the System's minimum quality and issuer limits. The portfolio's net market exposure to swaps and credit default swaps was \$(18,869) and \$(1,973,028), respectively.

Note 6 - INTERFUND BALANCES AND TRANSFERS:

The following governmental interfund receivables/payables are eliminated in the consolidation of the fund statements and government-wide financial statements. The enterprise due from/to other funds balance is included as Internal Balances on the government-wide Statement of Net Assets.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 41,245,742	\$ 48,260,301
Mass Transit Fund		6,704,983
Other Non-Major Governmental Funds	48,260,303	16,719,911
Total Governmental Funds	<u>89,506,045</u>	<u>71,685,195</u>
Internal Service Funds:		
Self Insurance Fund		10,232,542
General Services Fund		2,090,213
Total Internal Service Funds		<u>12,322,755</u>
Enterprise Funds:		
Golf Course Fund		5,498,095
Total Enterprise Funds		<u>5,498,095</u>
Total All Funds	<u>\$ 89,506,045</u>	<u>\$ 89,506,045</u>

There are interfund receivables/payables classified as Due from/to Other Agencies as listed below that are not included on the government-wide financial statements (Fiduciary Funds) on the Statement of Net Assets.

The Due from/to Other Agencies balances at June 30, 2009, were as follows:

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 25,170,389	\$ 1,040,012
Mass Transit Fund	3,474,215	126
Other Non-Major Governmental Funds	23,228,848	49,771
Total Governmental Funds	<u>51,873,452</u>	<u>1,089,909</u>
Internal Service Funds:		
Fleet Services Fund	42,692	296
General Services Fund	1,033	415
Total Internal Service Funds	<u>43,725</u>	<u>711</u>
Enterprise Funds:		
Environmental Services Fund	62,681	157
Water Utility Fund	251,010	770,850
Other Non-Major Enterprise Funds	194,987	30,487
Total Enterprise Funds	<u>508,678</u>	<u>801,494</u>
Total All Funds	<u>\$ 52,425,855</u>	<u>\$ 1,892,114</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):

The Advances to/from Other Funds are long-term loans for capital expenditures, which have not been reimbursed, between the General Fund and the Special Assessment Capital Project, and Development Fee Funds. These balances are eliminated in the consolidation of the government-wide financial statements.

Advances to/from Other Funds balances at June 30, 2009, were as follows:

Fund	Advances To	Advances From
Governmental Funds:		
General Fund	\$ 46,280	\$
Other Non-major Governmental Funds		46,280
Total Governmental Funds	\$ 46,280	\$ 46,280

Transfers are primarily: 1) To move receipts restricted to debt service from the funds collecting the receipts to the debt service funds when payment is due, and 2) Operational subsidies from the General Fund to various funds. Capital asset transfers from Internal Service Fund of \$231,587 to governmental funds are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2009, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,528,351	\$ 40,033,756
Mass Transit Fund	31,430,439	
Other Non-Major Governmental Funds	9,278,419	2,018,700
Total Governmental Funds	42,237,209	42,052,456
Internal Service Funds:		
Fleet Services Fund		1,216,072
Total Internal Service Funds		1,216,072
Enterprise Funds:		
Environmental Services	857,717	
Water Utility	839,448	839,448
Public Housing (AMP) Funds	412,602	239,000
Total Enterprise Funds	2,109,767	1,078,448
Total All Funds	\$ 44,346,976	\$ 44,346,976

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 7 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2009:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 647,717,208	\$ 8,800,129	\$ (700,044)	\$ 655,817,293
Construction-in-Progress	227,645,081	118,609,741	(33,899,459)	312,355,363
Capital Assets being Depreciated:				
Buildings and Improvements	404,904,862	27,397,548	(3,274,275)	429,028,135
Equipment	238,094,676	31,905,914	(9,432,475)	260,568,115
Infrastructure	762,237,147	3,220,277		765,457,424
Totals at Historical Cost	<u>2,280,598,974</u>	<u>189,933,609</u>	<u>(47,306,253)</u>	<u>2,423,226,330</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	153,596,379	14,675,198	(617,865)	167,653,712
Equipment	140,720,789	20,646,098	(9,044,807)	152,322,080
Infrastructure	366,557,798	19,930,154		386,487,952
Total Accumulated Depreciation	<u>660,874,966</u>	<u>55,251,450</u>	<u>(9,662,672)</u>	<u>706,463,744</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,619,724,008</u>	<u>\$ 134,682,159</u>	<u>\$ (37,643,581)</u>	<u>\$ 1,716,762,586</u>
Depreciation expense was charged to governmental functions as follows:				
Elected and Official				\$ 96,992
Support Services				10,807,192
Neighborhood Services				12,363,268
Environment and Development				30,325,334
Strategic Initiatives				367,056
Non-Departmental				1,291,608
Total Depreciation Expense				<u>\$ 55,251,450</u>
Business-Type Activities:				
Land	\$ 64,862,426	\$ 762,406	\$ (55,513)	\$ 65,569,319
Water Rights	52,126,968			52,126,968
Construction-in-Progress	126,608,609	53,009,985	(60,807,811)	118,810,783
Capital Assets being Depreciated:				
Buildings and Improvements	179,021,253			179,021,253
Equipment	67,460,250	13,793,241	(5,329,061)	75,924,430
Distribution and Collection Systems	1,070,789,814	63,108,164		1,133,897,978
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,562,056,658</u>	<u>130,673,796</u>	<u>(66,192,385)</u>	<u>1,626,538,069</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	79,973,157	5,545,443		85,518,600
Equipment	43,652,848	6,226,690	(4,982,754)	44,896,784
Distribution and Collective Systems	275,014,051	19,783,283		294,797,334
Goodwill	1,112,477	28,073		1,140,550
Total Accumulated Depreciation	<u>399,752,533</u>	<u>31,583,488</u>	<u>(4,982,754)</u>	<u>426,353,268</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,162,304,125</u>	<u>\$ 99,090,308</u>	<u>\$ (61,209,631)</u>	<u>\$ 1,200,184,801</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 7 - CAPITAL ASSETS (Continued):

Discretely presented component unit:

Activity for the Rio Nuevo District for the fiscal year ended June 30, 2009 was as follows:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Component Unit:				
Land	\$ 9,205,065	\$	\$	\$ 9,205,065
Construction-in-Progress	6,414,370	11,408,863		17,823,233
Capital Assets being Depreciated:				
Buildings and Improvements	29,837,595			29,837,595
Equipment	65,382			65,382
Totals at Historical Cost	45,522,412	11,408,863		56,931,275
Less Accumulated Depreciation for:				
Buildings and Improvements	4,552,587	761,633		5,314,220
Equipment	58,783	4,717		63,500
Total Accumulated Depreciation	4,611,370	766,350		5,377,720
Component Unit Activities Capital Assets, Net	\$ 40,911,042	\$ 10,642,513	\$	\$ 51,553,555

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

The following is a summary of changes in long-term debt as of June 30, 2009:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 269,105,610	\$	\$ (15,030,000)	\$ 254,075,610	\$ 15,760,000
Street & Highway Revenue Bonds	124,665,000	10,130,000	(10,645,000)	124,150,000	11,160,000
Certificate of Participation	172,670,000	37,721,000	(19,165,000)	191,226,000	10,610,000
Special Assessment bonds	4,333,254	375,635	(516,254)	4,192,635	566,635
Federal Highway Loan	13,400,000		(7,500,000)	5,900,000	2,500,000
Clean Renewable Energy Bonds		7,595,900		7,595,900	584,300
Deferred Amount:					
on Premiums	17,640,498	1,757,628	(2,000,013)	17,398,113	
on Discounts	(110,879)	(275,753)	8,664	(377,968)	
on Refunding	(11,144,809)	(504,771)	1,442,561	(10,207,019)	
Total Bonds and Notes Payable	590,558,674	56,799,639	(53,405,042)	593,953,271	41,180,935
Other Liabilities:					
Capital Leases	11,484,700	144,261	(3,931,449)	7,697,512	3,660,145
Other Post Employment Benefits	1,595,727	5,192,993	(4,863,911)	1,924,809	
Compensated Absences	35,422,156	20,755,163	(20,328,947)	35,848,372	18,445,874
Remediation		1,991,951		1,991,951	211,200
Claims and Judgements	32,094,391	5,487,523	(6,464,354)	31,117,560	9,960,416
Total Other Liabilities	80,596,974	33,571,891	(35,588,661)	78,580,204	32,277,635
Governmental Activities Long Term Liabilities	\$ 671,155,648	\$ 90,371,530	\$ (88,993,703)	\$ 672,533,475	\$ 73,458,570

For Governmental Activities, compensated absences are generally liquidated by the General Fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 8 - CHANGES IN LONG-TERM DEBT AND LIABILITIES (Continued):

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Business-Type Activities					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 436,255,222	\$ 40,642,012	\$ (17,022,840)	\$ 459,874,394	\$ 18,681,153
Certificate of Participation	4,645,000	13,284,000	(3,400,000)	14,529,000	90,000
Deferred Amount:					
on Premiums	11,824,559	1,481,167	(902,259)	12,403,467	
on Discounts	(50,248)		50,248		
on Refunding	(13,305,999)	(74,882)	1,078,135	(12,302,746)	
Total Bonds and Notes Payable	<u>439,368,534</u>	<u>55,332,297</u>	<u>(20,196,716)</u>	<u>474,504,115</u>	<u>18,771,153</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	44,107,721		(4,091,296)	40,016,425	2,335,247
Deferred Revenue		42,362,755		42,362,755	
Remediation		785,000		785,000	
Capital Leases	7,687,215		(2,659,131)	5,028,084	2,289,886
Other Post Employment Benefits	405,812	51,295	(23,601)	433,506	
Compensated Absences	5,521,479	660,328	(432,943)	5,748,864	2,778,887
Central Arizona Project Loan (1)	4,246,344		(982,278)	3,264,066	1,033,356
Total Other Liabilities	<u>61,968,571</u>	<u>43,859,378</u>	<u>(8,189,249)</u>	<u>97,638,700</u>	<u>8,437,376</u>
Business-Type Activities Long Term Liabilities	<u>\$ 501,337,105</u>	<u>\$ 99,191,675</u>	<u>\$ (28,385,965)</u>	<u>\$ 572,142,815</u>	<u>\$ 27,208,529</u>

(1) Current portion is shown in Liabilities Payable from Restricted Assets

Discreetly presented component unit:

Activity for the Rio Nuevo District for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Component Unit Activities:					
Bonds and Notes Payable:					
Revenue Bonds	\$ 4,175,000	\$ 80,000,000	\$ (565,000)	\$ 83,610,000	\$ 600,000
Certificates of Participation	13,130,000		(3,045,000)	10,085,000	3,200,000
City of Tucson	13,551,828		(6,800,000)	6,751,828	6,751,828
Deferred Amount:					
on Premiums	353,466		(88,366)	265,100	
on Discounts	(11,607)	(1,356,374)	41,002	(1,326,979)	
Total Bonds and Notes Payable	<u>31,198,687</u>	<u>78,643,626</u>	<u>(10,457,364)</u>	<u>99,384,949</u>	<u>10,551,828</u>
Component Unit Activities Long Term Liabilities	<u>\$ 31,198,687</u>	<u>\$ 78,643,626</u>	<u>\$ (10,457,364)</u>	<u>\$ 99,384,949</u>	<u>\$ 10,551,828</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 9 - LEASE OBLIGATIONS:

A. Capital Leases

The City has entered into several long-term capital leases involving the acquisition of real estate and equipment for general city purposes; these commitments are expected to be funded by the City's General, Special Revenue and Internal Service Funds.

Below is a schedule by years of future minimum lease payments under the capital leases as of June 30, 2009.

Years ending June 30,	Governmental Activities	Business-Type Activities
2010	\$ 23,427,871	\$ 3,260,356
2011	22,335,989	2,511,184
2012	20,634,843	1,532,514
2013	18,498,943	1,122,696
2014	18,390,751	849,151
2015-2019	88,862,069	7,714,825
2020-2024	65,405,735	6,083,566
2025-2029	20,731,038	5,570,011
Total Minimum Lease Payments	278,287,239	28,644,303
Less: Amount Representing Interest (interest rates range from 2.00% to 12.00%)	79,363,727	9,087,219
Present Value of Net Minimum Lease Payments	\$ 198,923,512	\$ 19,557,084

Assets purchased through capital leases for Governmental Activities include buildings (\$39,377,419), improvements other than buildings (\$25,000,000), equipment (\$32,036,227), and land (\$9,950,000).

Assets purchased through capital leases for Business-Type Activities include equipment (\$10,793,757).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$6,268,689. Minimum future lease payments on non-cancelable operating leases at June 30, 2009, were as follows:

Years ending June 30,	
2010	\$ 5,625,200
2011	5,235,259
2012	4,031,031
2013	252,018
2014	246,856
2015-2019	1,215,340
2020-2024	1,169,530
2025-2029	1,323,216
2030-2034	1,497,099
2035-2039	1,693,832
2040-2044	1,916,416
2045-2049	2,168,246
2050-2054	2,169,538
2055	257,258
Total Minimum Future Lease Payments	\$ 28,800,839

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 10 - BOND ISSUES:

A. General City Funds

General Obligation Bonds provide funds for construction of police and fire facilities, street lighting and sidewalk improvements, drainage system improvements, environmental safety improvements, parks improvements and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2009 to July 1, 2023. General Obligation Bonds are payable from property taxes and from Environmental Service fees.

Street and Highway User Revenue Bonds provide funds to improve, construct and reconstruct streets and highways in the City, to acquire rights-of-way for such purposes by purchase, condemnation or otherwise, and to pay costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2009 to July 1, 2018. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2009, bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2009
1984 Series E and F	6.17	2012	\$ 25,000,000	\$ 1,084,600
1993 Refunding	4.40-4.90	2013	17,006,000	1,326,010
1984 Series G (1994)	7.625	2014	21,540,000	3,140,000
1994 Series A (1995)	5.38-7.38	2020	23,600,000	6,600,000
1994 Series B (1996)	7.63	2015	24,745,000	3,745,000
1994 Series C (1997)	5.00-7.00	2021	10,510,000	2,510,000
1998 Refunding	4.25-5.50	2021	26,470,000	26,095,000
1994 Series D (1998)	4.25-6.25	2018	11,010,000	2,760,000
1994 Series E (1999)	4.50-7.00	2019	13,855,000	435,000
2000 Series A (2000)	5.25-7.25	2020	18,840,000	2,450,000
2000 Series B (2001)	4.625-5.75	2020	26,680,000	3,500,000
2002 Refunding	5.00	2012	25,035,000	16,985,000
2003 Refunding	2.25-5.00	2020	22,465,000	17,815,000
2000 Series C (2003)	2.50-4.50	2021	29,840,000	17,600,000
2000 Series D (2004)	3.50-5.00	2021	15,000,000	5,500,000
2005 Series Refunding	2.25-5.00	2020	34,240,000	33,975,000
2005-B Series Refunding	4.00-5.00	2021	21,725,000	10,680,000
2000-E Series (2005)	3.00-5.00	2017	25,815,000	15,000,000
2006 Series Refunding	4.00-4.67	2021	50,525,000	50,525,000
2007 Series Refunding	5.00	2019	19,190,000	19,025,000
2007-F Series	4.00-5.00	2023	13,325,000	13,325,000
Total			<u>\$ 476,416,000</u>	<u>\$ 254,075,610</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 10 - BOND ISSUES (Continued):

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2009
1994 Series A (1995)	5.00-7.00	2015	\$ 10,900,000	\$ 3,900,000
1994 Series B (1996)	5.50-7.50	2016	10,025,000	2,275,000
1996 Refunding	4.20-6.00	2010	7,425,000	7,265,000
1994 Series C (1997)	5.00-7.00	2016	5,000,000	1,000,000
1994 Series D (1998)	4.75-6.60	2018	14,675,000	3,750,000
1994 Series E (2000)	5.00-7.00	2018	19,400,000	6,000,000
1994 Series F (2001) & 2000 Series A (2001)	4.75-6.00	2018	15,500,000	3,250,000
2003 Refunding	4.50	2012	30,665,000	12,095,000
2003 Series A Refunding	2.50-5.00	2016	15,055,000	14,990,000
2003 Series B (2003)	3.375-3.50	2015	5,000,000	5,000,000
2000 Series C (2004)	4.125-5.00	2018	8,500,000	8,500,000
2005 Series Refunding	3.75-5.00	2018	39,995,000	39,995,000
2000-D Series (2005)	4.00-5.00	2018	6,000,000	6,000,000
2009 Refunding	5.00	2019	10,130,000	10,130,000
Total			<u>\$ 198,270,000</u>	<u>\$ 124,150,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 10 - BOND ISSUES (Continued):

B. Enterprise Funds

Water Revenue Bonds will provide funds for the purpose of the acquisition and construction of water system improvements.

Water Utility Revenue Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2009
1984 Series D (1991)	9.75 %	2010	\$ 48,000,000	\$ 750,000
1993 Refunding	5.25-5.50	2014	35,360,000	9,500,000
1994 Series A (1996)	6.0-8.0	2018	33,000,000	2,250,000
1994 Series D (2000)	5.25-7.25	2024	23,740,000	2,625,000
1999A Refunding	5.00	2010	14,045,000	2,720,000
2000 Series A (2001)	5.0-7.5	2023	37,800,000	2,500,000
2000 Series B (2002)	3.5-5.125	2021	18,900,000	1,500,000
2000 Series D (2004)	4.0-5.0	2023	18,765,000	2,000,000
2001A Refunding	5.00	2016	40,850,000	27,530,000
2002 Refunding	5.50	2018	57,820,000	48,025,000
2003 Refunding	5.00	2018	12,000,000	12,000,000
2005 Refunding	4.00-5.00	2022	55,110,000	53,100,000
2005 Series A (2005)	3.00-5.00	2025	31,665,000	29,435,000
2005 Series B (2007)	4.375-5.00	2032	35,765,000	35,765,000
2005 Series C (2008)	4.00-5.00	2026	20,425,000	20,425,000
2006 Refunding	3.50-4.25	2024	85,460,000	83,145,000
2007 Refunding	5.00	2021	31,460,000	31,280,000
2009 Water System Revenue Obligations	5.00	2029	38,450,000	38,450,000
1998A Water Infrastructure Finance Authority (WIFA)	3.425	2017	6,000,000	3,117,310
2000 Water Infrastructure Finance Authority (WIF1)	4.125	2020	5,120,000	3,428,302
2000 Water Infrastructure Finance Authority (WIF2)	4.125	2020	7,780,000	5,331,299
2001 Water Infrastructure Finance Authority (WIF3)	3.430	2021	8,800,000	6,191,778
2003 Water Infrastructure Finance Authority (WIF4)	3.48	2022	8,300,000	6,228,807
2000 Water Infrastructure Finance Authority (WIF5)	3.75	2023	3,000,000	2,372,897
2004 Water Infrastructure Finance Authority (WIF6)	3.255	2023	2,500,000	1,982,551
2005 Water Infrastructure Finance Authority (WIF7)	3.113	2024	2,997,000	2,502,336
2006 Water Infrastructure Finance Authority (WIF8)	3.424	2026	2,500,000	2,223,458
2007 Water Infrastructure Finance Authority (WIF9)	3.210	2026	2,000,000	1,774,344
2007 Water Infrastructure Finance Authority (WIF10)	3.208	2026	6,500,000	5,766,483
2007 Water Infrastructure Finance Authority (WIF11)	3.552	2027	17,800,000	14,025,645 *
2007 Water Infrastructure Finance Authority (WIF12)	3.600	2028	1,000,000	965,002
2007 Water Infrastructure Finance Authority (WIF13)	3.375	2028	2,500,000	964,182 *
			<u>\$ 715,412,000</u>	<u>\$ 459,874,394</u>

* WIFA loans not fully drawn down during FY 2009. The balance of the loans will be recognized in FY 2010.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 10 - BOND ISSUES (Continued):

C. Rio Nuevo Component Unit (District)

Revenue bonds provided funds to renovate the Fox Theater. On December 1, 2008, the District issued \$80,000,000 for various downtown projects.

Rio Nuevo Multipurpose Facilities District Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2009
2005 Series Fox Theater Project Tax Revenue Bonds	5.375 - 6.000 %	2013	\$ 5,800,000	\$ 3,610,000
2008 Series Tax Revenue Bonds	5.000 - 6.625 %	2025	80,000,000	80,000,000
			<u>\$ 85,800,000</u>	<u>\$ 83,610,000</u>

D. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2009 is \$4,192,635 that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$2,233,860 in the Special Assessment Bond & Interest Fund at June 30, 2009 is reserved for the retirement of outstanding special assessment bonds.

E. Annual Principal and Interest Requirements

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

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 15,760,000	\$ 12,149,929	11,160,000	6,456,104	566,635	200,664
2011	15,955,000	11,448,579	11,745,000	5,799,100	574,000	171,169
2012	13,479,600	13,541,949	12,255,000	5,106,575	583,000	142,025
2013	15,496,010	12,560,276	12,050,000	17,482,913	463,000	115,553
2014	18,565,000	9,396,336	12,170,000		429,000	92,606
2015-2019	118,280,000	31,083,194	64,770,000		1,577,000	151,548
2020-2024	56,540,000	4,350,339				
	<u>\$ 254,075,610</u>	<u>\$ 94,530,602</u>	<u>\$ 124,150,000</u>	<u>\$ 34,844,692</u>	<u>\$ 4,192,635</u>	<u>\$ 873,565</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 10 - BOND ISSUES (Continued):

Years Ending June 30,	Governmental Activities				Business-type Activities	
	Federal Highway Expansion and Extension Loan		Clean Renewal Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,500,000	\$ 116,407	\$ 584,300	No Interest	\$ 18,751,153	\$ 21,652,281
2011	3,400,000	67,082	584,300		20,035,756	20,656,385
2012			584,300		21,419,130	19,673,206
2013			584,300		22,367,266	18,608,951
2014			584,300		23,825,347	17,503,258
2015-2019			2,921,500		146,424,943	68,325,467
2020-2024			1,752,900		145,844,069	32,940,041
2025-2029					47,706,730	9,335,489
2030-2032					13,500,000	1,400,000
Total	<u>\$ 5,900,000</u>	<u>\$ 183,489</u>	<u>\$ 7,595,900</u>		<u>\$ 459,874,394</u>	<u>\$ 210,095,078</u>

Years Ending June 30,	Rio Nuevo Component Unit			
	Junior Lien Excise Tax Revenue Bonds		Subordinate Lien Excise Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 600,000	\$ 214,313	\$	\$ 4,793,531
2011	630,000	179,812	2,490,000	4,793,531
2012	670,000	142,800	2,620,000	4,669,031
2013	1,710,000	102,600	3,585,000	4,538,031
2014			3,870,000	4,349,819
2015-2019			22,450,000	18,451,781
2020-2024			30,290,000	10,953,094
2025-2029			14,695,000	973,544
Total	<u>\$ 3,610,000</u>	<u>\$ 639,525</u>	<u>\$ 80,000,000</u>	<u>\$ 53,522,362</u>

Note 11 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

On June 25, 2009, the City issued \$38,450,000 Water System Revenue Refunding Bonds to partially refund debt maturing on July 1, 2009 of the 1993 and 1994 Water System Revenue Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5.0% with a final maturity due July 1, 2029. Debt service payments are scheduled semi-annually at amounts that range from \$1,780,000 to \$3,530,000. The economic loss resulting from this refunding is (\$56,213) (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$3,008,675 and the cash flows to service the new debt of \$3,957,096 is \$948,421.

On May 19, 2009, the City issued \$10,130,000 Senior Lien Street and Highway User Revenue Refunding Bonds to partially refund debt maturing on July 1, 2009 of the 1996 and 2003 Senior Refunding and 2003 and 2003-A Junior Refunding Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5.0% with a final maturity due July 1, 2019. Debt service payments are scheduled semi-annually at amounts that range from \$552,929 to \$10,636,500. The economic loss resulting from this refunding is \$39,996 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$10,884,243 and the cash flows to service the new debt of \$15,241,429 is \$4,357,186.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 12 - LANDFILLS:

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refundings have been deposited in these trusts and invested in U.S. Governmental Securities that are designed to meet the requirements of the refunded debt. The debt associated with the refunding issues, as well as defeased debt outstanding, but removed, is Water Utility debt of \$136,340,000 and General Obligation and Street and Highway debt of \$56,722,000 and \$40,575,000, respectively.

The U.S. Environmental Protection Agency ruling "Solid Waste Disposal Facility Criteria" requires the City to incur specified landfill closure and post-closure care costs. Closure requirements have been established for municipal landfills that received solid waste after October 9, 1991. Additional thirty-year post-closure monitoring and maintenance functions are required of landfills that accepted solid waste after October 9, 1993. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City records a liability for these required costs based upon each landfill's percentage of capacity used through June 30, 2009. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2009. 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 6/30/09	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/09	Estimated Closure/ Postclosure Cost to be Recognized in Future Years	Estimated Remaining Life in Years
Los Reales	82 %	\$ 32,326,000	\$ 26,549,345	\$ 5,776,655	60
Harrison	100 %	5,819,000	5,819,000		
Irvington	100 %	4,011,080	4,011,080		
Mullins	100 %	2,137,000	2,137,000		
Silverbell	100 %	1,500,000	1,500,000		
Totals		\$ 45,793,080	\$ 40,016,425	\$ 5,776,655	

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

The operation of the landfills is a function of the City's Environmental Management Department that is accounted for as an enterprise fund. The June 30, 2009, liability for closure and post-closure costs is \$40,016,425 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS:

A. Plan Descriptions

The City contributes to the plans described below. Benefits are established by City Charter and state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

The *Tucson Supplemental Retirement System* (System or TSRS) is a single-employer defined benefit plan for City employees. It was established in the City Charter to provide its members with a supplement to the retirement and disability benefits of the social security system. The System is governed by a seven-member Board of Trustees consisting of: a chairman who is appointed by the Mayor and Council, the City's Directors of Human Resources and Finance, two members elected by the membership of the System, an ex-officio retired member, and a vacant member who is appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Directors and must be approved by Mayor and Council. The TSRS issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 255 W. Alameda Street, Tucson, AZ 85701.

The *Arizona Public Safety Personnel Retirement System* (System or APSPRS) administers an agent multiple-employer public employee retirement system established by the Arizona Revised Statutes (A.R.S. Title 38, Chapter 5, Article 4). All commissioned Police and Fire employees of the City participate in the System. The Fund Manager and 181 Local Boards jointly administer the System. The Fund Manager is a five-member board. The governor appoints three members, and two members are appointed by the state legislature. Each eligible group participating in the System has a five-member Local Board. Three members are appointed by the chief elected official of the organization, and two members are elected by the active members of the eligible group. The Fund Manager is responsible for the investment of the System's assets. The Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, the timing of benefit payments, and the amount of benefits for its eligible group of employees. APSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016.

The *Arizona Elected Officials' Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing multiple employer defined benefit health insurance premium plan. At June 30, 2009, the City had 7 covered officials. Covered payroll for the year then ended was \$186,000 (out of the total City payroll of \$257,456,000). All elected officials of the City are members of the Plan.

No additional disclosures regarding AEORP are provided due to its immateriality to these financial statements as a whole. Financial statements for the Plan are available by contacting Arizona Elected Officials' Retirement System at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016.

Post-employment health care and life insurance benefits (OPEB) are provided in addition to the pension benefits described, the City provides post-employment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefits levels, employee contributions and employer contributions are governed by the City and can be amended by the City through management approval. This benefit is offered to retirees who have qualified to receive a monthly retirement allowance from either the Tucson Supplemental Retirement System or from the Arizona Public Safety Retirement System. The City contribution to medical premiums ends when the retiree reaches age 65 and becomes eligible for Medicare. Separate financial statements are not issued.

The City contributed towards the medical premiums of 1390 participants as of June 30, 2009. Depending upon the date of retirement, the City generally pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents. City of Tucson employees retiring, entering a Deferred Retirement Option Plan program, or entering an End of Service program after January 1, 2011, will receive a maximum fixed retiree health subsidy.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

B. Funding Policy

For the *Tucson Supplemental Retirement System* employees hired prior to July 1, 2006 contribute 5% of their annual covered payroll and are made through payroll deductions. Employees hired after June 30, 2006, will contribute 40% of the total required rate calculated annually by the system actuary. Future changes to employee contribution rates are limited to a maximum annual increase not to exceed 2.5%. For fiscal year 2009 the rate of contribution for employees hired after June 30, 2006 was 7.79%.

A reserve is established for contributions and earnings allocations, less amounts transferred to reserves for retirement, disability, and amounts reserved for terminated employees. If an employee leaves covered employment before attaining five years' service credit, the accumulated contributions plus interest are refunded to the employee or his designated beneficiary. The City contributes the remaining amounts necessary to finance employee participation in the System and to fund the costs of administering the System. The City's contribution rate for employees hired before July 1, 2006 is 14.47% and for employees hired after June 30, 2006 the contribution rate is 11.68%.

Employees covered by the *Arizona Public Safety Personnel Retirement System* contribute 5% of their salary to the System. The System's funding policy provides for actuarially determined employer contribution rates which will provide assets sufficient to pay benefits when due. For the fiscal year ended June 30, 2009, the required employer contribution rates were 29.44% and 30.27%, respectively, for Police and Fire. The health insurance premium portion of the contribution rate was actuarially set at .51% for Public Safety members of covered payroll.

If a member leaves covered employment or dies and no benefit is payable, accumulated member contributions are refunded to the member or designated beneficiary.

The City's policy for other *Post-employment Benefits* is to contribute 75% of the cost of retiree medical premiums prior to Medicare eligibility (age 65). Effective January 1, 2011, the employer contribution will change to a flat rate. Contribution amounts will vary based on plan options. The City also provides a life insurance benefit of \$7,500 to all retirees, regardless of age. Currently the costs associated with this retirement benefit are expended as the appropriate medical insurance premiums are paid. For fiscal year 2009 the City's portion of the retiree medical insurance was \$5,718,685. The costs associated with the life insurance premiums are expended as the insurance premium is paid. For fiscal year 2009 the City's cost for retiree life insurance was \$207,725.

The City's annual OPEB cost (expense) of \$8,077,000 was equal to the employer's annual required contribution (ARC) for the fiscal year, as the transition liability was set at zero as of June 30, 2007. The plan is financed on a pay-as-you-go basis. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended, June 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Liability)
2009	\$8,077,000	\$5,926,410	73.4%	\$2,358,315
2008	\$7,618,000	\$5,616,461	73.7%	\$2,001,539

C. Funding Status

The funded status of the plans as of the most recent valuation date, June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. For this valuation, the PSPRS pension and health insurance benefit amounts were aggregated. In future years these benefits will be disaggregated and reported separately.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
<u>TSRS</u>						
2009	\$ 665,136	\$ 859,485	\$ 194,349	77.4 %	\$ 149,925	129.6 %
2008	650,227	822,205	171,978	79.1	153,982	111.7
2007	634,763	763,539	128,776	83.1	159,250	80.9
<u>Police</u>						
2009	347,308	522,026	174,718	66.5	64,821	269.5
2008	335,867	502,997	167,130	66.8	69,950	238.9
2007	324,841	501,673	176,832	64.8	60,617	291.7
<u>Fire</u>						
2009	217,864	329,273	111,408	66.2	38,757	287.5
2008	212,974	321,985	109,011	66.1	39,842	273.6
2007	206,680	321,180	114,500	64.4	36,357	314.9
<u>OPEB (City)</u>						
2009	0	131,809	131,809	0.0	257,456	51.2
2008	0	121,711	121,711	0.0	351,181	34.7

D. Trend Information

Annual pension cost information for the current and two preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next two years.

Three Year Trend Information				
	Fiscal Year Ended 6/30	Annual Pension and OPEB Cost	Percentage of OPEB and APC Contributed	Net Pension and OPEB Obligation
TSRS	2009	\$ 28,773	100 %	\$ 0
	2008	27,601	100	0
	2007	24,528	100	0
Police	2009	19,122	100	0
	2008	16,384	100	0
	2007	11,595	100	0
Fire	2009	11,744	100	0
	2008	10,830	100	0
	2007	7,261	100	0
OPEB (City)	2009	\$ 8,077	73.4	\$ 2,358
	2008	7,618	73.7	2,002

Dollar amounts are in thousands

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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

		Actuarial Information		
	TSRS	APSPRS		OPEB
		Police	Fire	
Actuarial Valuation Date	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial Cost Method	Individual Entry Age	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Dollar, 30 Years, Open
Remaining Amortization Period	Open 15 Years from June 30, 2009	28 years for unfunded actuarial accrued liability, 20 years for excess	28 years for unfunded actuarial accrued liability, 20 years for excess	30 years for unfunded actuarial accrued liability
Asset Valuation Method	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market	N/A
Actuarial Assumptions:				
Investment Rate of Return	7.75%	8.50%	8.50%	4.50%
Projected Salary Increases*	3.50% - 7.50%	5.50% - 8.50%	5.50% - 8.50%	N/A
Inflation	3.50%	5.00%	5.00%	N/A
Cost-of-Living Adjustment	As approved by TSRS Board	None	None	N/A

* Projected salary increases include inflation.

** Health Care Cost and Expense Trend - Annual trend rates are 10% for FY09, grading down 0.5% each year to 5.0% for FY 2021 and beyond.

Note 14 - SELF INSURANCE PROGRAM:

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for Property Insurance, Public Employee Fidelity Bonds, Crime Insurance, Aircraft Insurance and Miscellaneous Insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the Self Insurance Fund, an Internal Service Fund. There have not been any settlements in excess of the insurance coverage provided by this fund in the previous three years.

Annually, the City estimates the liabilities for unpaid claims using a historical cost information method. Claims and expenses are recognized when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported (IBNR) claims. Unpaid claim liability amounts are reported at gross (no discounting).

Changes in the Self Insurance Fund's aggregate claims liabilities for the fiscal years ended June 30, 2009, and 2008, are as follows:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 14 - SELF INSURANCE PROGRAM (Continued):

	2009	2008
Beginning of fiscal year liability	\$ 32,094,391	\$ 28,012,525
Current year claims and changes in estimates	5,487,523	13,409,055
Claim Payments	(6,464,354)	(9,327,189)
Balance at fiscal year end	<u>\$ 31,117,560</u>	<u>\$ 32,094,391</u>

Note 15 – PLEDGED REVENUES:

The City has pledged future utility customer revenues, net of specified operating expenses, to repay \$715,412,000 million in utility system revenue bonds issued since April 1991. Proceeds from the bonds provided financing for the construction of various utility related projects including new water pipelines and water treatment plants. The bonds are payable solely from utility customer net revenues and are payable through June 2032. Fiscal year 2009 annual principal and interest payments on the bonds are expected to require less than 58% of net revenues. The total principal and interest remaining to be paid on the bonds is \$669,969,471. Principal and interest paid for the current year and total customer net revenues were \$33,668,330 and \$57,251,480, respectively.

The Rio Nuevo Multipurpose District has pledged future sales tax revenues to repay \$5,800,000 in junior lien excise tax revenue bonds issued in November 2005 to finance the refurbishing of the Fox Theater and \$80,000,000 in subordinate lien excise tax revenue bonds issued in December 2008 for certain projects and partial repayment to the City for moneys advanced for these and other projects in previous fiscal years. These bonds are payable solely from the incremental sales taxes generated by increased retail sales in the District. Total principal and interest remaining on the 2005 bonds is \$4,249,525 payable through June 2013 and total principal and interest remaining on the 2008 bonds is \$133,522,362 payable through July 2025. For the current year, principal and interest paid was \$3,207,859 and the total incremental sales tax revenues received was \$9,791,088 for a collateralized revenue coverage of 33%.

The City has pledged future Highway User Tax (HURF) Revenues distributed from the State to repay \$198,270,000 million in Street and Highway Bonds issued since 1995. Proceeds from the bonds provided financing for the construction and acquiring rights-of-way for and maintaining City streets and highways. The bonds are payable solely from HURF revenues and are payable through 2019. Fiscal Year 2009 annual principal and interest payments on the bonds required 61% of HURF revenues. The total principal and interest remaining to be paid on the bonds is \$124,150,000. Principal and interest paid for the current year and total HURF revenues were \$27,915,354 and \$45,849,257, respectively.

Note 16 - CONTINGENCIES AND COMMITMENTS:

A. Litigation

The City is subject to a number of lawsuits, investigations and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

B. Central Arizona Project Water Purchase Contract

The Central Arizona Water Conservation District (CAWCD) is the entity responsible for contracting with the Secretary of Interior for Central Arizona Project (CAP) water and for subcontracting with users within the State of Arizona. Under a contract between the City, CAWCD and the Department of the Interior, the City currently has the right to receive 135,966 acre-feet of CAP water each year. In return, the City agreed to pay a capital financing charge that is designed to recover a portion of the Federal Government's CAP construction costs. This charge, which must be paid regardless of whether the City orders any CAP water, is adjusted annually and is on a per-acre-foot allocation basis; the CAP capital financing for the year was \$2,595,096. 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 \$9,594,750.

C. Construction and Other Commitments

In governmental fund types, construction and other commitments, if significant, are appropriately identifiable through reservations of fund balance.

D. Federal and State Grants

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

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies. Notes and interest receivables have been established for: the sales price, certain construction costs paid by the City, and accrued interest due on the notes at 7.5%. These amounts have been recorded as deferred revenue, and totaled \$20,071,365 at June 30, 2009.

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

In fiscal year 2007 the note receivable and deferred revenue for Tucson House were recorded in the General Fund. Beginning in fiscal year 2008 the U.S. Department of Housing and Urban Development (HUD) issued changes in financial management and reporting. The note receivable and deferred revenue were transferred to the Public Housing (AMP) fund for consistent reporting under these new operating rules.

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 \$10,002,000 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 \$17,392,187 at June 30, 2009.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

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

In fiscal year 2007 the note receivable and deferred revenue for Posadas Sentinel were recorded in the General Fund. Beginning in fiscal year 2008 the U.S. Department of Housing and Urban Development (HUD) issued changes in financial management and reporting. The note receivable and deferred revenue were transferred to the Public Housing (AMP) fund for consistent reporting under these new operating rules.

G. Financing of South Park Low-income Housing

On December 2, 2002, the City entered into a capital lease with South Park Development Partners LLLP (South Park), whereby the City leased various properties to South Park for 75 years. Under the terms of the lease, South Park will develop and operate the properties solely as low-income residential housing facilities. South Park is financing this development through low-income housing tax credits from the State of Arizona, and through a \$2,536,231 line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest at 5.77% thereon, was \$3,169,844 at June 30, 2009.

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

H. Silverbell Subdivision Development Lease

On December 13, 2005, the city entered into a development agreement with Pathways Holdings LLC related to the construction of the Silverbell Residential Subdivision. Under the terms of the lease, Pathways Holdings LLC will develop the subdivision. The City will retain 30 lots to be used for public and low income housing. The notes receivable balance due to the City is \$1,738,121 at June 30, 2009.

I. Starr Pass Resort Developments Lease

On May 11, 2005, the City entered into a sublease agreement with Starr Pass Resort Developments LLC. The City acquired, among other property, an interest in the real property and the improvements to a parking garage structure located on the Starr Pass grounds. The City issued Certificates of Participation for \$2,640,000 to pay ground rent to Starr Pass Resort Developments. Under the terms of the lease, Starr Pass will develop and operate the properties. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City is \$2,295,000 at June 30, 2009.

The proceeds from the 2007 Taxable Certificates of Participation in the amount of \$2,545,000 will be used by the City to acquire a leasehold interest in the 2007 Taxable Property, which consists of certain real property and a parking garage to be constructed thereon, from Starr Pass pursuant to the 2007 Starr Pass Lease. Starr Pass will use such amount to finance the construction of a second parking garage for use by guests of the JW Marriott Starr Pass Resort located in the City. The City will assign its interest in the 2007 Starr Pass Lease and the 2007 Taxable Property to the Trustee. The Trustee will, in turn, lease its interest in the 2007 Taxable Property to the City pursuant to the Series 2007 Lease. The City will then sublease the 2007 Taxable Property to Starr Pass to manage and operate the second public parking garage over a 20-year period. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City is \$2,400,000 at June 30, 2009.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Note 17 - SIGNIFICANT DISCRETELY PRESENTED COMPONENT UNIT TRANSACTIONS:

The Rio Nuevo Multipurpose Facilities District (District) is a legally separate entity created to revitalize downtown Tucson. The District is being funded by tax increment financing (TIF). This State TIF revenue stream did not begin until July 2003; therefore, the substantial project/development expenses incurred by the District were being covered by the City. The City recorded a long term receivable related to this coverage, in the amount of \$14,577,549. The receivable balance, with accrued interest at 4.50% thereon, was \$6,751,828 at June 30, 2009. The District issued \$80,000,000 Subordinate Lien Excise Tax Revenue Bonds to fund various construction projects and to pay the remainder of the receivable balance to the City in fiscal year 2010.

On November 4, 2009, the District issued \$12,560,000 Certificates of Participation to construct a new entrance to the Convention Center and to pay costs associated with the design and development of an approximately 525-room convention center headquarters hotel. The improvements are part of a comprehensive plan for improvements to the City's downtown area.

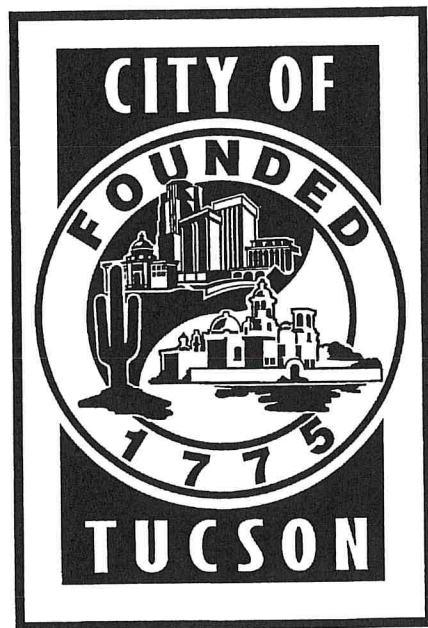
On November 23, 2009, Senate Bill 1003, General Revenues, passed that changes Arizona law regarding the governance of the District. These changes could result in the District becoming a component unit of the State. City management and State representatives will analyze the details of the law and make a determination that could be effective for fiscal year 2010.

Note 18 - REMEDIATION LIABILITY

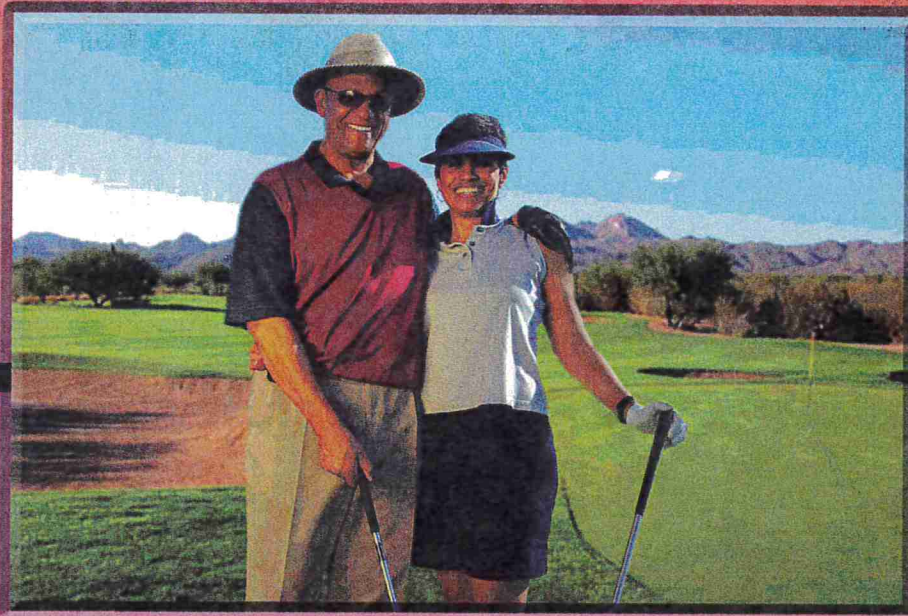
The City of Tucson owned and operated fueling facilities that are now closed. When the underground storage tanks were removed, evidence was found that contaminants had leaked into the ground creating a possible hazard to our groundwater resources. In accordance with state statutes, the City started remediation actions to clear, remove, and monitor the sites. Cost estimates are based on actual monthly expenditures annualized for the ten year estimate. Changes to the estimates will depend on the periodic sampling of the affected areas. See Note 8 for liability information.

Note 19 - FUTURE REPORTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. Statement 53 establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. Statement 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for government fund types. The City will implement GASB Statement No. 54 for fiscal year ending 2010. Management is in the process of evaluating the effect of this statement on the City's financial statements.



CITY OF TUCSON, ARIZONA



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 247,801,690	\$ 236,544,553	\$ 208,541,321	\$ (28,003,232)
Licenses and Permits	25,672,000	25,672,000	22,024,832	(3,647,168)
Fines and Forfeitures	12,254,290	12,254,290	15,391,829	3,137,539
Use of Money and Property	5,488,400	5,488,400	3,329,518	(2,158,882)
Federal Grants and Contributions			22,997	22,997
Other Agencies	156,630,260	156,630,260	142,752,341	(13,877,919)
Charges for Services	40,965,560	40,965,560	38,419,209	(2,546,351)
Miscellaneous	9,267,790	9,267,790	2,612,290	(6,655,500)
Total revenues	<u>498,079,990</u>	<u>486,822,853</u>	<u>433,094,337</u>	<u>(53,728,516)</u>
Expenditures:				
Current -				
Elected and Official	18,778,560	18,116,354	17,924,650	191,704
Support Services	41,348,610	40,586,140	37,537,540	3,048,600
Neighborhood Services	313,456,600	309,861,368	299,163,806	10,697,562
Environment and Development	23,856,850	18,764,895	16,869,453	1,895,442
Non-Departmental	34,504,130	32,438,414	30,330,467	2,107,947
Capital Outlay	2,857,050	1,715,005	1,060,433	654,572
Capital Projects	568,300	1,907,267	1,541,768	365,499
Debt service -				
Principal	28,432,560	28,568,569	3,661,184	24,907,385
Interest	8,022,900	8,040,341	6,857,042	1,183,299
Fiscal agent fees and other	61,690	61,690	39,647	22,043
Issuance Costs of Debt			906,256	(906,256)
Total expenditures	<u>471,887,250</u>	<u>460,060,043</u>	<u>415,892,246</u>	<u>44,167,797</u>
Excess (deficiency) of revenues over expenditures	<u>26,192,740</u>	<u>26,762,810</u>	<u>17,202,091</u>	<u>(9,560,719)</u>
Other financing sources (uses):				
Capital Leases	13,069,540	13,069,540	20,399,261	7,329,721
Premium on Debt Issuance			729,130	729,130
Transfers In	500,000	500,000	1,528,351	1,028,351
Refunded Bond Escrow Agent			(17,894,771)	(17,894,771)
Discount on Debt Issuance			(275,753)	(275,753)
Transfers Out	(39,762,280)	(39,762,280)	(40,033,756)	(271,476)
Total other financing sources (uses)	<u>(26,192,740)</u>	<u>(26,192,740)</u>	<u>(35,547,538)</u>	<u>(9,354,798)</u>
Change in fund balances		<u>570,070</u>	<u>(18,345,447)</u>	<u>(18,915,517)</u>
Fund balances, July 1, 2008			58,073,015	58,073,015
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 570,070</u>	<u>\$ 39,727,568</u>	<u>\$ 39,157,498</u>

See accompanying notes to this schedule.

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Use of Money and Property	\$ 570,000	\$ 570,000	\$ 373,544	\$ (196,456)
Federal Grants and Contributions	34,431,070	34,431,070	29,410,759	(5,020,311)
Other Agencies	13,412,430	13,412,430	14,139,982	727,552
Charges for Services	11,372,330	11,372,330	11,058,854	(313,476)
Miscellaneous	1,633,000	1,633,000	667,573	(965,427)
Total revenues	<u>61,418,830</u>	<u>61,418,830</u>	<u>55,650,712</u>	<u>(5,768,118)</u>
Expenditures:				
Current -				
Environment and Development	63,872,530	64,843,005	62,137,600	2,705,405
Capital Outlay	21,321,890	18,115,095	18,264,784	(149,689)
Capital Projects	10,733,600	12,757,368	7,486,745	5,270,623
Total expenditures	<u>95,928,020</u>	<u>95,715,468</u>	<u>87,889,129</u>	<u>7,826,339</u>
Excess (deficiency) of revenues over expenditures	<u>(34,509,190)</u>	<u>(34,296,638)</u>	<u>(32,238,417)</u>	<u>2,058,221</u>
Other financing sources (uses):				
Transfers In	34,509,190	34,509,190	31,430,439	(3,078,751)
Total other financing sources (uses)	<u>34,509,190</u>	<u>34,509,190</u>	<u>31,430,439</u>	<u>(3,078,751)</u>
Change in fund balances		<u>212,552</u>	<u>(807,978)</u>	<u>(1,020,530)</u>
Fund balances, July 1, 2008			4,504,940	4,504,940
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 212,552</u>	<u>\$ 3,696,962</u>	<u>\$ 3,484,410</u>

See accompanying notes to this schedule.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

NOTE - BUDGET INFORMATION:

The City prepares a legally adopted annual operating budget for the General Fund and Mass Transit fund. The City's budget is adopted using a basis of accounting consistent with generally accepted accounting principles (GAAP), with immaterial exceptions (e.g., beginning fund balance is budgeted as a revenue source). The City's actuals are presented on a GAAP basis; therefore, no reconciliation is necessary.



CITY OF TUCSON, ARIZONA



COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2009

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 26,564,817	\$ 2,269,978	\$	\$ 28,834,795
Cash/Investments with Fiscal Agents	401,591	24,531,265		24,932,856
Cash & Investments with Fiscal Agent - Restricted	4,540,172			4,540,172
Accounts Receivable, Net	581,478			581,478
Special Assessments Receivable		3,452,243		3,452,243
Notes & Loans Receivable	17,208,635			17,208,635
Due from Other Agencies	23,228,848			23,228,848
Interfund Receivable	29,385,726	10,742,199	8,132,378	48,260,303
Grants & Entitlements Receivable	19,256,633			19,256,633
Interest Receivable	15,543	755	2,718	19,016
Long Term Investments	1,468,923			1,468,923
Other Assets	47,153	1,261		48,414
Total assets	\$ 122,699,519	\$ 40,997,701	\$ 8,135,096	\$ 171,832,316
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 10,010,416	\$ 989	\$ 304,691	\$ 10,316,096
Accrued Payroll Liabilities	804,387			804,387
Advances from Other Funds	46,280			46,280
Interfund Payable	16,719,911			16,719,911
Due to Other Agencies	49,771			49,771
Refundable Deposits	1,135,855	42,474	1,500	1,179,829
Bonds & Interest Payable, including Special Assessments		24,531,265		24,531,265
Deferred Revenue	13,754,009	3,445,653		17,199,662
Total liabilities	42,520,629	28,020,381	306,191	70,847,201
Fund balances:				
Reserved for Debt Service	223,369	12,977,320		13,200,689
Reserved for Capital Improvements	62,184,401		7,828,905	70,013,306
Reserved for Advances and Deposits	31,900			31,900
Reserved for Other Purposes	16,639,787			16,639,787
Unreserved:				
Undesignated	1,099,433			1,099,433
Total fund balances	80,178,890	12,977,320	7,828,905	100,985,115
Total liabilities and fund balances	\$ 122,699,519	\$ 40,997,701	\$ 8,135,096	\$ 171,832,316

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	Team/Parkwise	Convention Center Fund	Capital Improvements Fund	H.U.R.F. Fund
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 2,500	\$ 884,863	\$	\$ 689,930
Cash/Investments with Fiscal Agents				181,628
Cash & Investments with Fiscal Agent - Restricted			4,540,172	
Accounts Receivable, Net	108,937	73,656		247,295
Notes & Loans Receivable			5,076,761	6,128,379
Due from Other Agencies			26,434,592	
Interfund Receivable				
Grants & Entitlements Receivable				
Interest Receivable			7,340	1
Long Term Investments	1,468,923			
Other Assets				
Total assets	<u>\$ 1,580,360</u>	<u>\$ 958,519</u>	<u>\$ 36,058,865</u>	<u>\$ 7,247,233</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 40,251	\$ 98,012	\$ 1,900,176	\$ 679,233
Accrued Payroll Liabilities	24,255	63,799	345	531,746
Advances from Other Funds				
Interfund Payable	1,504,125			
Due to Other Agencies	12	52		923
Refundable Deposits	11,717	767,256		825
Deferred Revenue				
Total liabilities	<u>1,580,360</u>	<u>929,119</u>	<u>1,900,521</u>	<u>1,212,727</u>
Fund balances (deficits):				
Reserved for Debt Service			223,369	
Reserved for Capital Improvements			33,934,975	
Reserved for Advances and Deposits	2,500	29,400		
Reserved for Other Purposes	1,468,923			3,463,650
Unreserved:				
Undesignated	(1,471,423)			2,570,856
Total fund balances	<u></u>	<u>29,400</u>	<u>34,158,344</u>	<u>6,034,506</u>
Total liabilities and fund balances	<u>\$ 1,580,360</u>	<u>\$ 958,519</u>	<u>\$ 36,058,865</u>	<u>\$ 7,247,233</u>

Civic Contribution Fund	Human & Community Development Fund	Development Fee Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	Public Housing HOME Program Fund
\$ 43,929	\$	\$ 21,463,785	\$	\$ 3,479,810	\$
	5,708,542			149,790	11,500,093
2,951,134			72,416		
930	2,070,598	7,028	1,504,310	742,729	1,433,337
			10,587	36,316	
<u>\$ 2,995,993</u>	<u>\$ 7,779,140</u>	<u>\$ 21,470,813</u>	<u>\$ 1,587,313</u>	<u>\$ 4,408,645</u>	<u>\$ 12,933,430</u>
\$ 2,663	\$ 306,397	\$ 53,552	\$ 220,358	\$ 201,366	\$ 330,811
	40,922		8,273	66,794	7,887
		46,280			
	1,636,298		1,242,745		1,081,523
36	48,516		14	29	
			256	255,081	13,116
	1,034,129				11,500,093
<u>2,699</u>	<u>3,066,262</u>	<u>99,832</u>	<u>1,471,646</u>	<u>523,270</u>	<u>12,933,430</u>
		21,370,981			
2,993,294	4,712,878		115,667	3,885,375	
<u>2,993,294</u>	<u>4,712,878</u>	<u>21,370,981</u>	<u>115,667</u>	<u>3,885,375</u>	
<u>\$ 2,995,993</u>	<u>\$ 7,779,140</u>	<u>\$ 21,470,813</u>	<u>\$ 1,587,313</u>	<u>\$ 4,408,645</u>	<u>\$ 12,933,430</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009
(Concluded)

	Other Federal Grants Fund	Non-Federal Grants Fund	Regional Transportation Authority Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$	\$	\$	\$ 26,564,817
Cash/Investments with Fiscal Agents	219,963			401,591
Cash & Investments with Fiscal Agent - Restricted				4,540,172
Accounts Receivable, Net	1,800			581,478
Notes & Loans Receivable				17,208,635
Due from Other Agencies			11,951,292	23,228,848
Interfund Receivable				29,385,726
Grants & Entitlements Receivable	12,653,753	851,906		19,256,633
Interest Receivable	244			15,543
Long Term Investments				1,468,923
Other Assets	250			47,153
Total assets	<u>\$ 12,876,010</u>	<u>\$ 851,906</u>	<u>\$ 11,951,292</u>	<u>\$ 122,699,519</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 1,047,300	\$ 85,106	\$ 5,045,191	\$ 10,010,416
Accrued Payroll Liabilities	46,270	14,096		804,387
Advances from Other Funds				46,280
Interfund Payable	3,961,269	387,880	6,906,071	16,719,911
Due to Other Agencies	54	105	30	49,771
Refundable Deposits	87,604			1,135,855
Deferred Revenue	855,068	364,719		13,754,009
Total liabilities	<u>5,997,565</u>	<u>851,906</u>	<u>11,951,292</u>	<u>42,520,629</u>
Fund balances (deficits):				
Reserved for Debt Service				223,369
Reserved for Capital Improvements	6,878,445			62,184,401
Reserved for Advances and Deposits				31,900
Reserved for Other Purposes				16,639,787
Unreserved:				
Undesignated				1,099,433
Total fund balances	<u>6,878,445</u>	<u></u>	<u></u>	<u>80,178,890</u>
Total liabilities and fund balances	<u>\$ 12,876,010</u>	<u>\$ 851,906</u>	<u>\$ 11,951,292</u>	<u>\$ 122,699,519</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2009

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 2,269,978	\$	\$	\$ 2,269,978
Cash/Investments with Fiscal Agents	108,938	21,470,739	2,951,588	24,531,265
Special Assessments Receivable	3,452,243			3,452,243
Interfund Receivable		10,742,199		10,742,199
Interest Receivable	755			755
Other Assets			1,261	1,261
Total assets	<u>\$ 5,831,914</u>	<u>\$ 32,212,938</u>	<u>\$ 2,952,849</u>	<u>\$ 40,997,701</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 989	\$	\$	\$ 989
Refundable Deposits	42,474			42,474
Bonds & Interest Payable, including Special Assessments	108,938	21,470,739	2,951,588	24,531,265
Deferred Revenue	3,445,653			3,445,653
Total liabilities	<u>3,598,054</u>	<u>21,470,739</u>	<u>2,951,588</u>	<u>28,020,381</u>
Fund balances:				
Reserved for Debt Service	2,233,860	10,742,199	1,261	12,977,320
Total fund balances	<u>2,233,860</u>	<u>10,742,199</u>	<u>1,261</u>	<u>12,977,320</u>
Total liabilities and fund balances	<u>\$ 5,831,914</u>	<u>\$ 32,212,938</u>	<u>\$ 2,952,849</u>	<u>\$ 40,997,701</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009

	2000 General Obligation Fund
ASSETS	
Interfund Receivable	\$ 8,132,378
Interest Receivable	<u>2,718</u>
Total assets	<u>\$ 8,135,096</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts Payable	\$ 304,691
Refundable Deposits	<u>1,500</u>
Total liabilities	<u>306,191</u>

Fund balances:	
Reserved for Capital Improvements	<u>7,828,905</u>
Total fund balances	<u>7,828,905</u>

Total liabilities and fund balances	<u>\$ 8,135,096</u>
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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, 2009

	Special Revenue	Debt Service	Capital Projects
Revenues:			
Taxes	\$	\$ 24,814,858	\$
Licenses and Permits	42,449		
Fines and Forfeitures	540,258	13,158	
Developer Fees	6,782,474		
Use of Money and Property	964,268	30,011	66,235
Federal Grants and Contributions	68,357,850		
Other Agencies	102,241,602	7,595,489	
Charges for Services	6,111,992		
Special Assessments		712,231	443,365
Miscellaneous	1,907,791	612	
Total revenues	<u>186,948,684</u>	<u>33,166,359</u>	<u>509,600</u>
Expenditures:			
Current -			
Elected and Official	402,311		
Support Services	86,216		
Neighborhood Services	55,922,464		267,074
Environment and Development	33,654,769		234
Strategic Initiatives	6,298,094		
Non-Departmental	6,025,626		
Capital Outlay	8,654,600		
Capital Projects	98,778,021		1,442,099
Debt service -			
Principal	8,401,701	15,546,254	
Interest	1,205,355	19,214,130	
Fiscal agent fees and other		9,550	
Issuance Costs of Debt		277,356	
Total expenditures	<u>219,429,157</u>	<u>35,047,290</u>	<u>1,709,407</u>
Excess (deficiency) of revenues over expenditures	<u>(32,480,473)</u>	<u>(1,880,931)</u>	<u>(1,199,807)</u>
Other financing sources (uses):			
Bond Issuance		10,130,000	375,635
Capital Leases	17,466,000		
Premium on Debt Issuance		1,028,499	
Transfers In	9,278,419		
Refunded Bond Escrow Agent		(10,883,901)	
Transfers Out	(316,503)	(1,488,470)	(213,727)
Total other financing sources (uses)	<u>26,427,916</u>	<u>(1,213,872)</u>	<u>161,908</u>
Change in fund balances	<u>(6,052,557)</u>	<u>(3,094,803)</u>	<u>(1,037,899)</u>
Fund balances, beginning of year, as restated	86,231,447	16,072,123	8,866,804
Fund balances, end of year	<u>\$ 80,178,890</u>	<u>\$ 12,977,320</u>	<u>\$ 7,828,905</u>

Total
Non-Major
Governmental
Funds

\$ 24,814,858
42,449
553,416
6,782,474
1,060,514
68,357,850
109,837,091
6,111,992
1,155,596
1,908,403

220,624,643

402,311
86,216
56,189,538
33,655,003
6,298,094
6,025,626
8,654,600
100,220,120

23,947,955
20,419,485
9,550
277,356

256,185,854

(35,561,211)

10,505,635
17,466,000
1,028,499
9,278,419
(10,883,901)
(2,018,700)

25,375,952

(10,185,259)

111,170,374

\$ 100,985,115

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	Team/Parkwise	Convention Center Fund	Capital Improvements Fund
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	440,258		
Developer Fees			
Use of Money and Property	310,037	44,292	243,788
Federal Grants and Contributions			
Other Agencies	300,000		16,218,037
Charges for Services	2,246,428	3,495,473	
Miscellaneous	526	889	
Total revenues	<u>3,297,249</u>	<u>3,540,654</u>	<u>16,461,825</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			437,707
Environment and Development	2,563,023		114,904
Strategic Initiatives		6,298,094	
Non-Departmental		3,775,530	2,250,000
Capital Outlay	5,734		2,106,270
Capital Projects			42,890,302
Debt service -			
Principal	5,687		
Interest	443,282		393,300
Total expenditures	<u>3,017,726</u>	<u>10,073,624</u>	<u>48,192,483</u>
Excess (deficiency) of revenues over expenditures	<u>279,523</u>	<u>(6,532,970)</u>	<u>(31,730,658)</u>
Other financing sources (uses):			
Capital Leases			17,466,000
Transfers In	1,431,120	5,924,418	365,628
Transfers Out	(314,594)		(1,025)
Total other financing sources (uses)	<u>1,116,526</u>	<u>5,924,418</u>	<u>17,830,603</u>
Change in fund balances	<u>1,396,049</u>	<u>(608,552)</u>	<u>(13,900,055)</u>
Fund balances (deficits), beginning of year, as restated	(1,396,049)	637,952	48,058,399
Fund balances, end of year	<u>\$</u>	<u>\$ 29,400</u>	<u>\$ 34,158,344</u>

<u>H.U.R.F. Fund</u>	<u>Civic Contribution Fund</u>	<u>Human & Community Development Fund</u>	<u>Development Fee Fund</u>	<u>Miscellaneous Housing Grant Fund</u>	<u>Public Housing Section 8 Fund</u>
\$ 42,449 100,000	\$	\$	\$	\$	\$
129,188	19,592	6,877 8,960,704	6,782,474 141,655	4,930,294	30,882,575
38,257,694 370,091 913,760	871,655	1,326		94,822	24,813
<u>39,813,182</u>	<u>891,247</u>	<u>8,968,907</u>	<u>6,924,129</u>	<u>5,025,116</u>	<u>30,907,388</u>
5,120	5,048				
1,004,268 28,853,705	277,022	5,867,298	141,282	4,499,278	31,879,691
96 20,041 705,262	2,500 112,062	39,672 2,969,547	2,218,312	439,427	11,515
1,295,014 107,771					20,000
<u>31,991,277</u>	<u>396,632</u>	<u>8,876,517</u>	<u>2,359,594</u>	<u>4,938,705</u>	<u>31,911,206</u>
<u>7,821,905</u>	<u>494,615</u>	<u>92,390</u>	<u>4,564,535</u>	<u>86,411</u>	<u>(1,003,818)</u>
1,489,465 (884)					
<u>1,488,581</u>					
<u>9,310,486</u>	<u>494,615</u>	<u>92,390</u>	<u>4,564,535</u>	<u>86,411</u>	<u>(1,003,818)</u>
(3,275,980)	2,498,679	4,620,488	16,806,446	29,256	4,889,193
<u>\$ 6,034,506</u>	<u>\$ 2,993,294</u>	<u>\$ 4,712,878</u>	<u>\$ 21,370,981</u>	<u>\$ 115,667</u>	<u>\$ 3,885,375</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, 2009
(Concluded)

	Public Housing HOME Program Fund	Other Federal Grants Fund	Non-Federal Grants Fund
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		66,505	2,334
Federal Grants and Contributions	6,738,483	16,845,794	
Other Agencies			2,194,290
Charges for Services			
Miscellaneous			
Total revenues	<u>6,738,483</u>	<u>16,912,299</u>	<u>2,196,624</u>
Expenditures:			
Current -			
Elected and Official		312,143	80,000
Support Services		86,216	
Neighborhood Services	6,129,025	3,736,120	1,950,773
Environment and Development		1,379,204	72,995
Strategic Initiatives			
Non-Departmental			
Capital Outlay		1,955,849	5,195
Capital Projects	609,458	8,652,287	87,661
Debt service -			
Principal		7,101,000	
Interest		241,002	
Total expenditures	<u>6,738,483</u>	<u>23,463,821</u>	<u>2,196,624</u>
Excess (deficiency) of revenues over expenditures		<u>(6,551,522)</u>	
Other financing sources (uses):			
Capital Leases			
Transfers In		66,904	
Transfers Out			
Total other financing sources (uses)		<u>66,904</u>	
Change in fund balances		<u>(6,484,618)</u>	
Fund balances (deficits), beginning of year, as restated		13,363,063	
Fund balances, end of year	<u>\$</u>	<u>\$ 6,878,445</u>	<u>\$</u>

Regional Transportation Authority Fund	Totals
\$	\$ 42,449
	540,258
	6,782,474
	964,268
	68,357,850
45,271,581	102,241,602
	6,111,992
	1,907,791
<u>45,271,581</u>	<u>186,948,684</u>
	402,311
	86,216
	55,922,464
670,938	33,654,769
	6,298,094
	6,025,626
4,507,824	8,654,600
40,093,703	98,778,021
	8,401,701
	1,205,355
<u>45,272,465</u>	<u>219,429,157</u>
<u>(884)</u>	<u>(32,480,473)</u>
	17,466,000
884	9,278,419
	(316,503)
<u>884</u>	<u>26,427,916</u>
	(6,052,557)
	86,231,447
<u>\$</u>	<u>\$ 80,178,890</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund
Revenues:			
Taxes	\$	\$ 24,814,858	\$
Fines and Forfeitures	13,158		
Use of Money and Property	16,519		13,492
Other Agencies			7,595,489
Special Assessments	712,231		
Miscellaneous	612		
Total revenues	<u>742,520</u>	<u>24,814,858</u>	<u>7,608,981</u>
Expenditures:			
Debt service -			
Principal	516,254	15,030,000	
Interest	214,151	12,881,479	6,118,500
Fiscal agent fees and other	4,925	3,875	750
Issuance Costs of Debt	2,758		274,598
Total expenditures	<u>738,088</u>	<u>27,915,354</u>	<u>6,393,848</u>
Excess (deficiency) of revenues over expenditures	<u>4,432</u>	<u>(3,100,496)</u>	<u>1,215,133</u>
Other financing sources (uses):			
Bond Issuance			10,130,000
Premium on Debt Issuance			1,028,499
Refunded Bond Escrow Agent			(10,883,901)
Transfers Out			(1,488,470)
Total other financing sources (uses)			<u>(1,213,872)</u>
Change in fund balances	<u>4,432</u>	<u>(3,100,496)</u>	<u>1,261</u>
Fund balances, beginning of year	2,229,428	13,842,695	
Fund balances, end of year	<u>\$ 2,233,860</u>	<u>\$ 10,742,199</u>	<u>\$ 1,261</u>

Totals

\$ 24,814,858
13,158
30,011
7,595,489
712,231
612
33,166,359

15,546,254
19,214,130
9,550
277,356
35,047,290

(1,880,931)

10,130,000
1,028,499
(10,883,901)
(1,488,470)
(1,213,872)

(3,094,803)

16,072,123

\$ 12,977,320

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2009

	Special Assessment Construction Fund	2000 General Obligation Fund	Totals
Revenues:			
Use of Money and Property	\$	\$ 66,235	\$ 66,235
Special Assessments	443,365		443,365
Total revenues	<u>443,365</u>	<u>66,235</u>	<u>509,600</u>
Expenditures:			
Current -			
Neighborhood Services		267,074	267,074
Environment and Development		234	234
Capital Projects	77,068	1,365,031	1,442,099
Total expenditures	<u>77,068</u>	<u>1,632,339</u>	<u>1,709,407</u>
Excess (deficiency) of revenues over expenditures	<u>366,297</u>	<u>(1,566,104)</u>	<u>(1,199,807)</u>
Other financing sources (uses):			
Bond Issuance	375,635		375,635
Transfers Out	(213,727)		(213,727)
Total other financing sources (uses)	<u>161,908</u>		<u>161,908</u>
Change in fund balances	<u>528,205</u>	<u>(1,566,104)</u>	<u>(1,037,899)</u>
Fund balances (deficits), beginning of year	(528,205)	9,395,009	8,866,804
Fund balances, end of year	<u>\$</u>	<u>\$ 7,828,905</u>	<u>\$ 7,828,905</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2009

	Golf Course Fund	Public Housing (AMP) Funds	Totals
<u>ASSETS</u>			
Current assets:			
Pooled Cash and Investments	\$ 49,550	\$ 3,471,109	\$ 3,520,659
Cash & Investments with Fiscal Agent - Restricted	292,203		292,203
Accounts Receivable, Net		68,224	68,224
Due from Other Agencies		194,987	194,987
Interest Receivable		1,057	1,057
Inventories	223,915	269,009	492,924
Total current assets	565,668	4,004,386	4,570,054
Noncurrent assets:			
Long Term Accounts Receivable		42,362,755	42,362,755
Deferred Charges	80,461		80,461
Land & Construction in Progress	3,411,006	8,548,701	11,959,707
Other Capital Assets, Net	16,478,354	19,961,353	36,439,707
Total noncurrent assets	19,969,821	70,872,809	90,842,630
Total assets	20,535,489	74,877,195	95,412,684
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	\$ 100,453	\$ 588,098	\$ 688,551
Accrued Payroll Liabilities	103,687	90,136	193,823
Accrued Interest Payable		5,268	5,268
Interfund Payable	5,498,095		5,498,095
Due to Other Agencies	10,551	19,936	30,487
Refundable Deposits	13,329	700,154	713,483
Current Portion of Contracts Payable	8,937		8,937
Current Portion of Compensated Absences	104,386	67,394	171,780
Unearned Revenue	176,910		176,910
Total current liabilities	6,016,348	1,470,986	7,487,334
Noncurrent liabilities:			
Unearned Revenue		42,362,755	42,362,755
Contracts Payable	3,699,858		3,699,858
Compensated Absences	113,536	134,364	247,900
Other Post-employment Benefits	48,632		48,632
Total non-current liabilities	3,862,026	42,497,119	46,359,145
Total liabilities	9,878,374	43,968,105	53,846,479
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	16,261,026	28,510,054	44,771,080
Restricted for Debt Service	292,203		292,203
Restricted for Grants and Entitlements		2,399,036	2,399,036
Unrestricted	(5,896,114)		(5,896,114)
Total net assets	\$ 10,657,115	\$ 30,909,090	\$ 41,566,205

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Golf Course Fund	Public Housing (AMP) Funds	Totals
Operating revenues:			
Charges for Services	\$ 7,838,257	\$ 3,391,385	\$ 11,229,642
Federal Grants and Contributions		6,761,845	6,761,845
Miscellaneous	22,810	63,030	85,840
Total operating revenues	<u>7,861,067</u>	<u>10,216,260</u>	<u>18,077,327</u>
Operating expenses:			
Personal Services	4,604,881	3,785,549	8,390,430
Contractual Services	1,834,129	5,177,755	7,011,884
Commodities	2,060,584	276,305	2,336,889
Cost of Goods Sold	329,656		329,656
Depreciation	752,714	1,766,677	2,519,391
Total operating expenses	<u>9,581,964</u>	<u>11,006,286</u>	<u>20,588,250</u>
Operating loss	<u>(1,720,897)</u>	<u>(790,026)</u>	<u>(2,510,923)</u>
Nonoperating revenues (expenses):			
Investment Income		26,929	26,929
Gain (loss) on Sale of Property/ Equipment		960	960
Interest Expense	(231,273)		(231,273)
Amortization of Issuance Costs	(20,167)		(20,167)
Total nonoperating revenues (expenses)	<u>(251,440)</u>	<u>27,889</u>	<u>(223,551)</u>
Income (loss) before capital contributions and transfers	<u>(1,972,337)</u>	<u>(762,137)</u>	<u>(2,734,474)</u>
Transfers In		412,602	412,602
Transfers Out		<u>(239,000)</u>	<u>(239,000)</u>
Change in net assets	<u>(1,972,337)</u>	<u>(588,535)</u>	<u>(2,560,872)</u>
Total net assets, beginning of year	12,629,452	31,497,625	44,127,077
Total net assets, end of year	<u>\$ 10,657,115</u>	<u>\$ 30,909,090</u>	<u>\$ 41,566,205</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Golf Course Fund	Public Housing (AMP) Funds	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,941,788	\$ 3,570,123	\$ 11,511,911
Cash Payments to Suppliers for Goods and Services	(4,211,365)	(5,636,438)	(9,847,803)
Cash Payments to Employees for Services	(4,599,878)	(3,854,124)	(8,454,002)
Subsidy from Federal Grant		6,703,607	6,703,607
Other Operating Revenues	22,810	58,238	81,048
Net Cash Provided (Used) by Operating Activities	<u>(846,645)</u>	<u>841,406</u>	<u>(5,239)</u>
Cash Flows from Noncapital Financing Activities:			
Transfer from Other Funds		173,601	173,601
Advances from Other Funds	995,917		995,917
Interest Paid on Advances	(59,201)		(59,201)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>936,716</u>	<u>173,601</u>	<u>1,110,317</u>
Cash Flows from Capital and Related Financing Activities:			
Bond Issuance	292,202		292,202
Acquisition and Construction of Capital Assets		(373,270)	(373,270)
Principal Paid on Capital Debt	(2,766)		(2,766)
Interest Paid on Capital Debt	(89,304)		(89,304)
Proceeds from Sale of Assets/Equipment		374,230	374,230
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>200,132</u>	<u>960</u>	<u>201,092</u>
Cash Flows from Investing Activities:			
Interest on Investments		27,318	27,318
Net Cash Provided (Used) by Investing Activities	<u></u>	<u>27,318</u>	<u>27,318</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>290,203</u>	<u>1,043,285</u>	<u>1,333,488</u>
Cash and Cash Equivalents - July 1	<u>51,550</u>	<u>2,427,824</u>	<u>2,479,374</u>
Cash and Cash Equivalents - June 30	<u>\$ 341,753</u>	<u>\$ 3,471,109</u>	<u>\$ 3,812,862</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,720,897)	\$ (790,026)	\$ (2,510,923)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	752,714	1,766,677	2,519,391
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable	7	29,619	29,626
Due from Other Agencies		(194,987)	(194,987)
Inventory	57,223	(269,009)	(211,786)
Increase (Decrease) in Liabilities:			
Accounts Payable	(1,774)	91,900	90,126
Accrued Payroll Liabilities	9,174	6,625	15,799
Compensated Absences		(75,200)	(75,200)
Accrued Other Post-Employment Benefits	(1,930)		(1,930)
Customer/Refundable Deposits		255,916	255,916
Due to Other Agencies	(42,445)	19,891	(22,554)
Increase in Other Operating Liabilities	101,283		101,283
Net Cash Provided (Used) by Operating Activities	<u>\$ (846,645)</u>	<u>\$ 841,406</u>	<u>\$ (5,239)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2009

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 3,564,508	\$	\$	\$ 3,564,508
Cash & Investments with Fiscal Agent - Restricted		497,310	7,496,084	7,993,394
Accounts Receivable, Net	34,306		8,356	42,662
Due from Other Agencies	42,692		1,033	43,725
Interest Receivable	571		623	1,194
Inventories	860,627			860,627
Other Assets		367,593		367,593
Total current assets	4,502,704	864,903	7,506,096	12,873,703
Noncurrent assets:				
Other Assets - Restricted		24,943,069		24,943,069
Deferred Charges			96,795	96,795
Land & Construction in Progress		30,241	4,949,681	4,979,922
Other Capital Assets, Net	30,065,434	122,399	200,636	30,388,469
Total noncurrent assets	30,065,434	25,095,709	5,247,112	60,408,255
Total assets	34,568,138	25,960,612	12,753,208	73,281,958
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	\$ 917,615	\$ 301,777	\$ 971,012	\$ 2,190,404
Accrued Payroll Liabilities	162,317	26,494	228,464	417,275
Interfund Payable		10,232,542	2,090,213	12,322,755
Due to Other Agencies	296		415	711
Refundable Deposits	13	11,363		11,376
Current Portion of Bonds Payable			584,300	584,300
Current Portion of Contracts Payable	7,223			7,223
Claims Payable		9,960,416		9,960,416
Remediation Obligations		211,200		211,200
Total current liabilities	1,087,464	20,743,792	3,874,404	25,705,660
Noncurrent liabilities:				
Bonds Payable			7,011,600	7,011,600
Contracts Payable	9,828			9,828
Claims Payable		21,157,144		21,157,144
Remediation Obligations		1,780,751		1,780,751
Total non-current liabilities	9,828	22,937,895	7,011,600	29,959,323
Total liabilities	1,097,292	43,681,687	10,886,004	55,664,983
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	30,050,955	152,641	(2,348,788)	27,854,808
Restricted for Capital			7,496,084	7,496,084
Restricted for Self Insurance Mandates		25,440,379		25,440,379
Unrestricted	3,419,891	(43,314,095)	(3,280,092)	(43,174,296)
Total net assets	\$ 33,470,846	\$ (17,721,075)	\$ 1,867,204	\$ 17,616,975

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
Operating revenues:				
Charges for Services	\$ 25,227,967	\$ 13,128,691	\$ 17,403,776	\$ 55,760,434
Miscellaneous	138,300	5,156	2,785	146,241
Total operating revenues	<u>25,366,267</u>	<u>13,133,847</u>	<u>17,406,561</u>	<u>55,906,675</u>
Operating expenses:				
Personal Services	6,373,178	999,283	8,325,595	15,698,056
Contractual Services	4,398,764	6,306,135	5,880,344	16,585,243
Commodities	13,797,871	137,448	1,651,496	15,586,815
Benefits and Claims		6,056,560		6,056,560
Depreciation	6,587,663	16,902	31,591	6,636,156
Total operating expenses	<u>31,157,476</u>	<u>13,516,328</u>	<u>15,889,026</u>	<u>60,562,830</u>
Operating income (loss)	<u>(5,791,209)</u>	<u>(382,481)</u>	<u>1,517,535</u>	<u>(4,656,155)</u>
Nonoperating revenues (expenses):				
Investment Income	18,938	501,323	9,518	529,779
Gain (loss) on Sale of Property/ Equipment	193,229			193,229
Interest Expense	(657)			(657)
Amortization of Issuance Costs			(3,205)	(3,205)
Total nonoperating revenues (expenses)	<u>211,510</u>	<u>501,323</u>	<u>6,313</u>	<u>719,146</u>
Income (loss) before capital contributions and transfers	<u>(5,579,699)</u>	<u>118,842</u>	<u>1,523,848</u>	<u>(3,937,009)</u>
Capital Contributions	2,982,035			2,982,035
Transfers Out	<u>(1,216,072)</u>	<u>(231,587)</u>		<u>(1,447,659)</u>
Change in net assets	<u>(3,813,736)</u>	<u>(112,745)</u>	<u>1,523,848</u>	<u>(2,402,633)</u>
Total net assets, beginning of year	37,284,582	(17,608,330)	343,356	20,019,608
Total net assets, end of year	<u>\$ 33,470,846</u>	<u>\$ (17,721,075)</u>	<u>\$ 1,867,204</u>	<u>\$ 17,616,975</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Fleet Services	Self Insurance Fund	General Services Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 25,451,898	\$ 13,133,910	\$ 17,524,118	\$ 56,109,926
Cash Payments to Suppliers for Goods and Services	(18,400,759)	(4,031,015)	(7,200,124)	(29,631,898)
Cash Payments to Employees for Services	(6,350,278)	(997,121)	(8,242,906)	(15,590,305)
Other Operating Revenues	186,869			186,869
Cash Payments to Claimants		(7,033,391)		(7,033,391)
Net Cash Provided (Used) by Operating Activities	<u>887,730</u>	<u>1,072,383</u>	<u>2,081,088</u>	<u>4,041,201</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Transfers	(1,000,000)	(1,072,383)		(2,072,383)
Advances from Other Funds			2,090,213	2,090,213
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,000,000)</u>	<u>(1,072,383)</u>	<u>2,090,213</u>	<u>17,830</u>
Cash Flows from Capital and Related Financing Activities:				
Bond Issuance			7,495,900	7,495,900
Acquisition and Construction of Capital Assets			(4,957,449)	(4,957,449)
Principal Paid on Capital Debt	(2,222)			(2,222)
Interest Paid on Capital Debt	(349)			(349)
Proceeds from Sale of Assets/Equipment	233,623			233,623
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>231,052</u>	<u></u>	<u>2,538,451</u>	<u>2,769,503</u>
Cash Flows from Investing Activities:				
Interest on Investments	19,243	496,929	9,891	526,063
Proceeds from Sale of Investments		22,100,000		22,100,000
Purchase of Investments		(24,599,619)		(24,599,619)
Net Cash Provided (Used) by Investing Activities	<u>19,243</u>	<u>(2,002,690)</u>	<u>9,891</u>	<u>(1,973,556)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>138,025</u>	<u>(2,002,690)</u>	<u>6,719,643</u>	<u>4,854,978</u>
Cash and Cash Equivalents - July 1	<u>3,426,483</u>	<u>2,500,000</u>	<u>776,441</u>	<u>6,702,924</u>
Cash and Cash Equivalents - June 30	<u>\$ 3,564,508</u>	<u>\$ 497,310</u>	<u>\$ 7,496,084</u>	<u>\$ 11,557,902</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(5,791,209)	(382,481)	1,517,535	(4,656,155)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	6,587,663	16,902	31,591	6,636,156
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	40,528	63	117,557	158,148
Capital Asset Reclass	44,091			44,091
Inventory	(28,569)			(28,569)
Prepaid Expenses		281,133		281,133
Due from Other Agencies	187,867			187,867
Increase (Decrease) in Liabilities:				
Accounts Payable	(173,634)	142,765	353,371	322,502
Accrued Payroll Liabilities	22,901	2,163	82,690	107,754
Interest Payable			(21,615)	(21,615)
Customer/Refundable Deposits	13	(3,281)		(3,268)
Claims and Judgments Payable		(976,832)		(976,832)
Remediation Obligation		1,991,951		1,991,951
Due to Other Agencies	(1,921)		(41)	(1,962)
Net Cash Provided (Used) by Operating Activities	<u>\$ 887,730</u>	<u>\$ 1,072,383</u>	<u>\$ 2,081,088</u>	<u>\$ 4,041,201</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	2,982,035			2,982,035
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ 2,982,035</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,982,035</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Sewer User Fee Fund				
<u>Assets</u>				
Pooled Cash and Investments	\$ 3,033,524	\$ 147,395,119	\$ 149,407,855	\$ 1,020,788
Accounts Receivable, Net	4,469,244	103,959,703	102,326,732	6,102,215
Interest Receivable	1,567	24,026	24,382	1,211
Total assets	\$ 7,504,335	\$ 251,378,848	\$ 251,758,969	\$ 7,124,214
<u>Liabilities</u>				
Due to Other Agencies	7,504,335	254,392,487	254,772,608	7,124,214
Total liabilities	\$ 7,504,335	\$ 254,392,487	\$ 254,772,608	\$ 7,124,214
Employee Prepaid Insurance Fund				
<u>Assets</u>				
Pooled Cash and Investments	\$	\$ 178,572,588	\$ 178,547,588	\$ 25,000
Accounts Receivable, Net	1,835	220,577	219,866	2,546
Due From Other Agencies	1,757,133	3,825,655	2,200,091	3,382,697
Total assets	\$ 1,758,968	\$ 182,618,820	\$ 180,967,545	\$ 3,410,243
<u>Liabilities</u>				
Accounts Payable	134,200	180,518,343	180,087,143	565,400
Due to Other Agencies	1,624,768	2,844,842	1,624,767	2,844,843
Total liabilities	\$ 1,758,968	\$ 183,363,185	\$ 181,711,910	\$ 3,410,243
Totals				
<u>Assets</u>				
Pooled Cash and Investments	\$ 3,033,524	\$ 325,967,707	\$ 327,955,443	\$ 1,045,788
Accounts Receivable, Net	4,471,079	104,180,280	102,546,598	6,104,761
Due From Other Agencies	1,757,133	3,825,655	2,200,091	3,382,697
Interest Receivable	1,567	24,026	24,382	1,211
Total assets	\$ 9,263,303	\$ 433,997,668	\$ 432,726,514	\$ 10,534,457
<u>Liabilities</u>				
Accounts Payable	134,200	180,518,343	180,087,143	565,400
Due to Other Agencies	9,129,103	257,237,329	256,397,375	9,969,057
Total liabilities	\$ 9,263,303	\$ 437,755,672	\$ 436,484,518	\$ 10,534,457

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL NON-MAJOR COMPONENT UNITS
DECEMBER 31, 2008

	Silverbell Homes Limited Partnership	Posadas Sentinel. L.L.L.P.	South Park Development Partners, L.L.L.P.	Tucson House Apartments, L.L.L.P.	Totals
<u>ASSETS</u>					
Current assets:					
Cash and Cash Equivalents	\$ 7,011	\$	\$ 53,644	\$	\$ 60,655
Cash and Investments - Restricted	4,475	527,771	84,698	290,811	907,755
Accounts Receivable, Net	249,707	27,800	18,638	1,490	297,635
Other Assets		2,008	14,690		16,698
Total current assets	<u>261,193</u>	<u>557,579</u>	<u>171,670</u>	<u>292,301</u>	<u>1,282,743</u>
Noncurrent assets:					
Deferred Charges				102,974	102,974
Land & Construction in Progress	364,000		661,900		1,025,900
Other Capital Assets, Net	4,667,912	20,894,770	4,987,722	12,822,147	43,372,551
Total noncurrent assets	<u>5,031,912</u>	<u>20,894,770</u>	<u>5,649,622</u>	<u>12,925,121</u>	<u>44,501,425</u>
Total assets	<u>5,293,105</u>	<u>21,452,349</u>	<u>5,821,292</u>	<u>13,217,422</u>	<u>45,784,168</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts Payable	\$	\$ 55,456	\$ 24,804	\$ 83,012	\$ 163,272
Accrued Payroll Liabilities				9,785	9,785
Accrued Interest Payable	139,459		629,606		769,065
Unearned Revenue		4,028		7,418	11,446
Refundable Deposits	4,475	98,184	20,640	63,115	186,414
Other Accrued Expenses	249,597	193,056	46,517		489,170
Total current liabilities	<u>393,531</u>	<u>350,724</u>	<u>721,567</u>	<u>163,330</u>	<u>1,629,152</u>
Noncurrent liabilities:					
Notes and Loans Payable	3,415,278	16,823,553	2,549,040	18,659,823	41,447,694
Other Long Term Liabilities				521,829	521,829
Total non-current liabilities	<u>3,415,278</u>	<u>16,823,553</u>	<u>2,549,040</u>	<u>19,181,652</u>	<u>41,969,523</u>
Total liabilities	<u>3,808,809</u>	<u>17,174,277</u>	<u>3,270,607</u>	<u>19,344,982</u>	<u>43,598,675</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of					
Related Debt	1,616,634	4,071,217	3,100,582	(5,837,676)	2,950,757
Restricted Other	4,475	527,771	84,698	290,811	907,755
Unrestricted	(136,813)	(320,916)	(634,595)	(580,695)	(1,673,019)
Total net assets	<u>\$ 1,484,296</u>	<u>\$ 4,278,072</u>	<u>\$ 2,550,685</u>	<u>\$ (6,127,560)</u>	<u>\$ 2,185,493</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Silverbell Homes Limited Partnership	Posadas Sentinel. L.L.L.P.	South Park Development Partners, L.L.L.P.	Tucson House Apartments, L.L.L.P.	Totals
Operating revenues:					
Federal Grants and Contributions	\$ 56,743	\$ 428,365	\$ 120,509	\$ 1,239,170	\$ 1,844,787
Charges for Services	32,262	545,146	188,469	1,030,943	1,796,820
Miscellaneous	828	1,615		28,022	30,465
Total operating revenues	<u>89,833</u>	<u>975,126</u>	<u>308,978</u>	<u>2,298,135</u>	<u>3,672,072</u>
Operating expenses:					
Personal Services	53,769	279,112	122,823	251,615	707,319
Contractual Services	30,761	540,120	145,540	1,578,260	2,294,681
Commodities		160,586		459,615	620,201
Depreciation	184,129	602,549	284,486	496,689	1,567,853
Total operating expenses	<u>268,659</u>	<u>1,582,367</u>	<u>552,849</u>	<u>2,786,179</u>	<u>5,190,054</u>
Operating income (loss)	<u>(178,826)</u>	<u>(607,241)</u>	<u>(243,871)</u>	<u>(488,044)</u>	<u>(1,517,982)</u>
Nonoperating revenues (expenses):					
Investment Income	1,708	8,915	939		11,562
Interest Expense	(68,296)	(1,177,150)	(138,820)	(1,302,011)	(2,686,277)
Total nonoperating revenues (expenses)	<u>(66,588)</u>	<u>(1,168,235)</u>	<u>(137,881)</u>	<u>(1,302,011)</u>	<u>(2,674,715)</u>
Income (loss) before capital contributions and transfers	<u>(245,414)</u>	<u>(1,775,476)</u>	<u>(381,752)</u>	<u>(1,790,055)</u>	<u>(4,192,697)</u>
Capital Contributions					
Change in net assets	<u>(245,414)</u>	<u>(1,775,476)</u>	<u>(381,752)</u>	<u>(1,790,055)</u>	<u>(4,192,697)</u>
Total net assets, beginning of year	1,729,710	6,053,548	2,932,437	(4,337,505)	6,378,190
Total net assets, end of year	<u>\$1,484,296</u>	<u>\$4,278,072</u>	<u>\$ 2,550,685</u>	<u>\$ (6,127,560)</u>	<u>\$ 2,185,493</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Silverbell Homes Limited Partnership	Posadas Sentinel. L.L.L.P.	South Park Development Partners, L.L.L.P.	Tucson House Apartments, L.L.L.P.	Totals
Cash Flows from Operating Activities:					
Cash Received from Operations	\$ (384,009)	\$ (12,785)	\$ 47,097	\$ 65,234	\$ (284,463)
Net Cash Provided (Used) by Operating Activities	<u>(384,009)</u>	<u>(12,785)</u>	<u>47,097</u>	<u>65,234</u>	<u>(284,463)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers to Partners	(18,359)				(18,359)
Transfers from Partners			309		309
Transfers to City of Tucson			(11,905)		(11,905)
Transfers from City of Tucson	407,361	4,006			411,367
Net Cash Provided (Used) by Noncapital Financing Activities	<u>389,002</u>	<u>4,006</u>	<u>(11,596)</u>		<u>381,412</u>
Cash Flows from Capital and Related Financing Activities:					
Capital Debt Payments			(17,018)		(17,018)
Net Cash Provided (Used) by Capital and Related Financing Activities			<u>(17,018)</u>		<u>(17,018)</u>
Cash Flows from Investing Activities:					
Interest on Investments	1,708	8,915	(13,816)	3	(3,190)
Reserve Deposits			5,086		5,086
Purchase of Investments		(7,600)			(7,600)
Net Cash Provided (Used) by Investing Activities	<u>1,708</u>	<u>1,315</u>	<u>(8,730)</u>	<u>3</u>	<u>(5,704)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>6,701</u>	<u>(7,464)</u>	<u>9,753</u>	<u>65,237</u>	<u>74,227</u>
Cash and Cash Equivalents - July 1	<u>4,785</u>	<u>535,235</u>	<u>128,589</u>	<u>225,574</u>	<u>894,183</u>
Cash and Cash Equivalents - June 30	<u>\$ 11,486</u>	<u>\$ 527,771</u>	<u>\$ 138,342</u>	<u>\$ 290,811</u>	<u>\$ 968,410</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (178,826)	\$ (607,241)	\$ (243,871)	\$ (488,044)	\$ (1,517,982)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	184,129	602,549	284,486	496,689	1,567,853
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable		(10,627)	(5,086)	1,088	(14,625)
Prepaid Expenses		80	(12,811)		(12,731)
Accounts Payable	(261,924)	(44,883)	19,849	48,081	(238,877)
Accrued Interest Payable					0
Accrued Payroll Liabilities				1,460	1,460
Accrued Expenses	(128,155)	56,430	4,398		(67,327)
Accrued Admin Fees				5,000	5,000
Customer/Refundable Deposits	767	(9,093)	132	695	(7,499)
Prepaid Revenue				265	265
Net Cash Provided (Used) by Operating Activities	<u>\$ (384,009)</u>	<u>\$ (12,785)</u>	<u>\$ 47,097</u>	<u>\$ 65,234</u>	<u>\$ (284,463)</u>

**BUDGET AND ACTUAL
NONMAJOR
GOVERNMENTAL FUNDS**

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	Team/Parkwise		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	610,000	440,258	(169,742)
Developer Fees		310,037	310,037
Use of Money and Property			
Federal Grants and Contributions		300,000	300,000
Other Agencies		2,246,428	(257,072)
Charges for Services	2,503,500	526	526
Miscellaneous			
Total revenues	<u>3,113,500</u>	<u>3,297,249</u>	<u>183,749</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	3,408,180	2,563,023	845,157
Strategic Initiatives			
Non-Departmental		5,734	(5,734)
Capital Outlay			
Capital Projects			
Debt service -			
Principal	657,880	5,687	652,193
Interest	478,560	443,282	35,278
Total expenditures	<u>4,544,620</u>	<u>3,017,726</u>	<u>1,526,894</u>
Excess (deficiency) of revenues over expenditures	<u>(1,431,120)</u>	<u>279,523</u>	<u>1,710,643</u>
Other financing sources (uses):			
Capital Leases			
Transfers In	1,431,120	1,431,120	
Transfers Out		(314,594)	(314,594)
Total other financing sources (uses)	<u>1,431,120</u>	<u>1,116,526</u>	<u>(314,594)</u>
Change in fund balances		<u>1,396,049</u>	<u>1,396,049</u>
Fund balances (deficits), July 1, 2008, as restated		<u>(1,396,049)</u>	<u>(1,396,049)</u>
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$</u>

Convention Center Fund			Capital Improvements Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
150,000	44,292	(105,708)		243,788	243,788
			3,672,000		(3,672,000)
4,061,000	3,495,473	(565,527)	12,530,700	16,218,037	3,687,337
	889	889			
4,211,000	3,540,654	(670,346)	16,202,700	16,461,825	259,125
			230,530		230,530
			1,466,971	437,707	1,029,264
			18,000	114,904	(96,904)
6,504,550	6,298,094	206,456			
3,775,530	3,775,530		4,500,000	2,250,000	2,250,000
741,000		741,000	2,565,555	2,106,270	459,285
			67,153,852	42,890,302	24,263,550
			6,601,000		6,601,000
			241,001	393,300	(152,299)
11,021,080	10,073,624	947,456	82,776,909	48,192,483	34,584,426
(6,810,080)	(6,532,970)	277,110	(66,574,209)	(31,730,658)	34,843,551
			66,452,330	17,466,000	(48,986,330)
6,906,880	5,924,418	(982,462)		365,628	365,628
				(1,025)	(1,025)
6,906,880	5,924,418	(982,462)	66,452,330	17,830,603	(48,621,727)
96,800	(608,552)	(705,352)	(121,879)	(13,900,055)	(13,778,176)
	637,952	637,952		48,058,399	48,058,399
\$ 96,800	\$ 29,400	\$ (67,400)	\$ (121,879)	\$ 34,158,344	\$ 34,280,223

(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, 2009
(Continued)

	H.U.R.F. Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$ 300,000	\$ 42,449	\$ (257,551)
Fines and Forfeitures		100,000	100,000
Developer Fees			
Use of Money and Property		129,188	129,188
Federal Grants and Contributions			
Other Agencies	40,356,986	38,257,694	(2,099,292)
Charges for Services	1,027,500	370,091	(657,409)
Miscellaneous	4,491,290	913,760	(3,577,530)
Total revenues	<u>46,175,776</u>	<u>39,813,182</u>	<u>(6,362,594)</u>
Expenditures:			
Current -			
Elected and Official		5,120	(5,120)
Support Services			
Neighborhood Services	1,037,574	1,004,268	33,306
Environment and Development	29,785,992	28,853,705	932,287
Strategic Initiatives			
Non-Departmental	232,680	96	232,584
Capital Outlay	62,358	20,041	42,317
Capital Projects	3,145,822	705,262	2,440,560
Debt service -			
Principal	1,986,500	1,295,014	691,486
Interest	231,517	107,771	123,746
Total expenditures	<u>36,482,443</u>	<u>31,991,277</u>	<u>4,491,166</u>
Excess (deficiency) of revenues over expenditures	<u>9,693,333</u>	<u>7,821,905</u>	<u>(1,871,428)</u>
Other financing sources (uses):			
Capital Leases	400,000		(400,000)
Transfers In		1,489,465	1,489,465
Transfers Out	(8,014,760)	(884)	8,013,876
Total other financing sources (uses)	<u>(7,614,760)</u>	<u>1,488,581</u>	<u>9,103,341</u>
Change in fund balances	<u>2,078,573</u>	<u>9,310,486</u>	<u>7,231,913</u>
Fund balances (deficits), July 1, 2008, as restated		(3,275,980)	(3,275,980)
Fund balances (deficits), June 30, 2009	<u>\$ 2,078,573</u>	<u>\$ 6,034,506</u>	<u>\$ 3,955,933</u>

Civic Contribution Fund			Human & Community Development Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	19,592	19,592		6,877	6,877
			10,251,180	8,960,704	(1,290,476)
957,000	871,655	(85,345)		1,326	1,326
957,000	891,247	(65,753)	10,251,180	8,968,907	(1,282,273)
	5,048	(5,048)			
426,610	277,022	149,588	7,008,295	5,867,298	1,140,997
	2,500	(2,500)		39,672	(39,672)
571,000	112,062	458,938	5,762,790	2,969,547	2,793,243
			25,880		25,880
997,610	396,632	600,978	12,796,965	8,876,517	3,920,448
(40,610)	494,615	535,225	(2,545,785)	92,390	2,638,175
(40,610)	494,615	535,225	(2,545,785)	92,390	2,638,175
	2,498,679	2,498,679		4,620,488	4,620,488
\$ (40,610)	\$ 2,993,294	\$ 3,033,904	\$ (2,545,785)	\$ 4,712,878	\$ 7,258,663

(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, 2009
(Continued)

	Development Fee Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees	5,253,500	6,782,474	1,528,974
Use of Money and Property		141,655	141,655
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Miscellaneous			
Total revenues	<u>5,253,500</u>	<u>6,924,129</u>	<u>1,670,629</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	145,000	141,282	3,718
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	5,860,393	2,218,312	3,642,081
Debt service -			
Principal			
Interest			
Total expenditures	<u>6,005,393</u>	<u>2,359,594</u>	<u>3,645,799</u>
Excess (deficiency) of revenues over expenditures	<u>(751,893)</u>	<u>4,564,535</u>	<u>5,316,428</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>(751,893)</u>	<u>4,564,535</u>	<u>5,316,428</u>
Fund balances (deficits), July 1, 2008, as restated		16,806,446	16,806,446
Fund balances (deficits), June 30, 2009	<u>\$ (751,893)</u>	<u>\$ 21,370,981</u>	<u>\$ 22,122,874</u>

Miscellaneous Housing Grant Fund			Public Housing Section 8 Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
9,921,060	4,930,294	(4,990,766)	29,113,350	30,882,575	1,769,225
	94,822	94,822		24,813	24,813
9,921,060	5,025,116	(4,895,944)	29,113,350	30,907,388	1,794,038
6,170,772	4,499,278	1,671,494	29,054,940	31,879,691	(2,824,751)
853,500	439,427	414,073		11,515	(11,515)
			38,410		38,410
			20,000	20,000	
7,024,272	4,938,705	2,085,567	29,113,350	31,911,206	(2,797,856)
2,896,788	86,411	(2,810,377)		(1,003,818)	(1,003,818)
2,896,788	86,411	(2,810,377)		(1,003,818)	(1,003,818)
	29,256	29,256		4,889,193	4,889,193
\$ 2,896,788	\$ 115,667	\$ (2,781,121)	\$	\$ 3,885,375	\$ 3,885,375

(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, 2009
(Continued)

	Public Housing HOME Program Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property			
Federal Grants and Contributions	6,896,150	6,738,483	(157,667)
Other Agencies			
Charges for Services			
Miscellaneous			
Total revenues	<u>6,896,150</u>	<u>6,738,483</u>	<u>(157,667)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	7,633,562	6,129,025	1,504,537
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	821,976	609,458	212,518
Debt service -			
Principal	5,380		5,380
Interest			
Total expenditures	<u>8,460,918</u>	<u>6,738,483</u>	<u>1,722,435</u>
Excess (deficiency) of revenues over expenditures	<u>(1,564,768)</u>		<u>1,564,768</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>(1,564,768)</u>		<u>1,564,768</u>
Fund balances (deficits), July 1, 2008, as restated			
Fund balances (deficits), June 30, 2009	<u>\$ (1,564,768)</u>	<u>\$</u>	<u>\$ 1,564,768</u>

Other Federal Grants Fund			Non-Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	66,505	66,505		2,334	2,334
32,232,660	16,845,794	(15,386,866)	6,968,400	2,194,290	(4,774,110)
<u>32,232,660</u>	<u>16,912,299</u>	<u>(15,320,361)</u>	<u>6,968,400</u>	<u>2,196,624</u>	<u>(4,771,776)</u>
561,600	312,143	249,457	305,470	80,000	225,470
400,000	86,216	313,784	994,870		994,870
6,781,088	3,736,120	3,044,968	2,844,125	1,950,773	893,352
1,786,496	1,379,204	407,292	514,481	72,995	441,486
2,828,281	1,955,849	872,432	6,255	5,195	1,060
13,273,179	8,652,287	4,620,892	404,595	87,661	316,934
500,000	7,101,000	(6,601,000)			
	241,002	(241,002)			
<u>26,130,644</u>	<u>23,463,821</u>	<u>2,666,823</u>	<u>5,069,796</u>	<u>2,196,624</u>	<u>2,873,172</u>
<u>6,102,016</u>	<u>(6,551,522)</u>	<u>(12,653,538)</u>	<u>1,898,604</u>		<u>(1,898,604)</u>
	66,904	66,904			
	<u>66,904</u>	<u>66,904</u>			
<u>6,102,016</u>	<u>(6,484,618)</u>	<u>(12,586,634)</u>	<u>1,898,604</u>		<u>(1,898,604)</u>
	13,363,063	13,363,063			
<u>\$ 6,102,016</u>	<u>\$ 6,878,445</u>	<u>\$ 776,429</u>	<u>\$ 1,898,604</u>	<u>\$</u>	<u>\$ (1,898,604)</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, 2009
(Concluded)

	Regional Transportation Authority Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	35,442,600	45,271,581	9,828,981
Charges for Services			
Miscellaneous			
Total revenues	<u>35,442,600</u>	<u>45,271,581</u>	<u>9,828,981</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	23,000	670,938	(647,938)
Strategic Initiatives			
Non-Departmental			
Capital Outlay	5,291,618	4,507,824	783,794
Capital Projects	30,304,473	40,093,703	(9,789,230)
Debt service -			
Principal			
Interest			
Total expenditures	<u>35,619,091</u>	<u>45,272,465</u>	<u>(9,653,374)</u>
Excess (deficiency) of revenues over expenditures	<u>(176,491)</u>	<u>(884)</u>	<u>175,607</u>
Other financing sources (uses):			
Capital Leases			
Transfers In		884	884
Transfers Out			
Total other financing sources (uses)	<u></u>	<u>884</u>	<u>884</u>
Change in fund balances	<u>(176,491)</u>	<u></u>	<u>176,491</u>
Fund balances (deficits), July 1, 2008, as restated			
Fund balances (deficits), June 30, 2009	<u>\$ (176,491)</u>	<u>\$</u>	<u>\$ 176,491</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 300,000	\$ 42,449	\$ (257,551)
610,000	540,258	(69,742)
5,253,500	6,782,474	1,528,974
150,000	964,268	814,268
92,086,400	68,357,850	(23,728,550)
95,298,686	102,241,602	6,942,916
7,592,000	6,111,992	(1,480,008)
5,448,290	1,907,791	(3,540,499)
<u>206,738,876</u>	<u>186,948,684</u>	<u>(19,790,192)</u>

867,070	402,311	464,759
1,625,400	86,216	1,539,184
62,568,937	55,922,464	6,646,473
35,536,149	33,654,769	1,881,380
6,504,550	6,298,094	206,456
8,508,210	6,025,626	2,482,584
11,495,067	8,654,600	2,840,467
128,151,580	98,778,021	29,373,559
9,815,050	8,401,701	1,413,349
971,078	1,205,355	(234,277)
<u>266,043,091</u>	<u>219,429,157</u>	<u>46,613,934</u>

<u>(59,304,215)</u>	<u>(32,480,473)</u>	<u>26,823,742</u>
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66,852,330	17,466,000	(49,386,330)
8,338,000	9,278,419	940,419
<u>(8,014,760)</u>	<u>(316,503)</u>	<u>7,698,257</u>
<u>67,175,570</u>	<u>26,427,916</u>	<u>(40,747,654)</u>

<u>7,871,355</u>	<u>(6,052,557)</u>	<u>(13,923,912)</u>
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86,231,447 86,231,447

<u>\$ 7,871,355</u>	<u>\$ 80,178,890</u>	<u>\$ 72,307,535</u>
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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, 2009

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures		13,158	13,158
Use of Money and Property		16,519	16,519
Other Agencies			
Special Assessments	641,000	712,231	71,231
Miscellaneous		612	612
Total revenues	<u>641,000</u>	<u>742,520</u>	<u>101,520</u>
Expenditures:			
Debt service -			
Principal	450,000	516,254	(66,254)
Interest	180,000	214,151	(34,151)
Fiscal agent fees and other	11,000	4,925	6,075
Issuance Costs of Debt		2,758	(2,758)
Total expenditures	<u>641,000</u>	<u>738,088</u>	<u>(97,088)</u>
Excess (deficiency) of revenues over expenditures		<u>4,432</u>	<u>4,432</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Transfers In			
Refunded Bond Escrow Agent			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances		<u>4,432</u>	<u>4,432</u>
Fund balances, July 1, 2008		2,229,428	2,229,428
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 2,233,860</u>	<u>\$ 2,233,860</u>

General Obligation Bond & Interest Fund			Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 24,899,560	\$ 24,814,858	\$ (84,702)	\$	\$	\$
				13,492	13,492
			9,017,900	7,595,489	(1,422,411)
<u>24,899,560</u>	<u>24,814,858</u>	<u>(84,702)</u>	<u>9,017,900</u>	<u>7,608,981</u>	<u>(1,408,919)</u>
14,316,850	15,030,000	(713,150)	23,145,000		23,145,000
10,572,710	12,881,479	(2,308,769)	6,381,660	6,118,500	263,160
10,000	3,875	6,125		750	(750)
<u>24,899,560</u>	<u>27,915,354</u>	<u>(3,015,794)</u>	<u>6,000</u>	<u>274,598</u>	<u>(268,598)</u>
			<u>29,532,660</u>	<u>6,393,848</u>	<u>23,138,812</u>
	(3,100,496)	(3,100,496)	(20,514,760)	1,215,133	21,729,893
			12,500,000	10,130,000	(2,370,000)
				1,028,499	1,028,499
			8,014,760		(8,014,760)
				(10,883,901)	(10,883,901)
				(1,488,470)	(1,488,470)
			<u>20,514,760</u>	<u>(1,213,872)</u>	<u>(21,728,632)</u>
	(3,100,496)	(3,100,496)		1,261	1,261
	13,842,695	13,842,695			
<u>\$</u>	<u>\$ 10,742,199</u>	<u>\$ 10,742,199</u>	<u>\$</u>	<u>\$ 1,261</u>	<u>\$ 1,261</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, 2009
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 24,899,560	\$ 24,814,858	\$ (84,702)
Fines and Forfeitures		13,158	13,158
Use of Money and Property		30,011	30,011
Other Agencies	9,017,900	7,595,489	(1,422,411)
Special Assessments	641,000	712,231	71,231
Miscellaneous		612	612
Total revenues	<u>34,558,460</u>	<u>33,166,359</u>	<u>(1,392,101)</u>
Expenditures:			
Debt service -			
Principal	37,911,850	15,546,254	22,365,596
Interest	17,134,370	19,214,130	(2,079,760)
Fiscal agent fees and other	21,000	9,550	11,450
Issuance Costs of Debt	6,000	277,356	(271,356)
Total expenditures	<u>55,073,220</u>	<u>35,047,290</u>	<u>20,025,930</u>
Excess (deficiency) of revenues over expenditures	<u>(20,514,760)</u>	<u>(1,880,931)</u>	<u>18,633,829</u>
Other financing sources (uses):			
Bond Issuance	12,500,000	10,130,000	(2,370,000)
Premium on Debt Issuance		1,028,499	1,028,499
Transfers In	8,014,760		(8,014,760)
Refunded Bond Escrow Agent		(10,883,901)	(10,883,901)
Transfers Out		(1,488,470)	(1,488,470)
Total other financing sources (uses)	<u>20,514,760</u>	<u>(1,213,872)</u>	<u>(21,728,632)</u>
Change in fund balances		<u>(3,094,803)</u>	<u>(3,094,803)</u>
Fund balances, July 1, 2008		16,072,123	16,072,123
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 12,977,320</u>	<u>\$ 12,977,320</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, 2009

	Special Assessment Construction Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$	\$
Special Assessments		443,365	443,365
Total revenues		443,365	443,365
Expenditures:			
Current -			
Neighborhood Services			
Environment and Development			
Capital Projects		77,068	(77,068)
Total expenditures		77,068	(77,068)
Excess (deficiency) of revenues over expenditures		366,297	366,297
Other financing sources (uses):			
Bond Issuance		375,635	375,635
Transfers Out		(213,727)	(213,727)
Total other financing sources (uses)		161,908	161,908
Change in fund balances		528,205	528,205
Fund balances (deficits), July 1, 2008		(528,205)	(528,205)
Fund balances (deficits), June 30, 2009	\$	\$	\$

2000 General Obligation Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 66,235	\$ 66,235	\$	\$ 66,235	\$ 66,235
				443,365	443,365
	66,235	66,235		509,600	509,600
108,976	267,074	(158,098)	108,976	267,074	(158,098)
	234	(234)		234	(234)
5,365,339	1,365,031	4,000,308	5,365,339	1,442,099	3,923,240
5,474,315	1,632,339	3,841,976	5,474,315	1,709,407	3,764,908
(5,474,315)	(1,566,104)	3,908,211	(5,474,315)	(1,199,807)	4,274,508
3,790,600		(3,790,600)	3,790,600	375,635	(3,414,965)
				(213,727)	(213,727)
3,790,600		(3,790,600)	3,790,600	161,908	(3,628,692)
(1,683,715)	(1,566,104)	117,611	(1,683,715)	(1,037,899)	645,816
	9,395,009	9,395,009		8,866,804	8,866,804
\$ (1,683,715)	\$ 7,828,905	\$ 9,512,620	\$ (1,683,715)	\$ 7,828,905	\$ 9,512,620

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSET
ENVIRONMENTAL SERVICES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 50,676,570	\$ 41,777,814	\$ (8,898,756)
Miscellaneous	2,325,000	2,110,708	(214,292)
Total operating revenues	<u>53,001,570</u>	<u>43,888,522</u>	<u>(9,113,048)</u>
Operating expenses:			
Personal Services	16,720,740	16,040,686	680,054
Contractual Services	22,465,403	16,645,962	5,819,441
Commodities	5,387,270	4,458,703	928,567
Depreciation/Amortization	-	4,441,645	(4,441,645)
Total operating expenses	<u>44,573,413</u>	<u>41,586,996</u>	<u>2,986,417</u>
Operating Income (Loss)	<u>8,428,157</u>	<u>2,301,526</u>	<u>(6,126,631)</u>
Nonoperating revenues (expenses):			
Investment Income	500,000	71,395	(428,605)
Gain (Loss) on Sale of Property/Equipment		715,470	715,470
Federal Grants and Contributions	595,130	298,623	(296,507)
Interest Expense	(1,733,470)	(268,106)	1,465,364
Amortization of Cost Issuance		(1,593)	(1,593)
Other Nonoperating Income (Expenses)	4,615,440		(4,615,440)
Total nonoperating revenues (expenses)	<u>3,977,100</u>	<u>815,789</u>	<u>(3,161,311)</u>
Income (Loss) before capital contributions and transfers	<u>12,405,257</u>	<u>3,117,315</u>	<u>(9,287,942)</u>
Transfers In		<u>857,717</u>	<u>857,717</u>
Changes in net assets	<u>\$ 12,405,257</u>	<u>3,975,032</u>	<u>(8,430,225)</u>
Total net assets, beginning of year, restated		(13,405,149)	
Total net assets, end of year		<u>\$ (9,430,117)</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Golf Course Fund		Variance -
	Budget	Actual	Positive (Negative)
Operating revenues:			
Charges for Services	\$ 11,063,820	\$ 7,838,257	\$ (3,225,563)
Miscellaneous Revenue		22,810	22,810
Total operating revenues	<u>11,063,820</u>	<u>7,861,067</u>	<u>(3,202,753)</u>
Operating expenses:			
Personal Services	5,584,390	4,604,881	979,509
Contractual Services	2,139,520	1,834,129	305,391
Commodities	2,681,210	2,060,584	620,626
Cost of Goods Sold		329,656	(329,656)
Depreciation	23,600	752,714	(729,114)
Total operating expenses	<u>10,428,720</u>	<u>9,581,964</u>	<u>846,756</u>
Operating income (loss)	<u>635,100</u>	<u>(1,720,897)</u>	<u>(2,355,997)</u>
Nonoperating revenues (expenses):			
Interest Expense	(178,000)	(231,273)	(53,273)
Other Nonoperating Income (Expenses)	(370,000)	(20,167)	349,833
Total nonoperating revenues (expenses)	<u>(548,000)</u>	<u>(251,440)</u>	<u>296,560</u>
Income (loss) before capital contributions and transfers	<u>87,100</u>	<u>(1,972,337)</u>	<u>(2,059,437)</u>
Changes in net assets	<u>\$ 87,100</u>	<u>(1,972,337)</u>	<u>\$ (2,059,437)</u>
Total net assets, beginning of year		12,629,452	
Total net assets, end of year		<u>\$ 10,657,115</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PUBLIC HOUSING FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 2,280,000	\$ 3,391,385	\$ 1,111,385
Federal Grants and Contributions	13,337,770	6,761,845	(6,575,925)
Miscellaneous		63,030	63,030
Total operating revenues	<u>15,617,770</u>	<u>10,216,260</u>	<u>(5,401,510)</u>
Operating expenses:			
Personal Services	4,073,472	3,785,549	287,923
Contractual Services	11,182,319	5,177,755	6,004,564
Commodities	534,820	276,305	258,515
Depreciation/Amortization		1,766,677	(1,766,677)
Total operating expenses	<u>15,790,611</u>	<u>11,006,286</u>	<u>4,784,325</u>
Operating Income (Loss)	<u>(172,841)</u>	<u>(790,026)</u>	<u>(617,185)</u>
Nonoperating revenues (expenses):			
Investment Income		26,929	26,929
Gain (Loss) on Sale of Property/Equipment		960	960
Interest Expense	(760)	-	760
Total nonoperating revenues (expenses)	<u>(760)</u>	<u>27,889</u>	<u>28,649</u>
Income (Loss) before capital contributions and transfers	<u>(173,601)</u>	<u>(762,137)</u>	<u>(588,536)</u>
Transfers In		412,602	412,602
Transfers Out		<u>(239,000)</u>	<u>(239,000)</u>
Changes in net assets	<u>\$ (173,601)</u>	<u>(588,535)</u>	<u>\$ (414,934)</u>
Total net assets, beginning of year		31,497,625	
Total net assets, end of year		<u>\$ 30,909,090</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
WATER UTILITY - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Water Utility Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 137,152,140	\$126,996,977	\$(10,155,163)
Miscellaneous		1,754	1,754
Total operating revenues	<u>137,152,140</u>	<u>126,998,731</u>	<u>(10,153,409)</u>
Operating expenses:			
Personal Services	34,852,820	34,135,011	717,809
Contractual Services	48,670,910	40,018,564	8,652,346
Commodities	8,729,620	6,566,700	2,162,920
Depreciation/Amortization		24,587,584	(24,587,584)
Total operating expenses	<u>92,253,350</u>	<u>105,307,859</u>	<u>(13,054,509)</u>
Operating Income (Loss)	<u>44,898,790</u>	<u>21,690,872</u>	<u>(23,207,918)</u>
Nonoperating revenues (expenses):			
Investment Income	6,219,000	483,345	(5,735,655)
Gain (Loss) on Sale of Property/Equipment	542,000	454,044	(87,956)
Federal Grants and Contributions	150,000	368,804	218,804
Interest Expense	(23,979,450)	(18,498,571)	5,480,879
Amortization of Cost Issuance		(258,496)	(258,496)
Other Nonoperating Income (Expenses)	(14,183,800)	(1,053,674)	13,130,126
Total nonoperating revenues (expenses)	<u>(31,252,250)</u>	<u>(18,504,548)</u>	<u>12,747,702</u>
Income (Loss) before capital contributions and transfers	<u>13,646,540</u>	<u>3,186,324</u>	<u>(10,460,216)</u>
Capital Contributions	13,031,000	15,458,718	2,427,718
Transfers In		839,448	839,448
Transfers Out		(839,448)	(839,448)
Changes in net assets	<u>\$ 26,677,540</u>	<u>18,645,042</u>	<u>\$ (8,032,498)</u>
Total net assets, beginning of year		680,832,675	
Total net assets, end of year		<u>\$699,477,717</u>	

CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2009

Revenues:

Sale of Water:		
Potable Water Sales	\$	103,648,006
Reclaimed Water Sales		8,649,159
Central Arizona Project Surcharge		2,227,890
Connection Fees		2,323,499
Environmental and Sewer Billing Services		3,006,701
TCE Clean Up Reimbursement		1,045,158
Plan Review and Inspection Fees		550,079
Other		4,831,339

Non-Operating Income:

Impact Fees	3,457,296	
Investment Earnings - Operating Fund	171,325	
Investment Earnings - Debt Service	177,006	
Proceeds from Sale of Property/Equipment	504,801	
Total Non-Operating Income		<u>4,310,428</u>
Total Revenues		<u>130,592,259</u>

Operation and Maintenance Expenses:

Director's Office		4,133,829
Business Services		4,680,843
Customer Services		6,228,876
Water Operations		17,382,015
Planning and Engineering		7,008,151
Quality Management		9,021,662
Power - Potable System		13,518,732
Power - Reclaimed System		1,355,666
CAP Water Purchases:		
Commodity	9,594,750	
Capital Charges	2,595,096	
Total CAP Water Purchases		<u>12,189,846</u>
General Expenses		3,885,624
Capitalized Operation and Maintenance Expense		<u>(6,064,465)</u>
Total Operation and Maintenance Expense		<u>73,340,779</u>

Net Revenue Available After Operations (2)	\$	<u>57,251,480</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, 2009**

Bond Debt Service:

Senior Liens

Interest	18,214,243
Principal	10,850,000
Total Debt Service for Water Revenue Bonds	<u>29,064,243</u>

Junior Liens (Water Infrastructure Finance Authority)

Interest	1,351,248
Principal	3,252,839
Total Debt Service for Water Infrastructure Finance Authority	<u>4,604,087</u>

Combined Senior and Junior Liens

Interest	19,565,491
Principal	14,102,839
Total Debt Service	<u>33,668,330</u>

Net Revenue Available After Operations and Bond Debt Service for Senior Liens	<u>\$ 28,187,237</u>
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Net Revenue Available After Operations and Bond Debt Service for Combined Liens	<u>\$ 23,583,150</u>
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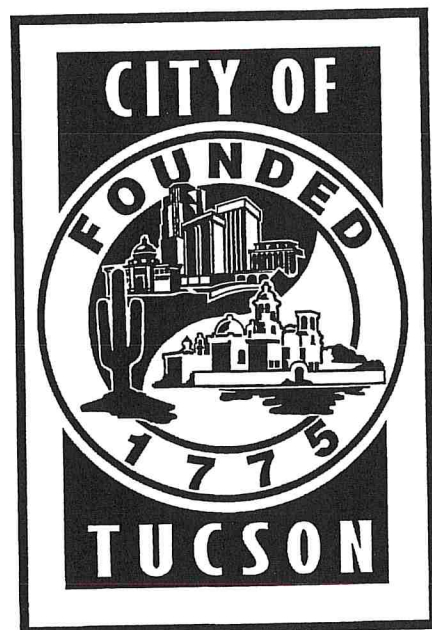
(1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financials statements on pages 24 and 25 are presented on a GAAP basis.

(2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement of \$37,677,497. 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, 2009, maximum future annual debt service coverage of senior lien debt is **151%**.

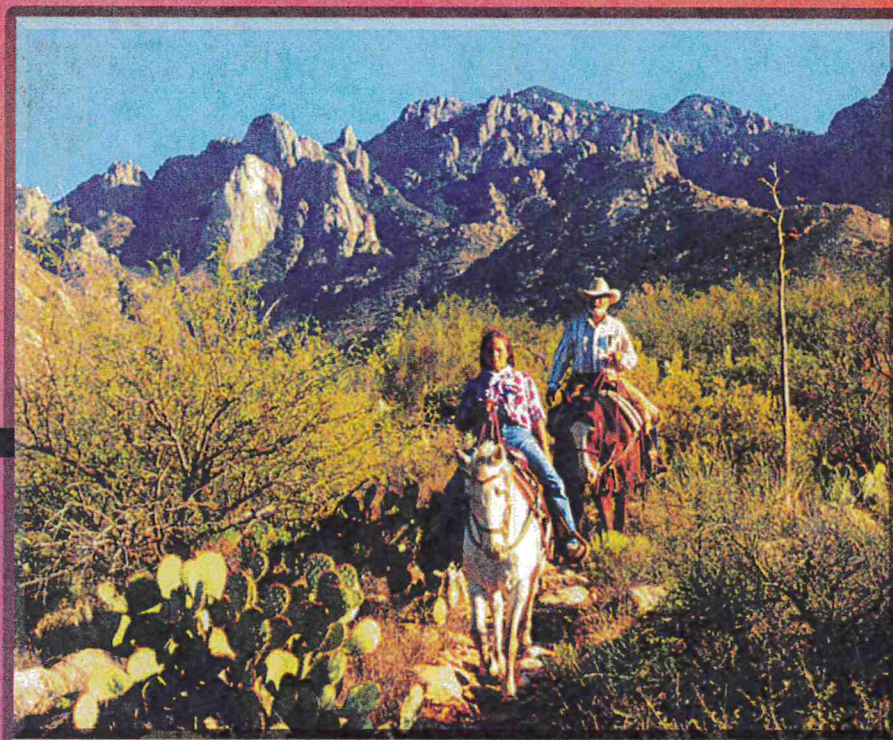
An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2009, the debt coverage on Senior Lien Annual Debt Service Requirement was **196%**.

The Water Utility's Junior Lien Debt has requirements that Net Revenues Available After Operations and Senior Lien debt service payments for any fiscal year must not 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, 2009, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is **612%**

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, 2009, is **170%**. The maximum future debt service coverage is **132%**.



CITY OF TUCSON, ARIZONA



STATISTICAL SECTION

Statistical Section

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

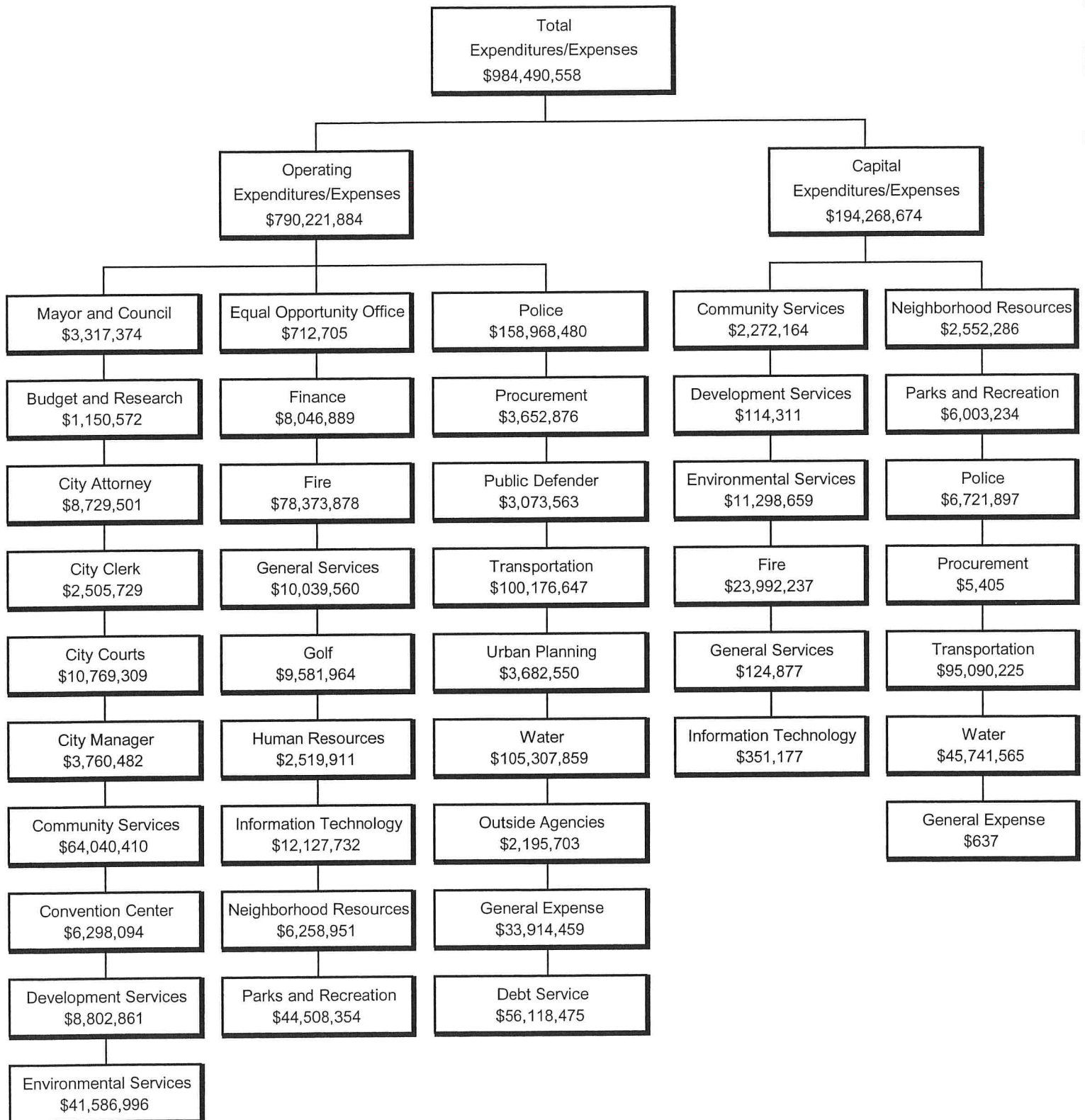
Contents

	<u>Page</u>
Financial Trends	126
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	134
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	137
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	142
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	145
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. The City implemented Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

City of Tucson
Expenditures/Expenses by Department
Fiscal Year 2009

TABLE I



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

TABLE II

		Fiscal Year							
		2002	2003(1)	2004(2)	2005	2006(3)	2007(4)	2008	2009
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$	903,284,000	974,031,888	996,134,436	998,221,324	976,649,504	959,636,068	1,048,004,576	1,128,906,123
Restricted		155,080,000	63,053,748	69,416,688	82,813,522	138,645,084	177,158,918	164,195,246	154,738,778
Unrestricted		(43,480,000)	(36,914,246)	22,536,654	18,134,646	42,058,585	28,276,910	(2,780,426)	(24,665,404)
Total Net assets		1,014,884,000	1,000,171,390	1,088,087,778	1,099,169,492	1,157,353,173	1,165,071,896	1,209,419,396	1,258,979,497
Business-type Activities									
Invested in Capital Assets, Net of Related Debt		533,162,000	552,151,011	576,958,002	594,423,874	583,166,485	681,599,255	696,128,404	727,347,232
Restricted		6,145,000	484,199	2,670,658	9,013,682	3,254,815	25,024,209	26,615,863	33,361,233
Unrestricted		30,524,000	33,543,287	(19,982,539)	(27,574,213)	(20,024,020)	(42,876,565)	(60,875,072)	(37,020,962)
Total Net assets		569,831,000	586,178,497	559,646,121	575,863,343	566,397,280	663,746,899	661,869,195	723,687,503
Primary Government									
Invested in Capital Assets, Net of Related Debt		1,436,446,000	1,526,182,899	1,573,092,438	1,592,645,198	1,559,815,989	1,641,235,323	1,744,132,980	1,856,253,355
Restricted		161,225,000	63,537,947	72,087,346	91,827,204	141,899,899	202,183,127	190,811,109	188,100,011
Unrestricted		(12,956,000)	(3,370,959)	2,554,115	(9,439,567)	22,034,565	(14,599,655)	(63,655,498)	(61,686,366)
Total Net assets	\$	1,584,715,000	1,586,349,887	1,647,733,899	1,675,032,835	1,723,750,453	1,828,818,795	1,871,288,591	1,982,667,000

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

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

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

(4) Restated ending FY 2007/beginning FY 2008 Net Assets for Governmental and Business-type Activities to meet new HUD reporting requirements.

CITY OF TUCSON
Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)

TABLE III

	Fiscal Year							
	2002	2003	2004	2005(1)	2006	2007	2008	2009
Expenses								
Governmental Activities								
Elected and Official	\$ 16,780,000	14,457,000	15,724,295	15,418,836	17,443,632	18,282,947	20,700,143	18,779,409
Support Services	51,768,000	45,314,000	42,465,015	58,587,923	58,092,060	48,489,229	47,471,907	42,727,879
Neighborhood Services	274,536,000	292,322,000	295,870,113	337,049,181	341,517,918	359,333,504	372,033,490	366,985,315
Environment and Development	115,901,000	142,322,000	149,983,180	131,039,748	137,175,591	153,134,680	156,511,559	143,961,284
Strategic Initiatives	29,073,000	14,303,000	13,359,186	14,039,464	12,499,925	8,156,745	7,217,537	6,517,311
Non-Departmental	18,899,000	13,196,000	10,439,491	12,788,223	14,972,390	35,332,418	46,693,111	43,079,731
Interest on Long-term Debt	26,619,000	21,975,000	23,701,247	22,270,724	24,108,533	27,227,363	27,105,560	27,364,406
Fiscal Agent Fees and Other	-	-	32,158	46,301	74,613	43,875	41,025	327,635
Total Governmental Activities	533,576,000	543,889,000	551,574,685	591,240,400	605,884,662	650,000,761	677,774,332	649,742,970
Business-type Activities							11,184,715	11,006,286
Neighborhood Resources (2)				39,464,082	42,987,747	46,037,471	53,420,043	44,676,920
Environmental Services								
Golf	10,082,000	9,640,000	9,323,864	10,064,093	9,003,837	9,692,464	10,847,587	9,864,806
Water	106,731,000	105,200,000	104,427,551	112,359,007	119,187,111	118,221,611	130,340,130	125,467,271
Total Business-type Activities	116,813,000	114,840,000	113,751,415	161,887,182	171,178,695	173,951,546	205,792,475	191,015,283
Total Primary Government Expenses	\$ 650,389,000	658,729,000	665,326,100	753,127,582	777,063,357	823,952,307	883,566,807	840,758,253
Program Revenues								
Governmental Activities:								
Charges for Services:								
Building/Review fees	\$ 8,692,000	8,911,000	10,040,714	10,090,878	12,359,186	10,190,224	10,160,837	6,901,801
Recreation Fees	3,321,000	3,870,000	4,146,918	4,329,235	4,388,275	4,240,903	4,302,267	4,256,646
Paramedic Services Fees	4,101,000	5,066,000	7,721,889	6,645,483	7,184,801	7,243,133	8,510,101	8,830,533
Refuse/Landfill Fees (1)	9,658,000	10,025,000	15,159,517					
Transit Fees	7,161,000	7,741,000	8,217,698	8,327,423	8,879,486	9,576,722	10,205,276	11,058,854
Other Charges for Service	39,530,000	40,242,000	41,704,463	64,021,068	67,970,643	59,651,892	68,504,419	70,813,426
Operating Grants & Contributions	127,254,000	129,445,000	96,836,225	127,785,107	134,853,525	119,726,357	112,001,911	119,638,739
Capital Grants and Contributions	23,666,000	17,063,000	74,014,269	26,158,108	36,449,563	56,340,464	87,427,159	124,734,954
Total Governmental Activities Program Revenues	223,383,000	222,363,000	257,841,693	247,357,302	272,085,479	266,969,695	301,111,970	346,234,953
Business-type Activities:								
Charge for Services:								
Neighborhood Resources (2)							7,415,970	3,454,415
Environmental Services (1)				35,506,968	39,809,587	42,960,815	42,533,898	43,888,522
Water	112,794,000	109,405,000	114,557,992	111,347,469	119,838,422	115,937,118	122,794,083	126,998,731
Golf	9,620,000	9,769,000	9,513,921	8,980,101	8,230,509	8,900,670	9,284,924	7,861,067
Operating Grants and Contributions	1,000							6,761,845
Capital Grants and Contributions		10,172,000	11,889,083	15,396,024	23,309,465	18,305,223	18,768,422	16,126,145
Total Business-type Activities Program Revenues	122,415,000	129,346,000	135,960,996	171,230,562	191,187,983	186,103,826	200,797,297	205,090,725
Total Primary Government Program Revenues	\$ 345,798,000	351,709,000	393,802,689	418,587,864	463,273,462	453,073,521	501,909,267	551,325,678

	Fiscal Year							
	2002	2003	2004	2005(1)	2006	2007	2008	2009
Net (Expenses) Revenue								
Governmental Activities	\$ (310,193,000)	(321,526,000)	(293,732,992)	(343,883,098)	(333,799,183)	(383,031,066)	(376,662,362)	(303,508,017)
Business-type Activities	5,602,000	14,506,000	22,209,581	9,343,380	20,009,288	12,152,280	(4,995,178)	14,075,442
Total Primary Government Net Expense	\$ (304,591,000)	(307,020,000)	(271,523,411)	(334,539,718)	(313,789,895)	(370,878,786)	(381,657,540)	(289,432,575)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property Taxes	\$ 24,306,000	25,069,000	27,329,989	30,203,848	33,669,712	37,669,367	38,247,154	36,427,562
Business Privilege Taxes	159,525,000	167,589,000	177,117,183	183,102,463	195,790,010	209,180,346	204,012,348	184,328,136
Public Utility Taxes	7,853,000	9,267,000	7,887,631	7,654,851	7,585,462	7,176,742	7,048,842	6,711,441
Transient Occupancy Taxes	6,339,000	6,395,000	9,145,965	10,768,492	12,276,201	12,979,893	12,367,631	10,987,895
Occupational Taxes	1,941,000	2,115,000	2,049,759	2,098,216	2,044,040	2,124,410	881,679	86,868
Liquor Taxes	746,000	731,000	713,674	740,742	721,117	731,380	670,480	702,523
Unrestricted Grants and Contributions	107,524,000	108,437,000	106,317,054	114,662,691	129,370,825	136,287,823	148,335,159	141,187,557
Investment Income (Loss)	6,467,000	3,737,000	1,037,894	2,605,029	3,932,688	11,613,881	6,480,118	2,505,708
Contributions to Term and Permanent Endowments	5,000							
Miscellaneous	7,916,000	5,253,000	5,782,790	7,100,302	15,542,035	8,370,501	3,750,250	2,082,053
Transfers				(3,971,822)	59,894	(410,991)	(783,799)	(1,031,319)
Total Governmental Activities	322,622,000	328,593,000	337,381,939	354,964,812	400,991,984	425,723,352	421,009,862	383,988,424
Business-type Activities:								
Unrestricted Grants and Contributions	9,972,000							
Investment Income (Loss)	1,958,000	1,630,000	705,809	2,902,021	2,809,904	3,586,680	2,633,875	1,752,143
Miscellaneous	114,000	211,000						
Transfers				3,971,822	(59,894)	410,991	783,799	1,031,319
Total Business-type Activities	12,044,000	1,841,000	705,809	6,873,843	2,750,010	3,997,671	3,417,674	2,783,462
Total Primary Government	\$ 334,666,000	330,434,000	338,087,748	361,838,655	403,741,994	429,721,023	424,427,536	386,771,886
Change in Net Assets								
Governmental Activities	\$ 12,429,000	7,067,000	43,648,947	11,081,714	67,192,801	42,692,286	44,347,500	80,480,407
Business-type Activities	17,646,000	16,347,000	22,915,390	16,217,223	22,759,298	16,149,951	(1,577,504)	16,858,904
Total Primary Government	\$ 30,075,000	23,414,000	66,564,337	27,298,937	89,952,099	58,842,237	42,769,996	97,339,311

Note: (1) Refuse/Landfill fees are included in the Environmental Services Fund, which became an enterprise fund.

Note: (2) Conventional Public Housing accounting moved from governmental funds to enterprise funds.

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

TABLE IV

	Fiscal Year							
	2002	2003	2004	2005	2006(2)	2007	2008 (3)	2009
General Fund								
Reserved	\$ 58,631,000	51,966,000	50,316,501	54,991,632	101,993,894	116,841,230	26,948,312	22,727,163
Unreserved (1)	15,894,000	4,262,000	23,045,832	43,069,860	62,715,037	50,947,576	31,124,703	17,000,405
Total General Fund	\$ 74,525,000	56,228,000	73,362,333	98,061,492	164,708,931	167,788,806	58,073,015	39,727,568
All Other Governmental Funds								
Reserved	\$ 71,110,000	68,318,000	56,832,573	68,845,203	53,211,786	58,199,299	128,066,834	103,582,644
Unreserved, Reported In:								
Special Revenue Funds	35,213,000	18,738,000	20,146,697	9,331,994	4,648,468	(487,809)	(11,863,316)	1,099,433
Capital Project Funds	(7,106,000)	1,642,000	173,256	(3,680,590)	(3,140,518)	(2,508,873)	(528,205)	
Total Unreserved (1)	28,107,000	20,380,000	20,319,953	5,651,404	1,507,950	(2,996,682)	(12,391,521)	1,099,433
Total All Other Governmental Funds	\$ 99,217,000	88,698,000	77,152,526	74,496,607	54,719,736	55,202,617	115,675,313	104,682,077

Notes: (1) Includes designations

(2) Restated ending FY 2006/beginning FY 2007 General Fund reserved fund balance by \$60,882 because of the incorporation of the reserves from the Library Fund. The General Fund unreserved fund balance increased and Other Governmental Fund unreserved decreased by \$4,424,628 because of the creation of a special revenue and internal service fund.

(3) The decrease of reserve balance in the general fund and the increase in the Other Governmental funds reserve balance is due to the recording of Certificate of Participations proceeds and expenditures in a special revenue fund.

CITY OF TUCSON

Tax and Other Agency Revenues, General Fund

Last Eight Fiscal Years

(Modified Accrual Basis of Accounting)

TABLE V

		Fiscal Year							
		2002	2003	2004	2005	2006	2007	2008	2009
Tax Revenues									
Property Taxes	\$	3,495,000	3,767,000	4,091,638	8,929,598	9,727,445	9,975,822	10,122,161	11,568,247
Public Utility Taxes		7,853,000	9,267,000	7,887,631	7,654,851	7,585,462	7,176,742	7,048,842	6,711,442
Local Use Taxes				4,266,605	4,949,414	5,406,243	6,839,887	7,949,205	8,770,451
Business Privilege Taxes		158,140,000	160,781,000	174,345,398	176,654,012	190,383,766	202,340,460	196,063,144	169,708,658
Transient Occupancy Taxes		6,339,000	6,395,000	9,145,964	10,768,492	10,206,786	10,963,953	10,488,453	9,270,796
Other Taxes		2,687,000	2,846,000	2,763,433	2,838,957	4,869,058	4,871,730	3,431,368	2,511,727
Total Tax Revenues	\$	178,514,000	183,056,000	202,500,669	211,795,324	228,178,760	242,168,594	235,103,173	208,541,321
Other Agency Revenues									
Auto Lieu Taxes - State	\$	19,058,000	19,790,000	21,077,563	23,187,797	23,134,336	23,429,781	23,445,568	22,114,531
Sales Tax - State		37,533,000	38,161,000	41,216,598	45,700,066	51,801,435	50,310,855	48,272,651	41,597,129
Urban Revenue Sharing - State		50,934,000	50,486,000	44,022,893	45,774,828	52,493,683	62,547,187	75,343,982	77,475,899
Contributions and Agency Billings(1)		7,335,000	8,037,000	8,983,800	11,710,044	10,784,563	1,262,098	2,663,381	1,564,782
Total Other Agency Revenue	\$	114,860,000	116,474,000	115,300,854	126,372,735	138,214,017	137,549,921	149,725,582	142,752,341

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

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

TABLE VI

		Fiscal Year							
		2002	2003	2004	2005	2006	2007	2008	2009
Revenues									
Taxes	\$	199,468,000	203,731,000	225,509,779	233,069,574	252,399,097	268,850,174	262,850,771	233,356,179
Licenses and Permits		18,098,000	17,088,000	17,762,372	19,502,424	21,014,411	22,211,469	23,372,170	22,067,281
Fines and Forfeitures		8,958,000	10,653,000	10,220,137	11,558,361	12,536,270	13,025,976	13,688,009	15,945,245
Developer Fees						8,585,307	6,985,561	5,936,592	6,782,474
Use of Money and Property		7,456,000	5,069,000	2,288,009	5,904,930	5,515,756	13,645,750	8,564,946	4,763,576
Federal Grants and Contributions		78,150,000	71,867,000	75,140,868	70,681,079	80,001,063	88,800,500	75,144,483	97,791,606
Other Agencies		176,900,000	178,658,000	179,542,430	196,010,931	209,999,995	210,751,555	256,350,134	266,729,414
Charges for Services		40,432,000	42,692,000	57,262,036	55,727,507	60,290,340	47,584,931	56,153,508	55,590,055
Special Assessments		1,631,000	1,559,000	684,162	863,322	1,337,976	873,801	1,712,882	1,155,596
Miscellaneous		2,935,000	3,505,000	5,540,913	7,349,494	9,704,478	6,046,159	4,916,002	5,188,266
Total Revenues		534,028,000	534,822,000	573,950,706	600,667,622	661,384,693	678,775,876	708,689,497	709,369,692
Expenditures									
Current									
Elected and Official		16,415,000	14,357,000	15,651,255	14,936,120	17,638,983	18,113,339	20,547,490	18,326,961
Support Services		41,582,000	42,399,000	40,499,625	53,968,431	56,762,595	45,444,738	43,182,510	37,623,756
Neighborhood Services		257,045,000	279,737,000	285,010,266	311,024,012	338,648,790	336,416,150	354,437,324	355,353,344
Environment and Development		108,810,000	116,314,000	121,560,502	103,510,740	111,266,055	119,417,994	125,894,170	112,662,056
Strategic Initiatives		11,927,000	13,597,000	12,811,453	13,297,336	12,368,978	7,760,831	7,017,029	6,298,094
Non-Departmental		7,544,000	10,549,000	8,298,062	11,976,825	12,349,781	34,744,063	39,918,390	36,356,093
Capital Outlay		20,130,000	11,019,000	6,878,900	8,844,020	22,131,307	11,767,166	20,350,305	27,979,817
Capital Projects		67,540,000	78,802,000	62,651,586	86,727,476	58,419,415	84,542,323	94,607,634	109,248,633
Debt Service									
Principal		21,328,000	21,079,000	21,917,431	22,391,353	28,092,430	32,408,561	39,356,327	27,609,139
Interest		26,424,000	21,842,000	23,701,247	22,270,724	24,108,533	27,227,363	27,105,560	27,276,527
Fiscal Agent Fees		251,000	1,213,000	32,158	46,301	74,613	43,875	41,025	49,197
Issuance Cost of Debt		1,325,000	27,000	783,501	2,363,772	1,334,278	1,512,249		1,183,612
Total Expenditures		580,321,000	610,935,000	599,795,986	651,357,110	683,195,758	719,398,652	772,457,764	759,967,229
Excess of Revenues									
Over (Under) Expenditures	\$	(46,293,000)	(76,113,000)	(25,845,280)	(50,689,488)	(21,811,065)	(40,622,776)	(63,768,267)	(50,597,537)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Other Financing Sources (Uses)								
Face Amount of Bond Proceeds	\$ 73,426,000	145,701,000	23,500,000	109,719,606	347,766	72,167,871	14,972,655	10,505,635
Lease Purchase and Contract Proceeds	781,000	918,000	19,451,315	55,908,283	72,597,366	46,925,648	3,403,554	37,865,261
Premium on Issuance of Debt		-	408,845	8,054,895	1,095,521	5,263,499		1,757,629
Transfers from Other Funds	76,205,000	73,421,000	66,914,931	65,305,681	69,095,663	64,238,616	66,240,407	42,237,209
Proceeds from Sale of Real Property	34,340,000							
Payment to Refunded Bond Escrow Agent	(58,095,000)	(107,773,000)	(45,479)	(92,443,595)		(65,418,781)		(28,778,672)
Discount on Issuance of Debt			(143,281)					(275,753)
Transfers to Other Funds	(76,810,000)	(73,828,000)	(67,220,371)	(73,415,933)	(74,454,683)	(80,940,455)	(67,512,881)	(42,052,456)
Total Other Financing Sources (Uses)	49,847,000	38,439,000	42,865,960	73,128,937	68,681,633	42,236,398	17,103,735	21,258,853
Contributions to Permanent or Term Endowments	5,000							
Net Change in Fund Balances	\$ 3,559,000	(37,674,000)	17,020,680	22,439,449	46,870,568	1,613,622	(46,664,532)	(29,338,684)
Debt Service as a % of								
Noncapital Expenditures (1)	9.7%	8.2%	8.6%	8.0%	8.7%	9.6%	10.1%	8.8%

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

CITY OF TUCSON
Taxable Sales by Category
Last Eight Fiscal Years

TABLE VII

Activity	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Utilities	\$ 890,884,761	1,011,953,381	1,056,963,347	1,052,260,259	1,056,932,157	1,092,862,650	1,068,164,744
Communications	358,249,077	336,616,804	289,225,380	277,701,526	296,114,202	274,517,930	233,305,130
Publishing & Printing	172,342,455	56,323,977	55,065,209	72,998,559	62,908,391	44,630,626	33,514,272
Restaurants	735,991,041	777,668,157	851,826,135	957,084,748	983,764,883	944,829,729	860,912,578
Amusements	51,861,916	49,997,899	54,664,073	60,603,914	69,179,339	61,369,236	56,834,943
Rentals	953,734,013	1,004,851,765	1,029,049,007	1,117,216,113	1,220,596,574	1,035,401,328	932,183,122
Contracting	771,816,123	845,537,417	912,930,149	896,249,698	1,090,299,763	1,111,139,795	873,469,195
Retail	4,640,805,874	4,851,948,423	5,171,389,247	5,584,386,248	5,789,394,611	5,643,126,171	4,772,347,619
Use Tax		145,338,032	184,561,040	266,189,312	303,859,500	397,460,235	447,307,576
Other	977,380	2,549,510	3,313,707	2,306,455	3,300,469	4,847,409	3,334,482
Total Business Privilege Activity	\$ 8,576,662,640	9,082,785,365	9,608,987,294	10,286,996,832	10,876,349,889	10,610,185,109	9,281,373,661
City's Tax Rate	2%	2%	2%	2%	2%	2%	2%

Notes: (1) Fiscal Year 2002 information is not available.

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

TABLE VIII

<u>Fiscal Year</u>	<u>City's Rate</u>	<u>State's Rate</u>	<u>County's Rate - RTA (1)</u>
2002	2.0%	5.6%	
2003	2.0%	5.6%	
2004	2.0%	5.6%	
2005	2.0%	5.6%	
2006	2.0%	5.6%	
2007	2.0%	5.6%	0.5%
2008	2.0%	5.6%	0.5%
2009	2.0%	5.6%	0.5%

Note: (1) On May 16, 2006 voters in Pima County approved a 20-year Regional Transportation Plan and a regional half-cent sales tax to pay for roadway, transit, bike and pedestrian improvements.

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

TABLE IX

<u>Business Sector</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2009</u>	
	<u>Tax Paid</u>	<u>% of Total</u>	<u>Tax Paid</u>	<u>% of Total</u>
Utility	\$ 19,377,937	11.1%	\$ 21,148,971	11.0%
Communications	6,930,606	4.0%	4,688,549	2.4%
Publishing & Printing	1,095,575	0.6%	2,703,051	1.4%
Restaurants	15,011,123	8.6%	18,183,318	9.5%
Amusements	1,049,558	0.6%	1,130,406	0.6%
Rentals	21,705,274	12.4%	19,349,209	10.1%
Contracting	15,361,137	8.8%	18,536,771	9.6%
Retail	94,376,152	54.0%	97,655,123	50.8%
Use Tax (3)		0.0%	8,747,960	4.6%
Other Activities	14,238	0.0%	69,186	0.0%
Total (2)	<u>\$ 174,921,600</u>	<u>100%</u>	<u>\$ 192,212,544</u>	<u>100.0%</u>

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

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

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

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

TABLE X

Fiscal Year	Governmental Activities							Total Governmental Activities
	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	
2002	\$ 243,099,000	\$ 155,695,000	\$ 3,700,000	24,035,000	\$ 3,567,000	\$ 16,876,344		\$ 446,972,344
2003	266,989,000	153,545,000	2,900,000	19,335,000	4,555,000	15,573,000		462,897,000
2004	273,944,070	156,475,000	2,100,000	27,340,000	4,028,500	19,677,565		483,565,135
2005	248,797,182	153,515,000	1,300,000	89,875,000	3,575,600	4,661,279		501,724,061
2006	239,102,182	144,265,000		152,485,000	3,481,766	7,218,103		546,552,051
2007	237,464,814	134,665,000		184,215,000	3,331,486	11,505,815		571,182,115
2008	223,590,377	124,665,000	13,400,000	172,670,000	4,333,254	11,484,700		550,143,331
2009	254,075,610	124,150,000	5,900,000	191,226,000	4,192,635	7,697,512	7,595,900	594,837,657

Fiscal Year	Business-type Activities							Per Capita (1)
	Water System Revenue Bonds	General Obligation Bonds (2)	Capital Leases	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personnel Income (1)	
2002	\$ 334,999,000	\$	\$ 18,000	\$ 4,625,000	\$ 339,642,000	\$ 786,614,344	3.56%	\$ 1,547.63
2003	333,665,000			4,625,000	338,290,000	801,187,000	3.47%	1,552.03
2004	364,700,666		850,000	4,625,000	370,175,666	853,740,801	3.47%	1,645.36
2005	388,324,735	42,386,887	3,049,416	4,320,000	438,081,038	939,805,099	3.55%	1,801.76
2006	383,337,014	42,386,887	6,787,833	5,495,000	438,006,734	984,558,785	3.42%	1,820.71
2007	411,342,495	45,835,796	7,096,351	5,080,000	469,354,642	1,040,536,757	3.61%	1,901.16
2008	436,255,222	45,515,223	7,687,215	4,645,000	494,102,660	1,044,245,991	3.15%	1,877.38
2009	459,874,394		5,028,084	14,529,000	479,431,478	1,074,269,135	3.27%	1,974.91

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

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

(2) Debt service is paid and bond liability reported in the Environmental Services Enterprise Fund. A restatement was done in FY 2009. to show in Governmental Activities in FY 2009.

CITY OF TUCSON
Ratios of Net General Bonded Debt Outstanding
Last Eight Fiscal Years

TABLE XI

Fiscal Year		General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Estimated Net Full Cash Value	Percentage of Actual Property Value	Per Capita
2002		\$ 243,099,000	\$ 1,503,000	\$ 241,596,000	\$ 14,786,084,789	1.63%	\$ 475.33
2003		266,989,000	3,195,000	263,794,000	15,838,940,606	1.67%	511.01
2004		273,944,070	4,439,232	269,504,838	17,154,631,650	1.57%	519.40
2005		248,797,182	5,317,340	243,479,842	18,396,623,812	1.32%	466.79
2006	(1)	281,489,069	7,839,739	273,649,330	19,785,493,382	1.38%	506.05
2007	(2)	283,300,610	10,833,913	272,466,697	22,220,936,879	1.23%	497.82
2008	(3)	269,105,600	13,842,695	255,262,905	26,219,680,375	0.97%	458.92
2009	(4)	254,075,610	10,742,199	243,333,411	30,304,695,215	0.80%	437.47

Source: Estimated net full cash value is from the latest Water Revenue Bond offering statement.

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

- (1) Includes \$42,386,887 of General Bonded debt in the Environment Services Fund.
- (2) Includes \$45,835,796 of General Bonded debt in the Environment Services Fund.
- (3) Includes \$45,515,223 of General Bonded debt in the Environment Services Fund.
- (4) General Bonded debt no longer in the Environment Services Fund.

CITY OF TUCSON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009

TABLE XII

<u>Overlapping Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 423,335,000	43.90%	\$ 185,844,065
Pima Community College District	39,905,000	43.90%	17,518,295
Pima County Flood Control District	725,000	43.90%	318,275
Tucson Unified School District No. 1	325,955,000	77.02%	251,050,541
Flowing Wells Unified School District No. 8	18,340,000	5.10%	935,340
Amphitheater Unified School District No. 10	61,990,000	15.99%	9,912,201
Sunnyside Unified School District No. 12	31,090,000	77.51%	24,097,859
Tanque Verde Unified School District No. 13	2,270,000	1.16%	26,332
Vail Unified School District No. 20	40,355,000	39.19%	15,815,125
Sahuarita Unified School District No. 30	27,420,000	0.29%	79,518
Other Debt (1)			
Pima County Capital Leases	50,265,612	43.90%	22,066,604
Pima Community College District Capital Leases	4,295,000	43.90%	1,885,505
Tucson Unified School District No. 1 Capital Leases	3,726,540	77.02%	2,870,181
Flowing Wells Unified School District No. 8 Capital Leases	226,808	5.10%	11,567
Amphitheater Unified School District No. 10 Capital Leases	378,823	15.99%	60,574
Sunnyside Unified School District No. 12 Capital Leases	945,298	77.51%	732,700
Vail Unified School District No. 20 Capital Leases	694,409	39.19%	272,139
Sahuarita Unified School District No. 30 Capital Leases	125,453	0.29%	364
Subtotal, Overlapping Debt			533,497,185
City of Tucson, Arizona Direct Debt			594,837,657
Total Direct and Overlapping Debt			\$ <u>1,128,334,842</u>

Source: State Report of Indebtedness and Official Statement Dated June 2009, Water System Revenue Obligations

Notes: (1) Outstanding Other Debt is as of Fiscal Year 2008

CITY OF TUCSON
Legal Debt Margin Information
Last Eight Fiscal Years

TABLE XIII

		Fiscal Year							
		2002	2003	2004	2005	2006	2007	2008	2009
Primary Tax Rate	\$	0.1403	0.2089	0.2089	0.3531	0.3469	0.3411	0.3296	0.3231
Secondary Tax Rate		0.9799	0.9113	0.9480	0.8316	0.8895	0.8846	0.8025	0.637
Total Property Tax Rate (1)	\$	1.1202	1.1202	1.1569	1.1847	1.2364	1.2257	1.1321	0.9601
Secondary Assessed Value	\$	2,138,461,318	2,268,733,334	2,427,120,926	2,558,231,181	2,722,915,853	3,016,230,759	3,491,926,602	3,895,581,900
6% Limitation (2)		128,307,679	136,124,000	145,627,256	153,493,871	163,374,951	180,973,846	209,515,596	233,734,914
Less: Direct G.O. Bonds Outstanding		79,678,000	84,671,460	82,446,460	60,988,460	51,333,460	20,715,000	9,145,000	660,000
Legal Debt Margin		48,629,679	51,452,540	63,180,796	92,505,411	112,041,491	160,258,846	200,370,596	233,074,914
Legal Debt Margin as a Percentage of the Debt Limit		37.90%	37.80%	43.39%	60.27%	68.58%	88.55%	95.64%	99.72%
20% Limitation (2)		427,692,264	453,746,667	485,424,185	511,646,236	544,583,171	603,246,152	698,385,320	779,116,380
Less: Direct G.O. Bonds Outstanding		163,421,070	182,317,610	191,497,610	230,195,610	230,155,609	262,585,610	259,960,610	253,415,610
Legal Debt Margin	\$	264,271,194	271,429,057	293,926,575	281,450,626	314,427,562	340,660,542	438,424,710	525,700,770
Legal Debt Margin as a Percentage of the Debt Limit		61.79%	59.82%	60.55%	55.01%	57.74%	56.47%	62.78%	67.47%

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

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

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

TABLE XIV

Water System Revenue Bonds									
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Combined Debt Service Principal	Combined Debt Service Interest	Senior Lien Debt Service Principal	Senior Lien Debt Service Interest	Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio
2002	\$ 114,282,000	\$ 57,295,000	\$ 56,987,000	\$ 7,501,000	\$ 15,786,000	\$	\$	2.42	
2003	110,444,000	60,031,000	50,413,000	7,934,000	16,822,000			2.01	
2004	115,298,950	61,669,935	53,629,015	8,985,510	17,436,712			1.99	
2005	119,852,788	66,217,746	53,635,042	9,987,817	17,922,422			1.88	
2006	128,693,649	71,289,091	57,404,558	11,201,882	18,924,918			1.87	
2007	124,708,152	73,544,769	51,163,383	15,414,363	15,950,064	13,070,000	15,000,057	1.63	1.82
2008	129,575,735	77,116,750	52,458,985	13,589,134	18,816,787	10,515,000	17,813,015	1.61	1.85
2009	130,592,259	73,340,779	57,251,480	14,102,839	19,565,491	10,850,000	18,214,243	1.70	1.96

Special Assessments					Highway User Fees (HURF)				
Fiscal Year	Special Assessments Collections	Debt Service			HURF Revenues	Debt Service			
		Principal	Interest	Coverage		Principal	Interest	Coverage	
2002	\$ 560,000	\$ 604,000	\$ 201,062	0.70	\$ 42,769,457	\$ 6,645,000	\$ 8,903,281	2.75	
2003	1,125,000	668,597	249,147	1.23	44,532,807	7,460,000	7,125,180	3.05	
2004	683,004	526,392	212,893	0.92	46,699,213	5,570,000	7,752,180	3.51	
2005	898,339	452,900	187,446	1.40	49,076,490	8,380,000	7,040,918	3.18	
2006	744,351	441,600	168,055	1.22	50,371,196	9,250,000	7,660,318	2.98	
2007	692,291	453,001	170,514	1.11	49,427,956	9,600,000	7,263,235	2.93	
2008	1,370,171	570,887	210,457	1.75	48,918,768	10,000,000	6,831,205	2.91	
2009	742,520	516,254	214,151	1.02	45,849,257		6,118,500	7.49	

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

The coverage ratio is based on the Annual Debt Service coverage as defined by City of Tucson Ordinance No. 6347. An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City 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 Eight Fiscal Years

TABLE XV

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	508,271	\$ 22,071,150,000	\$ 43,424	4.4%
2003	516,220	23,081,710,000	44,713	4.0%
2004	518,878	24,582,890,000	47,377	4.2%
2005	521,605	26,464,780,000	50,737	4.7%
2006	540,754	28,796,630,000	53,253	4.5%
2007	547,316	30,837,500,000	56,343	3.8%
2008	556,225	33,117,770,000	59,540	4.7%
2009	543,959	32,873,000,000	60,433	7.9%

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

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XVI

Employer	2000		Employer	2009	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	10,000	2.88%	Raytheon Missile Systems	11,539	3.18%
State Of Arizona	9,694	2.79%	University of Arizona	10,575	2.92%
Pima County	9,681	2.79%	State of Arizona	9,329	2.57%
Raytheon	9,200	2.65%	Davis-Monthan Air Force Base	7,509	2.07%
Davis-Monthan Air Force Base	8,855	2.55%	Tucson Unified School District	7,227	1.99%
City of Tucson	7,977	2.30%	Wal-Mart Stores, Inc.	6,715	1.85%
Tucson Unified School District	6,568	1.89%	U.S. Army Intelligence Center & Fort Huachuca	6,463	1.78%
Carondelet Health Services	3,993	1.15%	Pima County	6,235	1.72%
Pima County Community College District	3,855	1.11%	Freeport-McMoRan Copper & Gold Mine	5,987	1.65%
Tucson Medical Center	2,784	0.80%	City of Tucson	5,635	1.56%
Total	72,607	20.93%	Total	77,214	21.31%

Source: City of Tucson General Obligation Bond Official Statement dated July 10, 2000 and Water System Revenue Obligation Offering Statement dated July 1, 2009.
 Arizona Workforce Web Site (CES/NAICS)

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

TABLE XVII

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Elected and Official	254.74	228.25	235.75	215.00	234.50	223.50	253.50	250.00
Neighborhood Services	3,253.55	3,241.55	3,198.80	3,297.30	3,422.05	3,277.80	3,433.55	3,447.05
Environment and Development	811.00	795.00	799.00	1,098.50	578.00	564.50	577.50	563.50
Strategic Initiatives	85.50	85.50	78.75	93.25	93.75	63.75	63.75	63.75
Support Services	756.37	729.66	699.71	720.71	720.71	724.71	702.16	702.16
Non-Departmental	5.50	5.75	4.75	4.75	4.75	14.75	4.00	4.00
Utility Services-Environmental Services				263.00	262.00	251.00	264.00	263.00
Utility Services-Water	590.00	590.00	589.00	576.00	571.00	573.00	578.00	580.00
Golf	169.00	153.75	154.75	154.75	154.75	154.75	154.75	154.75
Total	5925.66	5,829.46	5,760.51	6,423.26	6,041.51	5,847.76	6,031.21	6,028.21

Source: Adopted Budget - Volume I

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

TABLE XVIII

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Police Facilities	7	8	8	8	8	8	8	9
Fire Stations	18	18	18	20	20	20	21	21
Parks & Recreation								
Recreation/Regional Centers	16	17	17	19	18	18	18	18
Golf Courses	5	5	5	5	5	5	5	5
Parks	127	127	127	125	136	136	142	142
Playfields	195	195	195	182	231	231	231	231
Swimming Pools	26	26	26	27	27	27	27	27
Transportation								
Residential (Miles)	1,305	1,315	1,347	1,355	1,355	1,378	1,378	1,384
Collectors (Miles)	101	101	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287	287	287
Interstate (Miles)	80	80	80	80	80	80	80	80
Transit								
Buses (Active Fleet)	194	194	189	189	189	196	203	230
Water								
Operable Wells	207	212	216	223	212	212	216	216
Miles of Water Mains	4,275	4,275	4,300	4,480	4,561	4,617	4,437	4,683

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Eight Years

TABLE XIX

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Government								
Building Permits - New Construction	45,750	33,452	33,320	49,164	32,915	27,818	24,438	20,982
Police								
Calls for Service	337,102	344,223	373,509	349,220	337,224	346,836	345,395	327,882
Calls for Service per Capita	0.66	0.67	0.72	0.67	0.62	0.63	0.62	0.60
Part I Crimes (% Cleared) (1)	13.64%	13.90%	13.72%	14.04%	16.30%	16.97%	19.39%	18.41%
Part II Crimes (% Cleared) (1)	86.22%	87.24%	87.93%	71.60%	89.05%	86.07%	94.14%	94.27%
Fire								
Emergency Responses	67,183	67,151	68,487	69,667	71,843	76,567	79,940	79,380
Inspections	2,645	2,828	2,991	3,200	2,801	2,644	3,028	7,825
Parks & Recreation								
KIDCO Registration	6,525	5,325	4,640	7,824	8,273	6,851	4,423	2,967
Class Enrollment-Other than KIDCO	26,641	23,670	30,023	35,153	35,703	19,681	10,531	19,865
Facility Rental	11,510	11,620	12,200	12,194	13,095	14,197	14,215	14,021
Zoo Visitors	412,680	385,933	376,535	434,252	439,380	467,108	504,528	529,010
Environmental Services								
Landfill Tons of Waste Collected (2)	Not Available	506,372	547,270	597,576	638,550	690,215	631,465	487,144
Tons of Material Recycled	Not Available	43,655	46,489	47,608	46,034	46,918	46,096	44,480
Water								
Average Total Monthly Connections								
Potable	199,613	204,701	211,466	215,785	220,571	225,048	224,129	228,157
Reclaimed	576	670	763	868	950	993	1,086	1,053
New Connections								
Potable	5,077	5,493	6,177	4,069	4,846	3,880	2,295	1,064
Reclaimed	88	113	89	99	48	55	15	17
Water Sales (1000 ccf)								
Potable	48,016	47,274	47,974	47,251	49,536	46,366	46,590	44,443
Reclaimed	4,990	4,638	5,197	5,003	5,998	5,848	6,617	7,151
Transportation								
Average Response Time (working days) to Complete								
Pothole Repairs (2)	4	6	7	8	10	10	2 to 4 weeks	4 to 6 weeks
The % of Lane Miles Assessed as Satisfactory or Better	78.8%	76.6%	73.4%	87.9%	85.0%	79%	80%	81%
Traffic Signal Expenditure per Repair (3)	\$73.35	\$77.24	\$81.31	\$85.59	\$89.56	\$95.00	\$250.00	\$486.00
Sun Tran's Operating Expenses per Vehicle Revenue	\$4.65	\$4.73	\$5.00	\$5.28	\$5.67	\$5.91	\$6.02	\$6.44
Sun Tran's Operating Expenses per Passenger Mile	\$0.56	\$0.55	\$0.58	\$0.63	\$0.63	\$0.53	\$0.68	\$0.59

Source: Source: Various City Departments

Notes: (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) For FY 2008, costs now Includes all costs of repairs even though not directly identified to the malfunction.

(3) Increased number of vacancies caused the increase.

CITY OF TUCSON, ARIZONA



GLOSSARY

Glossary

Accrual basis of accounting. A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. All proprietary and trust funds use the accrual basis of accounting.

Agent multiple-employer defined benefit pension plan. An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level. [SGAS 27]

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.

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

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

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

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

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

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

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

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available financial resources in governmental funds.

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

Encumbrances. Commitments related to unperformed (executory) contracts for goods or services.

Enterprise fund. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

Expenditure. Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses*.

Fiduciary funds. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Financial reporting entity. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

Financial resources. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

Financial section. One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

Fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund balance. The difference between assets and liabilities reported in a governmental fund.

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

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

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

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

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

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

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

Intangible Asset. An asset with a initial useful life beyond a single reporting life and lacks physical substance and is not in a monetary form similar cash or investment securities.

Internal service funds. Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The goal of an internal service fund is to measure the full cost of providing goods or services for the purpose of fully recovering that cost (including the cost of capital assets) through fees or charges.

Introductory section. The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's financial condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

Landfill closure and postclosure care costs. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS18]

Legal debt margin. The excess of the amount of debt legally authorized over the amount of debt outstanding.

Legal defeasance. A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

Legal level of budgetary control. The level at which a government's management may not reallocate resources without special approval from the legislative body.

Materiality. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.¹ The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner, but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period. [SGAS 11]

Measurement Focus. The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial

statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

Modified accrual basis of accounting. Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Noncapital financing activities. Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

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

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

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

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

Overlapping debt. Proportionate share that property within a government must bear the debts of other local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Pension (and other employee benefit) trust funds. A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Permanent Funds. A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

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

Proprietary funds. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Refunding. The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding).

Required supplementary information. Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic statements. [SGAS 5]

Restricted assets. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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.

