



CITY OF
TUCSON
ARIZONA

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ANNUAL
COMPREHENSIVE
FINANCIAL REPORT

Fiscal Year
July 1, 2021 -
June 30, 2022

Financial Statements
Year Ended June 30, 2022
City of Tucson, Arizona

Prepared by: Finance Department

City of Tucson, Arizona

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INTRODUCTORY
SECTION





January 31, 2023

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

OFFICE OF THE
CITY MANAGER

The Annual Comprehensive Financial Report (ACFR) of the City of Tucson, Arizona, (City) for the fiscal year ended June 30, 2022, is submitted as required by Chapter XXIX of the City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity and to have the report audited by certified public accountants independent of City government. The ACFR was prepared by the City's Business Services Department – Financial Reporting Division in accordance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

To comply with the City Charter requirement of obtaining an annual independent audit, we engaged Heinfeld, Meech, and Company, P.C. to express an opinion on the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report, and the City received an unmodified opinion upon completion of the audit.

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

The Report

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

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

The Statistical Section is the last section of the ACFR and includes financial trends, revenue capacity, debt capacity, economic and demographic information, and operating information. The Letter of Transmittal and the MD&A section of the ACFR is to provide information on the financial position of the City and provide explanations of financial trends and significant differences in fund financial statements. The ACFR is presented in three sections: 1) Introductory Section, 2) Financial Section and 3) the Statistical Section. The Introductory Section includes the letter of transmittal, the City's organizational chart, and certificate of achievement.

City Profile

Tucson is known for its saguaro-studded landscape and seemingly endless sunny days; Tucson is indeed one of the most unique and stunning landscapes in the country. However, the spirit of Tucson lies in the warm, diverse, and authentic nature of the people who call Tucson home. Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. The City was incorporated on February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes.

As Arizona's second largest city, Tucson has a culturally diverse population of more than 542,000 located 100 miles south of Phoenix and 66 miles from the international border and Nogales, Arizona - Mariposa Port of entry to Mexico. Tucson's metropolitan area of one million people is surrounded by four majestic mountain ranges and nestled in the heart of a lush Sonoran Desert valley. Both residents and visitors delight in outdoor activities from hiking and biking to birding and stargazing. Tucson was also the country's first city to be named a UNESCO City of Gastronomy. The award recognizes the region's "rich agricultural heritage, thriving food traditions, and culinary distinctiveness." On top of just being delicious, the food reflects the unique cultures and traditions that make Tucson special. Tucson's vibrant culture is also reflected in its many events including the world's largest gem, mineral, and fossil showcase, All Souls Procession, and Tucson Meet Yourself. The energetic and still growing downtown is full of theaters, performance spaces, and museums showcasing a vibrant arts community.

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

By charter from the State of Arizona, the city is governed by a Mayor and Council. Council member candidates are nominated in primary elections in each of six wards but are elected in citywide elections. The mayor is nominated and elected citywide. Elections occur on an odd-year cycle. The Mayor and Council set policy and appoint a city manager to provide the general supervision and direction for city government operations. Tucson is the county seat for Pima County which is the second largest county in population in Arizona. Only 65% of Pima County is incorporated into a city or town. Tucson has continued to grow its borders through the establishment of a strong annexation policy.

Budget System and Controls

Like all cities in the State of Arizona, Tucson is subject to budget and related legal requirements. State law (ARS §42-17101) requires that the Mayor and Council adopt a tentative budget on or before the third Monday in July of each fiscal year. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption. In effect, with the adoption of the tentative budget, the council has set its maximum "limits" for expenditure, but these limits may be reduced upon final adoption.

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

The City adopted a comprehensive set of financial policies that incorporate a wide range of topics including financial planning, budgetary planning, capital management, expenditure control, fund balance, revenues and collections, cash management and investments, financial reporting, and debt management. The financial goals are broad and help the City maintain an adequate financial base to sustain our serviceability despite of local or regional economic fluctuations and ensure adherence to the highest accounting and management practices. The General Fund fund balance policy, adopted by Mayor and Council, states that the City will maintain a stabilization fund that represents no less than 10% of General Fund revenues as "Committed Fund Balance" with established restrictions on how it can be used. As of June 30, 2022, our unassigned fund balance represents 23.3% of General Fund revenues and the committed fund balance for the stabilization fund is 10%.

Local Economy

The Tucson community has entered a new era of collaboration with our economic partners, the State of Arizona, Rio Nuevo, Pima County, and Sun Corridor Inc, that has transformed our business environment and successfully attracted major investment and job creation by global and national corporations. During the pandemic, the Mayor and Council moved swiftly to leverage federal financial aid to provide economic support to Tucson's most-vulnerable community members. This work has helped to ensure a strong economy for all community members. Tucson has long been recognized as a center for the aerospace, defense, optics, and medical-health services industries and is now receiving global attention for emergence as a center for logistics, mining technology, renewable energy, and biotechnology. With 350 days of sunshine every year, tourism is a major economic engine for the Tucson community. Major world class attractions include Saguaro National Park, the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. Thousands of visitors attend annual signature events, such as the Tucson Gem and Mineral Show, El Tour de Tucson and the Tucson Rodeo and Parade (La Fiesta de los Vaqueros). These visitors generate sales in lodging, dining, retail, recreation, and transportation and have an estimated local impact of \$150 million dollars.

The economic forecast is calling for expansion at a moderate pace with gains in jobs, income, and population. The University of Arizona's Eller College of Management reports Arizona job gains in 2022, albeit nominally at 3.8% in comparison to prior year and decelerating to 1.1% in 2023. Unemployment rate is projected to decrease in 2022, from 4.9% to 3.5%. Personal income is also estimated to increase very modestly in the Tucson region by 0.5% in 2022, statewide projection increases to 7.5%.

Since the Great Recession, the City's revenues, particularly business privilege and transient occupancy taxes, were increasing at a more significant percentage than any other year. With sales tax revenues comprising approximately 55.7% of the City's General Fund, and retail and restaurant sales being major components, the City experienced strong sales tax growth from fiscal year 2021 amount of \$249.9 million to the fiscal year 2022 amount of \$279.3 million; a 11.8% increase. This can be attributed to the recovery from the impact of the pandemic and higher prices for goods subject to tax.

The City is watching the national economic picture and predictions of a possible recession as we map out our financial position for the coming months and years. In general, we expect that any recession would most immediately impact our Sales Tax collections, the single largest source of General Fund revenue. To that end, we are monitoring sales taxes on a weekly basis and are seeing collections continue to meet our budget projections for fiscal year 2023. The City is ready to quickly move to implement austerity measures should it find itself with declining revenues.

Long-Term Planning

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

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

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

Major Initiatives

Tucson Delivers

The City has built upon increasing constituent confidence to pass a series of voter-approved initiatives. Over the last decade, these voter-approved initiatives account for \$1.2 billion in investment in the community, including the extension of the half-cent sales tax this year that will result in \$740 million to improve neighborhood streets and street safety city wide. This funding results in significant planning and implementation work for staff and including it in the operations plan will ensure continued delivery of voter-approved programs. The key components in this category include the road work as a part of completing Proposition 101 and beginning Proposition 411, public safety

investment remaining in Proposition 101, and parks improvements and connections projects from Proposition 407.

Accountable Government

To be a high performing, highly skilled, and well-trained customer focused workforce that effectively utilizes resources to provide high-quality services to our residents, customers, and employees we will embark on several key initiatives related to government operations. These initiatives will include launching the initial phases of 311; operationalization of the Office of Equity as recently presented to Mayor and Council; increased communication, transparency, and engagement through the launch of a new City website; and increased effectiveness in Human Resources to support departments in retaining and attracting top echelon employees.

Climate Action and Adaptation

By adopting a resolution to transform our organization to carbon neutrality by 2030, the Mayor and Council made a clear commitment to fighting climate change, protecting our natural resources, and creating resiliency in our community, particularly in formerly disenfranchised areas. Key initiatives in this goal area include completion of the Climate Action Plan, working to transform the Los Reales Sustainability Campus and corresponding waste streams, supporting the Million Trees Program, and expanding fleet electrification.

Community Safety

In the wake of expanding awareness of civil rights issues across the country and here in our own community, the Mayor and Council have led in broadening our organization's definition of community safety. Key initiatives in this area include implementation of the Community Safety, Health, and Wellness Program as presented to Mayor and Council, continued implementation of advanced policing approaches – including the addition of Community Safety Officers - and initiatives to address housing security and affordability.

Housing Affordability and Homelessness

Homelessness continues to be a challenge for most large cities across the nation, and Tucson is no exception. Our approach will continue to implement policy direction from Mayor and Council including the investment to address this challenge. We will also organize ourselves to respond to the issue through existing city resources like our housing first efforts and clean-up of litter and trash while focusing on other funding sources from the State and Federal governments to provide housing alternatives. We will also leverage our partnerships with non-profit service agencies to help in addressing this challenge.

Economic and Cultural Development

Over the last several years, the Mayor and Council has taken steps to assist local businesses through grant programs and increased investment in the Office of Economic Initiatives. The Investment Plan also directs investment in Arts, History, Heritage, and Culture over the next five years marking a new commitment to support Tucson's rich culture. This plan supports these efforts in economic and cultural development by enacting the Comprehensive Economic Development Strategy approved by Mayor and Council, issuing an Request For Proposal to create a scope of work for Arts, History, Heritage, and Culture, and improving the speed of business in our community through increased effectiveness and efficiency in permitting through our planning and development services functions.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The City was awarded a Certificate of Achievement for Excellence in Financial Reporting for its June 30, 2021, ACFR for the 40th consecutive year (fiscal years ended 1982 through 2021). A Certificate of Achievement is valid for a period of only one year. We believe our current report continues to conform to the Certificate of Achievement program requirements. We are submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Joyce K. Garland". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Joyce Garland
Interim Business Services Director

City of Tucson Officials

Mayor and Council



HONORABLE
REGINA ROMERO
Mayor



LANE SANTA CRUZ
Ward One



PAUL CUNNINGHAM
Ward Two



Kevin Dahl
Ward Three



NIKKI LEE
Ward Four



RICHARD FIMBRES
Ward Five



STEVE KOZACHIK
Ward Six

City Administration



MICHAEL J. ORTEGA, P.E.
City Manager

VIVIAN C. NEWSHELLER
Deputy Director - Controller
Business Services Department

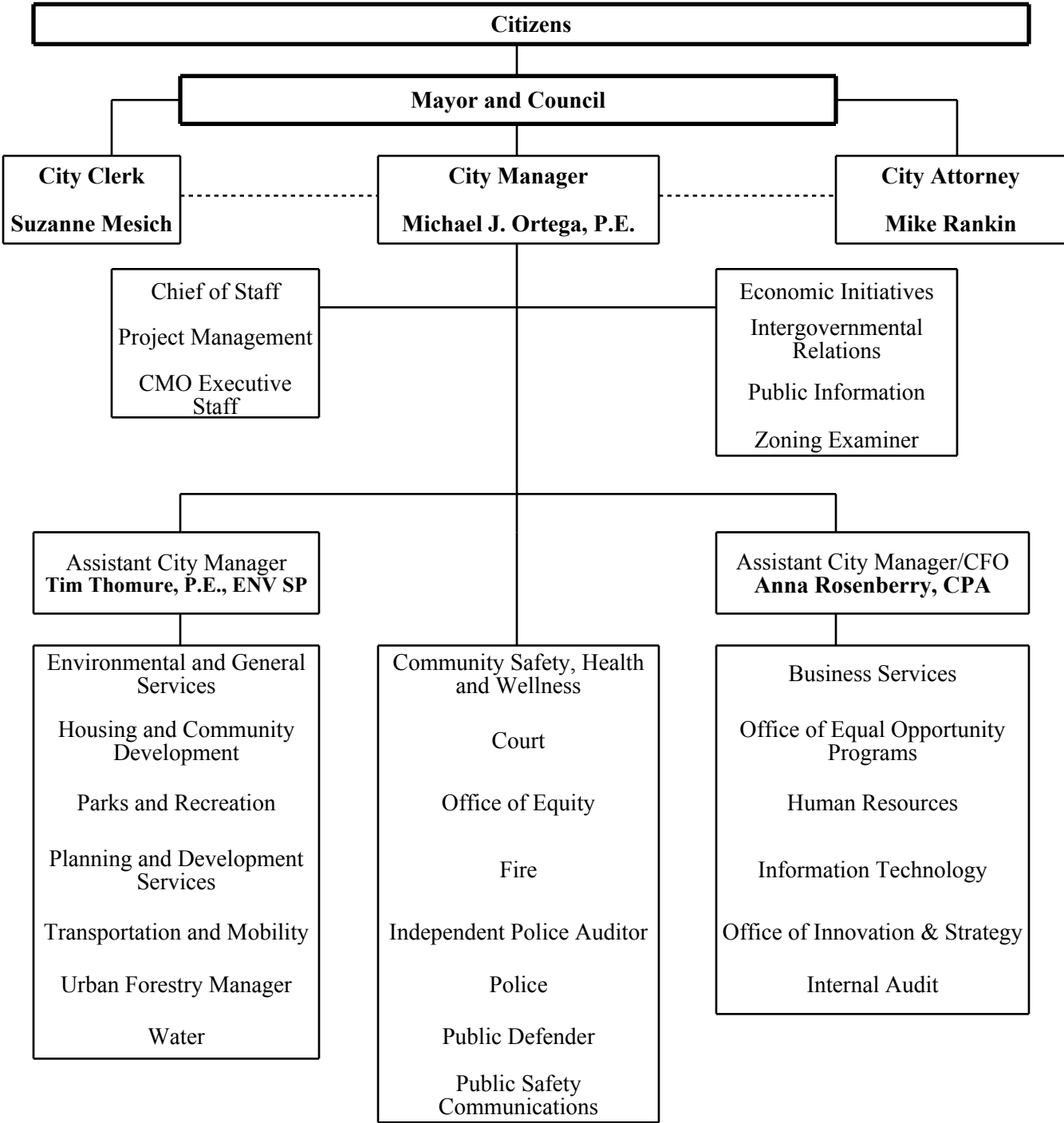
ANNA ROSENBERRY
Assistant City Manager/
Chief Financial Officer

JOYCE GARLAND
Interim Director
Business Services Department

MARCELA CEBALLOS
Finance Administrator
Business Services Department



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2022**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Tucson
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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FINANCIAL
SECTION



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Independent Auditor's Report

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona, (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Tucson, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, net pension liability information, and other postemployment benefit plan information, listed as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, listed as Supplementary Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the City of Tucson, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tucson, Arizona's on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tucson, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
January 31, 2023



MANAGEMENT DISCUSSION & ANALYSIS





CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

INTRODUCTION

The Management's Discussion and Analysis (MD&A) section of the City's Annual Comprehensive Financial Report (ACFR) presents a narrative overview and comparative analysis of the City's financial performance during the fiscal years ending on June 30, 2022 and 2021. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the transmittal letter and other portions of this ACFR.

FINANCIAL HIGHLIGHTS

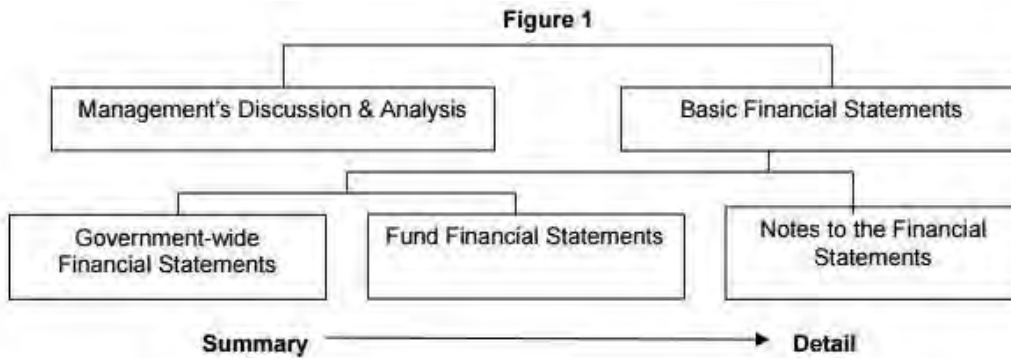
- Total fund balance for the General Fund was \$328.3 million, which represents an increase of \$78.1 million from prior year. The increase is primarily due to an increase in sales taxes. Overall, this increase can be attributed to the recovery from the impact of the pandemic, higher prices of goods subject to tax, and the infusion of federal dollars in the local economy.
- The Section 115 Pension Trust fund balance decreased \$125.3 million from the prior year amount of \$662.0 million. The decrease can be attributed to recent volatile market conditions impacting the funds investment activity. In addition, the first public safety pension obligation partial payment of \$35.4 million was paid out of the trust. The other portion of the obligation was paid from the General Fund.
- The city paid its final Streets and Highway debt service obligation of \$11.1 million this fiscal year. Effective Fiscal Year 2023, the city will re-purpose its 3% Highway User Revenue Fund revenue allocation for streets maintenance and other related initiatives.
- The city implemented GASB statement No. 87 on Leases requiring recognition of certain lease asset and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources. The city's total lease receivable is \$7.5 million and net lease obligation is \$10.4 million.
- The city received its second round of \$67.9 million of American Rescue Plan Act (ARPA) of 2021 allocation. A total of \$135.8 million was received by the city. Spending began this fiscal year through distributions to the business community and other programs approved under a strategic plan approved by Mayor and Council last fiscal year.
- In fiscal year 2022, the Federal Transit Administration awarded the City \$47.0 million from ARPA funding to support local public transit system post pandemic costs. The City utilized this funding to help cover a portion of the the system's operating costs this fiscal year.
- Effective December 2021, the City approved a differential rate structure for Water Utility customers located in unincorporated Pima County with the revenues to be split equally between the following three programs: infrastructure maintenance and system upgrades, climate resiliency and water sustainability, and financial resiliency by expanding the low income program. The City collected \$5.3 million from differential revenues on potable sales, CAP surcharge, and conservation fees this year.

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For the Year Ended June 30, 2022**

- City voters approved an extension of the existing temporary half-cent sales tax for an additional 10 years. This extension does not increase the city's sales tax of 2.6%. The funds will solely be used for neighborhood street improvements and system-wide street safety projects. The estimated sales tax revenue over the 10 year period is projected to be \$740.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

Required Components of Annual Comprehensive Financial Report



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

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

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

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

CITY OF TUCSON, ARIZONA
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There are two types of activities in the government-wide financial statements. The first activity, governmental, represents most of the City's basic services such as police, fire, transportation, parks, streets, and general government. Business privilege taxes, property taxes, state revenue sharing, fines, customer service fees, grants, and contributions from agencies finance most of these activities. The second activity, business-type, or enterprise funds, represents those areas in which the City charges fees to customers to cover the costs of certain services it provides. These activities include environmental services, water, golf, and public housing.

To assess the overall health of the City, additional non-financial factors, such as changes in bond ratings, changes in the City's property tax base, projected business privilege tax collection trends, and the condition of the City's infrastructure are also considered.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds have specific funding sources and expenditures/expenses for associated programs. Some funds are required by state law or by bond covenants, while Mayor and Council establish other funds for management purposes. All the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund statements disclose how general government services, such as police, fire, transportation, and parks and recreation, were financed in the short-term as well as what remains for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities, reported in the government-wide financial statements, and governmental funds is provided in a reconciliation following the respective fund financial statements. Reconciling items include converting fund capital expenditures to capital assets, reducing long-term debt by debt service principal expenditures, and establishing liabilities for issuing new debt such as bonds and capital leases.

Proprietary fund statements report revenues from fees charged to customers for services provided by the City and are reported in the same manner as the government-wide financial statements. Because both types of statements adhere to the full accrual basis of accounting standards, the total enterprise column on the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* for proprietary funds provides the same financial information as the business-type activity columns in the government-wide financial statements. In addition, a Statement of Cash Flows is provided. Internal service funds are combined into a single column on these statements, and they are reported as part of both the governmental and business-type activities in the government-wide financial statements.

Fiduciary fund statements represent funds for which the City acts as a trustee. Like the proprietary funds, they follow the standards for full accrual basis of accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These

CITY OF TUCSON, ARIZONA
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activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

On the Government-Wide Financial Statements, total assets plus deferred outflows of resources exceeded its total liabilities plus deferred inflows of resources. The combined net position for the City increased by almost 5.5% or \$126.9 million over the course of the year to \$2.433 billion from \$2.306 billion. Governmental activities net position increased \$53.3 million, and Business-type net position increased by \$73.5 million. As shown in Figure 2, the largest component of net position represents the City's investment in capital assets, i.e., land, buildings, equipment and infrastructure, net of accumulated depreciation and related debt. The second largest component of net position represents the unrestricted net position. The final component is the restricted net position use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations.

The total change in net position for business-type activities from the fiscal year 2021 amount of \$1.202 billion to the fiscal year 2022 amount of \$1.276 billion is an increase of \$73.5 million. The unrestricted net position decreased by \$19.5 million; net investment in capital assets increased by \$96.8 million; and restricted net position decreased by \$3.7 million. The Water Utility net investment in capital assets increased by \$96.1 million from the fiscal year 2021 amount of \$1.004 billion to the fiscal year 2022 amount of \$1.200 billion. The increase is due to inflationary impacts on material and constructions costs related to infrastructure improvements to distribution and collection systems. The Utility Fund's unrestricted net position decreased by \$25.2 million from \$78.2 million in fiscal year 2021 to \$53.0 million in fiscal year 2022.

In the Environmental Services Fund, net investment in capital assets increased by \$0.5 million and unrestricted deficit decreased by \$6.6 million. The Public Housing Fund's net position decreased \$0.3 million from the fiscal year 2021 amount of \$22.2 million to the fiscal year 2022 amount of \$21.9 million.

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Figure 2 is a comparative summary of the City's net position for fiscal years 2022 and 2021:

Net Position	Figure 2					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 1,593,211,829	\$ 1,569,150,257	\$ 397,900,828	\$ 428,289,347	\$ 1,991,112,657	\$ 1,997,439,604
Capital Assets	2,135,160,352	2,115,916,293	1,639,446,474	1,570,538,491	3,774,606,826	3,686,454,784
Total Assets	3,728,372,181	3,685,066,550	2,037,347,302	1,998,827,838	5,765,719,483	5,683,894,388
Deferred Outflows	317,379,776	265,214,627	65,328,766	29,009,575	382,708,542	294,224,202
Current and Other Liabilities	333,586,049	309,136,895	117,675,442	112,417,889	451,261,491	421,554,784
Long-term Liabilities	2,346,590,194	2,394,113,746	563,998,296	566,391,917	2,910,588,490	2,960,505,663
Total Liabilities	2,680,176,243	2,703,250,641	681,673,738	678,809,806	3,361,849,981	3,382,060,447
Deferred Inflows	208,693,342	143,476,788	144,800,527	146,337,733	353,493,869	289,814,521
Net Position:						
Net Investment in Capital Assets	1,812,684,612	1,809,822,133	1,188,865,591	1,092,109,901	3,001,550,203	2,901,932,034
Restricted	380,512,390	356,183,789	51,470,581	55,217,127	431,982,971	411,400,916
Unrestricted (Deficit)	(1,036,314,630)	(1,062,452,174)	35,865,631	55,362,846	(1,000,448,999)	(1,007,089,328)
Total Net Position	\$ 1,156,882,372	\$ 1,103,553,748	\$ 1,276,201,803	\$ 1,202,689,874	\$ 2,433,084,175	\$ 2,306,243,622

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

Change in Net Position		Figure 3					
	Governmental Activities		Business-type Activities		Total		
	2022	2021	2022	2021	2022	2021	
Revenues:							
Program Revenues:							
Charges for services	\$ 118,294,117	\$ 106,722,099	\$ 316,290,140	\$ 330,258,107	\$ 434,584,257	\$ 436,980,206	
Operating grants and contributions	284,066,629	248,923,126	14,353,782	9,619,315	298,420,411	258,542,441	
Capital grants and contributions	70,466,087	104,759,438	8,965,294	9,262,234	79,431,381	114,021,672	
Total program revenues	472,826,833	460,404,663	339,609,216	349,139,656	812,436,049	809,544,319	
General revenues:							
Taxes:							
Property	51,780,363	50,272,234	-	-	51,780,363	50,272,234	
Business Priviledge	382,896,137	347,879,163	-	-	382,896,137	347,879,163	
Public Utility	25,256,600	24,150,817	-	-	25,256,600	24,150,817	
Hotel/Motel Surcharge	25,541,434	15,048,201	-	-	25,541,434	15,048,201	
Unrestricted grants and contributions	180,696,725	172,685,258	-	-	180,696,725	172,685,258	
Investment income (loss)	(80,188,788)	21,099,397	2,401,122	3,236,266	(77,787,666)	24,335,663	
Miscellaneous	11,767,167	1,598,923	8,877,198	976,068	20,644,365	2,574,991	
Total general revenues	597,749,638	632,733,993	11,278,320	4,212,334	609,027,958	636,946,327	
Total revenues	1,070,576,471	1,093,138,656	350,887,536	353,351,990	1,421,464,007	1,446,490,646	
Expenses:							
Elected and official	24,279,210	26,789,157	-	-	24,279,210	26,789,157	
Support servies	116,475,259	101,614,217	-	-	116,475,259	101,614,217	
Public safety and justice services	361,572,552	347,791,073	-	-	361,572,552	347,791,073	
Community enrichment and development	439,865,252	339,335,698	-	-	439,865,252	339,335,698	
General government	44,443,382	49,509,197	-	-	44,443,382	49,509,197	
Interest on long-term debt	32,628,771	26,732,291	-	-	32,628,771	26,732,291	
Public housing	-	-	20,231,379	17,147,101	20,231,379	17,147,101	
Non-PHA Asset management	-	-	3,448,685	3,922,703	3,448,685	3,922,703	
Environmental services	-	-	51,680,364	48,143,365	51,680,364	48,143,365	
Tucson Golf Enterprise Fund	-	-	9,926,177	10,060,004	9,926,177	10,060,004	
Water Utility	-	-	190,072,423	171,191,913	190,072,423	171,191,913	
Total expenses	1,019,264,426	891,771,633	275,359,028	250,465,086	1,294,623,454	1,142,236,719	
Changes in net position before transfers	51,312,045	201,367,023	75,528,508	102,886,904	126,840,553	304,253,927	
Transfers	2,016,579	2,000,150	(2,016,579)	(2,000,150)	-	-	
Changes in net position	53,328,624	203,367,173	73,511,929	100,886,754	126,840,553	304,253,927	
Net position, beginning of year	1,103,553,748	900,186,575	1,202,689,874	1,101,803,120	2,306,243,622	2,001,989,695	
Net position, end of year	\$ 1,156,882,372	\$ 1,103,553,748	\$ 1,276,201,803	\$ 1,202,689,874	\$ 2,433,084,175	\$ 2,306,243,622	

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

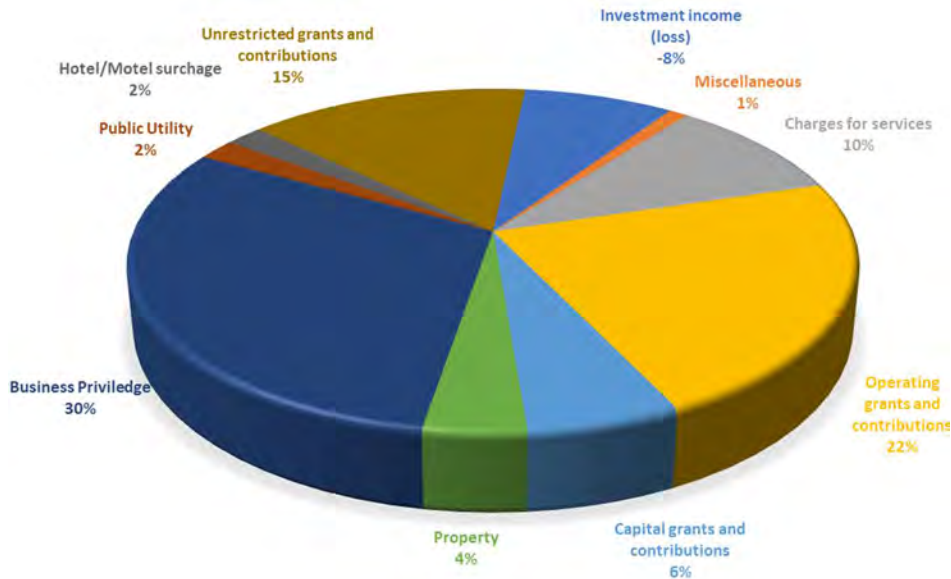
For Governmental Activities, total revenues decreased \$22.6 million, and expenses increased by \$127.5 million from fiscal year 2021. General revenue components include taxes, unrestricted grants and contributions, investment income (loss), and miscellaneous revenues. Total General revenues decreased \$35.0 million primarily generated from investment losses of \$80.2 million, offset with continued strong growth in Business Privilege Taxes of \$35.0 million or 10.1% and an increase from Hotel/Motel Surcharges of or 69.7% from the prior fiscal year. General revenues cover 58.6% of governmental costs.

Program revenues, including charges for services and operating/capital grants or contributions, covered 46.4% of governmental costs. Program revenues increased \$12.4 million in total. Charges for Services increased by \$11.6 million spread across most governmental activities. Operating Grants and Contributions increased by 35.1 million. Increases were offset by the \$34.3 million decrease in Capital Grants and Contributions.

Expenses increased by \$127.5 million from fiscal year's 2021 amount of \$891.8 million to fiscal year's 2022 amount of \$1,019.3 million. The increase to expenses can be attributed to salary and benefit increases, debt service obligations, capital outlay, and capital projects.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2022:

**GOVERNMENTAL ACTIVITIES-REVENUE SOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



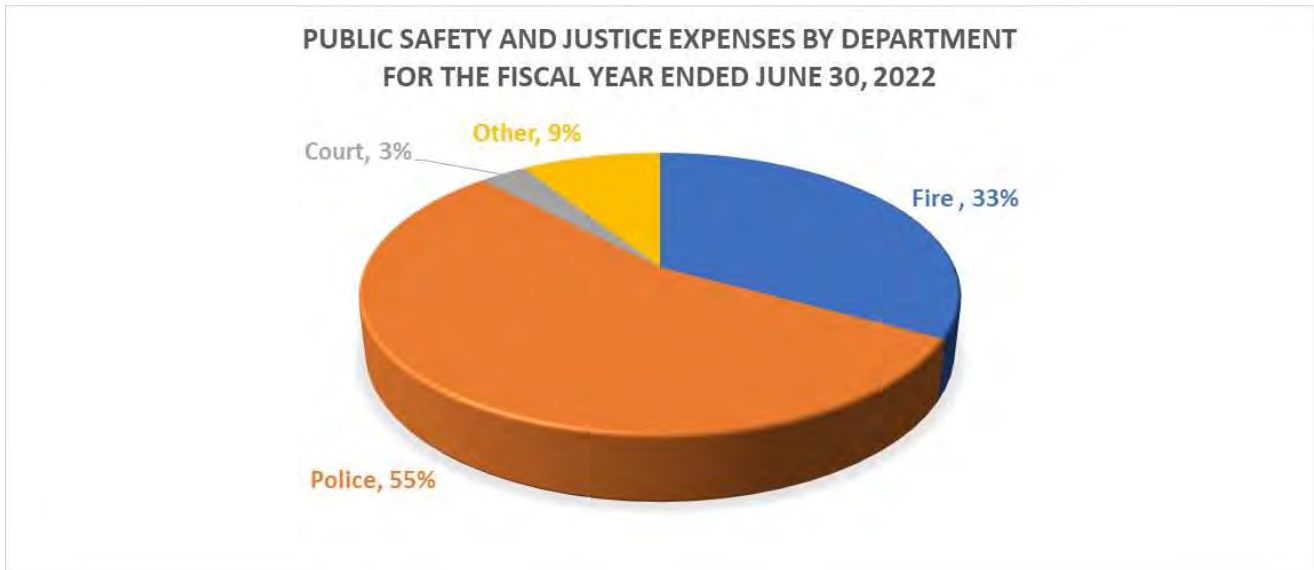
**CITY OF TUCSON, ARIZONA
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For the Year Ended June 30, 2022**

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	2022		2021	
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage
Elected and official	(23,161,943)	4%	(25,891,272)	6%
Support servies	(95,817,291)	18%	(83,319,138)	19%
Public safety and justice services	(321,328,953)	59%	(307,121,679)	71%
Community enrichment and development	(90,978,525)	17%	(40,922,291)	9%
General government	17,477,890	-3%	52,619,701	-12%
Interest on long-term debt	(32,628,771)	5%	(26,732,291)	7%
Total Net Expense	(546,437,593)	100%	(431,366,970)	100%

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

**PUBLIC SAFETY AND JUSTICE SERVICES EXPENSES BY DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



For Business-type Activities, net position increased \$73.5 million or 6.1% from the fiscal year 2021 amount of \$1.202 billion to \$1.276 billion for fiscal year 2022. Net investment in capital assets increased \$96.8 million, restricted net position decreased \$3.7 million and the unrestricted net position decreased by \$19.5

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million. The major change was an increase in the Water Utility Fund's net investment in capital assets for \$96.1 million from fiscal year 2021 amount of \$1.0 billion to the fiscal year 2022 amount of \$1.1 billion. The Environmental Services Fund's negative unrestricted net position decreased by \$6.6 million from the fiscal year 2021 amount of \$24.0 million to the fiscal year 2022 amount of \$17.0 million.

The Water Utility total operating revenues decreased by \$9.6 million to \$246.0 million from the fiscal year 2021 amount of \$255.6 million. The decrease can be attributed to a continued strong economy during the majority of the fiscal year, with new commercial and housing developments growing at a rate of 4.6% from fiscal year 2021. Total operating expenses were \$176.9 million, a decrease of 5.0% or \$20.4 million from the fiscal year 2021 amount of \$156.5 million.

Environmental Services total operating revenues remain stable with an increase of \$2.2 million from the fiscal year 2021 amount of \$55.0 million to the fiscal year 2022 amount of \$57.2 million and continue to support operating expenses of \$51.0 million.

Public Housing Asset Management Properties total operating revenues increased by \$3.7 million from the fiscal year 2021 amount of \$16.2 million to the fiscal year 2022 amount of \$19.9 million. Total operating expenses increased by \$3.1 million from the fiscal year 2021 amount of \$17.1 million to the fiscal year 2022 amount of \$20.2 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1.216 billion, a decrease of \$12.0 million in comparison to the balance on June 30, 2021, of \$1.228 billion. The decrease is mainly generated from the Section 115 Pension Trust Fund loss in investments of \$89.9 million offset by an increase to the General fund net change in fund balance of \$78.0 million. The trust fund balance of \$536.7 million is restricted for public safety pension obligations. The year-end fund balance consists of \$150.9 million of unassigned fund balance with \$96.4 million assigned for a specific purpose.

**CITY OF TUCSON, ARIZONA
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The remainder of fund balance is either non-spendable, restricted, or committed to indicate that it is not available for new spending including the above-mentioned Pension Obligations.

Revenues for governmental functions totaled \$1.070 billion in fiscal year 2022, an decrease of approximately \$21.0 million from the previous year total of \$1.091 billion. The decrease is mainly in use of property and money in the Section 115 Pension Trust which yielded an investment loss of \$89.9 million. The other decrease in revenues is the \$42.9 million less from the Disaster Relief Fund unearned revenues. General Fund, Mass Transit Fund and the combined Non-major Governmental Funds yielded increases in revenues of \$56.2, \$10.1, \$62.8, respectively.

Expenditures for governmental functions totaled \$1.082 billion, an increase of 10.6% or \$103.6 million from the fiscal year 2021 total of \$978.4 million. For the current fiscal year, expenditures were less than revenues for governmental functions by \$12.2 million mainly due to the Section 115 Pension Trust Fund investment losses.

The City has four major governmental funds: the General Fund, the Mass Transit Fund, the Disaster Relief Fund (includes remaining Corona Relief funding and ARPA funding), and the Section 115 Pension Trust.

General Fund

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$150.9 million, while the total fund balance was \$328.3 million; the unassigned and total fund balance at the end of fiscal year 2021 were \$111.3 million and \$250.2 million, respectively. The assigned fund balance increased \$34.4 million to \$95.0 million from the fiscal year 2021 amount of \$60.6 million.

In total, General Fund revenues increased \$56.2 million to \$649.8 million, or 9.5% from the fiscal year 2021 amount of \$593.6 million. Tax revenues, representing 55.7% of total revenues, increased by \$40.2 million to \$361.7 million from the fiscal year 2021 amount of \$321.5 million. Business privilege tax (sales tax) increased by \$29.4 million from \$249.9 million in 2021 to \$279.3 million. The City sale taxes were collected as projected which can be attributed to recovery from the impact of the pandemic, higher prices for goods subject to tax, and the influx of federal funding into our local economy. Other agency revenue, which include state shared and other intergovernmental agreement revenues represents 28.4% of the General Fund revenues. This revenue category increased by \$6.2 million to \$184.7 million from the fiscal year 2021 amount of \$178.5 million mainly in increased State-shared sales taxes.

General Fund expenditures increased 11.1% to \$548.2 million from the fiscal year 2021 amount of \$492.9 million. The increase is mainly from the phase 2 market wage increases approved by the City in fiscal year 2020 to bringing all employees to market range. In addition, the City also approved a 2% wage increase and utilized ARPA funding for public safety personnel costs.

Mass Transit Fund

The Mass Transit Fund is where the financial transactions of the public transportation system (buses and vans) for the City are recorded. At the end of the fiscal year, the total fund balance was \$5.7 million, reporting a slight change from the fiscal year 2021 balance of \$5.4 million. The non-spendable fund balance slightly increased from the fiscal year 2021 amount of \$3.6 million to \$3.8 million because the City had more inventory on hand in the current fiscal year than the prior fiscal year. The assigned fund balance increased by \$0.1

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For the Year Ended June 30, 2022

million from fiscal year 2021 amount of \$1.1 million to \$1.2 million. The remaining fund balance is from federal grant program income derived from bus sale proceeds. The funding will be used to fund federally funded projects.

Total revenues increased \$10.1 million from the fiscal year 2021 amount of \$74.7 million to the fiscal year 2022 amount of \$84.8 million. In fiscal year 2022, the Federal Transit Administration awarded the City \$47.0 million from the American Rescue Plan Act of 2021 to support local public transit system post pandemic costs. The increase to federal grant revenues is primarily due to the utilization of this funding. Total expenditures decreased \$3.7 million in fiscal year 2022 to \$100.2 million from the fiscal year 2021 amount of \$103.9 million mainly due to decreased capital outlay expenditures offset with increases to operator wages and supply costs.

Disaster Relief Fund

The Disaster Relief Fund is comprised of funding from CARES and the American Rescue Plan Fund (ARPA).

The City spent the remaining CARES funding of \$3.2 million mainly on personnel costs.

The City received its second round of ARPA funding in the amount of \$67.9 million. During the fiscal year, ARPA funding of \$18.0 million was spent on programs related to pandemic relief, impact and economic stimulus, including funding expenditures for continued and uninterrupted City services and operations. The City plans to spend the remaining funding of \$122.5 million on the adopted a framework for reinvestment in the community, neighborhoods, the business community, and investment in the organization over a period of four years.

Section 115 Pension Trust Fund

The Section 115 Pension Trust Fund was established last fiscal year to account and accumulate resources for public safety pension obligations. Mayor and Council approved the issuance of Certificates of Participation (COPs) which generated proceeds, after issuance costs, in the amount of \$645.0 million placed in an irrevocable trust, as allowed by Section 115 of the Internal Revenue Code of 1986. At the end of the fiscal year, total restricted fund balance was \$536.7 million. The City plans to utilize the restricted fund balance and investment earnings for current and future public safety pension obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual budget for its General Fund. A budgetary comparison statement is provided showing the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year.

General Fund revenues were \$6.0 million less than the final budget. Actual total revenues were \$649.8 million with an original projection of \$593.6. The most significant difference between final estimated revenues and actual revenues were in the taxes collected in fiscal year 2022, representing an increase of \$40.2 million more than prior fiscal year. Charges for Services increased 15.6% or \$7.2 million increase from fiscal year 2021 \$46.0 to \$53.2 in 2022.

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Total expenditures were \$548.2 million, \$54.6 million less than the 2022 original budget of \$602.8 million and \$13.1 million exceeded budget of the revised budget of \$535.0 million. Expenditures were lower than expected mainly due to grant funding awarded to municipalities under the American Rescue Plan Act of 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets net of depreciation for its governmental and business-type activities as of June 30, 2022, totaled \$3.8 billion. This investment in capital assets includes land, buildings and improvements, equipment (i.e., vehicles, machinery, and fixtures), infrastructure and water distribution and collection systems, construction in progress, and water rights.

Figure 5 provides details of the City's capital assets as of June 30, 2022, and 2021:

Capital Assets (Net of Depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 833,246,279	\$ 847,109,681	\$ 76,138,317	\$ 76,138,986	909,384,596	923,248,667
Buildings and improvements	447,459,878	463,666,775	126,851,751	123,349,175	574,311,629	587,015,950
Equipment	107,391,527	100,853,870	33,596,344	34,490,710	140,987,871	135,344,580
Infrastructure / distribution and collections systems	359,850,462	362,676,779	975,368,768	974,001,974	1,335,219,230	1,336,678,753
Intangible right to use - leases	9,738,647	-	623,104	-	10,361,751	-
Construction in progress	377,494,489	341,609,188	374,520,764	310,210,220	752,015,253	651,819,408
Water rights	-	-	52,347,426	52,347,426	52,347,426	52,347,426
Total	\$ 2,135,181,282	\$ 2,115,916,293	\$ 1,639,446,474	\$ 1,570,538,491	\$ 3,774,627,756	\$ 3,686,454,784

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

Governmental activities assets represent 56.6% of the City's total capital assets and had a net increase of \$20.0 million from fiscal year 2021.

- Land represents 39.0% of capital assets and had a net decrease of \$13.9 million from fiscal year 2021. This decrease is due to retirements of land surpassing additions.
- Buildings and Improvements represent 21.0% of capital assets and had a net decrease of \$16.2 million from fiscal year 2021. The change represents normal depreciation of \$26.4 million netted against additions and sales.
- Construction in Progress represents 17.7% of capital assets, which increased by \$35.9 million. This increase is due to the capitalization of assets in the amount of \$50.7 million offset by new capital project costs of \$86.6 million.
- Intangible right to use for Leases is a new asset category in the amount of \$9.7 million, net of amortization, was added to the City's capital assets. The City adopted Statement No. 87, *Leases* as required by GASB. The objective of this statement is to enhance the relevance and consistency of information about the City's leasing activities.

Business-type activities assets represent 43.4% of the City's capital assets. Business-type activities had a net increase of \$68.9 million in capital assets during the fiscal year.

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

- Infrastructure represents 59.5% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased slightly by \$1.4 million, with a depreciation of \$32.6 million offset by additions to the system of \$33.9 million.
- Construction in Progress represents 22.8% of capital assets, which increased by \$64.3 million. This increase is mainly due to the capitalization of assets in the amount of \$44.8 million offset by new capital projects costs of \$109.2 million.
- Intangible right to use for Leases is a new asset category in the amount of \$0.6 million was added to the City's capital assets. The City adopted Statement No. 87, *Leases* as required by GASB. The objective of this statement is to enhance the relevance and consistency of information about the City's leasing activities.

Long-term Debt and Liabilities. Figure 6 illustrates the City's debt as of June 30, 2022, and 2021. Additional information regarding long-term debt can be found in Note 7.

Long-term Debt	Governmental Activities				Business-type Activities		Total	
	2022		2021		2022		2021	
	2022	2021	2022	2021	2022	2021	2022	2021
General obligation debt	\$ 110,905,000	\$ 139,940,000	\$ -	\$ -	110,905,000	139,940,000		
Street & highway revenue bonds	-	10,615,000	-	-	-	10,615,000		
Certificates of participation	752,612,864	786,871,266	7,052,138	7,888,735	759,665,002	794,760,001		
Clean renewable energy bonds	3,025,000	4,434,300	-	-	3,025,000	4,434,300		
Leases	9,842,587	-	605,797	-	10,448,384	-		
Water revenue bonds	-	-	359,110,000	395,840,000	359,110,000	395,840,000		
Unamortized amounts on premiums and discounts	15,156,734	18,351,764	39,303,417	44,539,128	-	-		
Loans from direct borrowings	-	-	22,282,060	26,406,165	22,282,060	26,406,165		
Landfill closure/post closure	-	-	43,407,321	42,352,643	43,407,321	42,352,643		
Remediation	1,299,881	1,302,204	8,228,723	8,583,862	9,528,604	9,886,066		
Contracts payable	8,692,110	10,427,879	59,647	105,394	8,751,757	10,533,273		
Other long-term debt	5,815,000	6,100,000	173,325	445,697	5,988,325	6,545,697		
Other post-employment benefits	161,074,287	183,134,608	26,862,076	29,678,696	187,936,363	212,813,304		
Pension	1,281,684,190	12,431,219,807	95,203,276	47,925,733	1,376,887,466	12,479,145,540		
Compensated absences	43,727,099	45,165,704	8,127,079	7,231,211	51,854,178	52,396,915		
Claims and judgments	53,603,168	47,067,099	-	-	53,603,168	47,067,099		
Claims payable - health insurance	5,533,000	5,632,000	-	-	5,533,000	5,632,000		
Total	\$ 2,452,970,920	\$ 13,690,261,631	\$ 610,414,859	\$ 610,997,264	\$ 3,008,925,628	\$ 14,238,368,003		

Outstanding debt for the City totaled \$3.1 billion with 80.1% attributed to governmental activities and the remaining 19.9% attributed to business-type activities

Governmental activities long term-debt and liabilities had a decrease of \$48.5 million from fiscal year 2021.

- Pension represent 52.2% of long-term debt and liabilities and had a increase of \$38.4 million from fiscal year 2021. This increase is due to market wage increase approved by the City in 2020. In addition to annual wage increases and other related initiatives.
- Certificates of Participation represent 30.7% of long-term debt and liabilities and had a decrease of \$34.3 million. The first debt service payment was made towards the public safety pension portion of this obligation.

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

- Streets and Highway Revenue Bonds decreased by \$10.6 million from fiscal year 2021. The City made its final payment of these bonds this fiscal year.
- Leases is a new long-term liability category added this fiscal year to the City's outstanding obligations in the amount of \$10.5 million. The City adopted Statement No. 87, *Leases* as required by GASB. The objective of this statement is to enhance the relevance and consistency of information about the City's leasing activities.

Business-type long term-debt and liabilities had a slight decrease of \$0.8 million from fiscal year 2021.

Bond Ratings

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

Bond Ratings	Moody		Standard & Poor's		Fitch	
	2022	2021	2022	2021	2022	2021
General obligation debt	Aa3	Aa3	AA	AA	AA+	AA+
Street & Highway User Revenue Bonds Senior Lien	A1	A1	AA+	AA+	AA	AA
Water System Revenue Bonds Senior Lien	Aa2	Aa2	AA	AA	AA	AA
Certificates of Participation	A1	A1	AA-	AA-	A+	A+

(1) S&P Insured Rating: AA

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS



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City of Tucson, Arizona
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 580,303,609	\$ 183,558,425	\$ 763,862,034
Cash & investments - restricted	-	9,837,679	9,837,679
Cash & investments with fiscal agent - restricted	700,035,360	50,688,180	750,723,540
Taxes receivable, net	37,479,732	-	37,479,732
Accounts receivable, net	36,364,367	34,268,477	70,632,844
Lease receivable	5,857,329	1,631,467	7,488,796
Internal balances	2,041,680	(2,041,680)	-
Due from other agencies	142,669,335	138,965	142,808,300
Interest receivable	890,114	276,416	1,166,530
Inventories	8,840,861	5,909,301	14,750,162
Other assets	3,867,997	2,098,635	5,966,632
Total current assets	<u>1,518,350,384</u>	<u>286,365,865</u>	<u>1,804,716,249</u>
Noncurrent assets			
Long-term notes receivable	38,767,009	111,134,872	149,901,881
Long-term investments	36,094,436	-	36,094,436
Other assets - restricted	-	400,091	400,091
Land & construction in progress	1,210,740,768	450,659,081	1,661,399,849
Other capital assets, net	914,680,937	1,135,816,863	2,050,497,800
Leases, net	9,738,647	623,104	10,361,751
Water rights	-	52,347,426	52,347,426
Total noncurrent assets	<u>2,210,021,797</u>	<u>1,750,981,437</u>	<u>3,961,003,234</u>
Total assets	<u>3,728,372,181</u>	<u>2,037,347,302</u>	<u>5,765,719,483</u>
Deferred Outflows of Resources			
Deferred charges on refunding	5,210,054	9,022,592	14,232,646
Related to pensions	277,700,400	52,711,693	330,412,093
Related to other postemployment benefits (OPEB)	34,469,322	3,594,481	38,063,803
Total deferred outflows of resources	<u>317,379,776</u>	<u>65,328,766</u>	<u>382,708,542</u>
Liabilities			
Current liabilities			
Accounts payable	39,203,663	12,323,134	51,526,797
Accrued payroll liabilities	16,124,961	2,535,794	18,660,755
Accrued interest payable	-	3,633	3,633
Due to other agencies	1,883,987	471,998	2,355,985
Refundable deposits	2,436,278	2,309,204	4,745,482
Customer advances	-	178,956	178,956
Advances from grantors	124,888,884	-	124,888,884
Matured bonds & interest payable	-	-	-
Liabilities payable from restricted assets	42,667,550	53,609,485	96,277,035
Current portion of long-term liabilities	106,380,726	46,243,238	152,623,964
Total current liabilities	<u>333,586,049</u>	<u>117,675,442</u>	<u>451,261,491</u>

City of Tucson, Arizona
Statement of Net Position (Continued)
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Noncurrent liabilities			
Long-term liabilities	2,346,590,194	563,998,296	2,910,588,490
Total noncurrent liabilities	2,346,590,194	563,998,296	2,910,588,490
Total liabilities	2,680,176,243	681,673,738	3,361,849,981
Deferred Inflows of Resources			
Deferred revenues	11,059,942	111,146,519	122,206,461
Leases	5,788,645	1,632,309	7,420,954
Related to pensions	151,743,853	28,238,318	179,982,171
Related to OPEB	40,100,902	3,783,381	43,884,283
Total deferred inflows of resources	208,693,342	144,800,527	353,493,869
Net Position			
Net investment in capital assets	1,812,684,612	1,188,865,591	3,001,550,203
Restricted for			
Debt service	1,886,189	50,688,180	52,574,369
Capital projects	196,925,857	-	196,925,857
Public safety	15,585,541	-	15,585,541
Transportation	127,971,203	-	127,971,203
Grants and entitlements	32,491,706	782,401	33,274,107
Self-insurance mandates	5,651,894	-	5,651,894
Unrestricted	(1,036,314,630)	35,865,631	(1,000,448,999)
Total Net Position	<u>\$ 1,156,882,372</u>	<u>\$ 1,276,201,803</u>	<u>\$ 2,433,084,175</u>

City of Tucson, Arizona
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Elected and official	\$ 24,279,210	\$ 375,200	\$ 742,067	\$ -	\$ 1,117,267
Public safety and justice services	361,572,552	20,088,536	18,949,036	1,206,027	40,243,599
Support services	116,475,259	20,588,769	69,199	-	20,657,968
Community enrichment and development	439,865,252	37,182,457	243,262,678	68,441,592	348,886,727
General government	44,443,382	40,059,155	21,043,649	818,468	61,921,272
Interest on long-term debt	32,628,771	-	-	-	-
	<u>1,019,264,426</u>	<u>118,294,117</u>	<u>284,066,629</u>	<u>70,466,087</u>	<u>472,826,833</u>
Total governmental activities					
Business-type activities					
Public housing	20,231,379	6,589,156	11,864,625	-	18,453,781
Non-PHA asset management	3,448,685	1,828,797	238,261	-	2,067,058
Environmental services	51,680,364	55,138,770	16,896	-	55,155,666
Tucson golf	9,926,177	9,740,748	-	-	9,740,748
Water utility	190,072,423	242,992,669	2,234,000	8,965,294	254,191,963
	<u>275,359,028</u>	<u>316,290,140</u>	<u>14,353,782</u>	<u>8,965,294</u>	<u>339,609,216</u>
Total business-type activities					
	<u>\$ 1,294,623,454</u>	<u>\$ 434,584,257</u>	<u>\$ 298,420,411</u>	<u>\$ 79,431,381</u>	<u>\$ 812,436,049</u>

General revenues:

Taxes:

Property taxes

Business privilege

Public utility

Transient occupancy tax

Unrestricted grants and contributions

Investment income (loss)

Miscellaneous

Transfers

Total general revenues

Change in Net Position

Net Position - Beginning

Net Position - End of Year

City of Tucson, Arizona
Statement of Activities (Continued)
Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (23,161,943)	\$ -	\$ (23,161,943)
(321,328,953)	-	(321,328,953)
(95,817,291)		(95,817,291)
(90,978,525)	-	(90,978,525)
17,477,890	-	17,477,890
(32,628,771)	-	(32,628,771)
(546,437,593)	-	(546,437,593)
-	(1,777,598)	(1,777,598)
-	(1,381,627)	(1,381,627)
-	3,475,302	3,475,302
-	(185,429)	(185,429)
-	64,119,540	64,119,540
-	64,250,188	64,250,188
(546,437,593)	64,250,188	(482,187,405)
51,780,363	-	51,780,363
382,896,137	-	382,896,137
25,256,600	-	25,256,600
25,541,434	-	25,541,434
180,696,725	-	180,696,725
(80,188,788)	2,401,122	(77,787,666)
11,767,167	8,877,198	20,644,365
2,016,579	(2,016,579)	-
599,766,217	9,261,741	609,027,958
53,328,624	73,511,929	126,840,553
1,103,553,748	1,202,689,874	2,306,243,622
\$ 1,156,882,372	\$ 1,276,201,803	\$ 2,433,084,175

City of Tucson, Arizona

Balance Sheet

June 30, 2022

	General Fund	Special Revenue Funds	
		Mass Transit	Disaster Relief
Assets			
Cash and cash equivalents	\$ 82,226,504	\$ 1,880,986	\$ 122,484,887
Cash & investments with fiscal agent - restricted	101,281,410	36,677	-
Taxes receivable, net	25,997,926	-	-
Accounts receivable, net	33,907,737	65,193	-
Notes & loans receivable	1,169,737	-	-
Interfund receivables	94,420,103	-	-
Due from other agencies	33,769,085	4,234,920	-
Grants & entitlements receivable	-	55,916,908	-
Interest receivable	222,750	476	106,428
Lease receivable	4,781,114	523,137	-
Inventories	2,949,305	3,707,831	-
Interfund loans receivable	173,325	-	-
Long-term investments	13,598,745	-	-
Other assets	-	47,483	-
Total assets	<u>\$ 394,497,741</u>	<u>\$ 66,413,611</u>	<u>\$ 122,591,315</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 14,107,434	\$ 2,977,738	\$ 116,837
Accrued payroll liabilities	14,382,828	498,776	16,251
Interfund payable	3,265,004	55,901,823	-
Due to other agencies	822,862	755,696	-
Refundable deposits	2,183,472	11,644	-
Matured bonds & interest payable	-	-	-
Advances from grantors	-	-	122,458,227
Total liabilities	<u>34,761,600</u>	<u>60,145,677</u>	<u>122,591,315</u>
Deferred inflows of resources			
Deferred revenues	26,654,078	3,572	-
Unavailable revenue - leases	4,765,694	515,310	-
Total deferred inflows of resources	<u>31,419,772</u>	<u>518,882</u>	<u>-</u>
Fund balances			
Nonspendable	6,001,466	3,755,314	-
Restricted	3,029,094	755,179	-
Committed	73,369,461	36,677	-
Assigned	94,974,771	1,201,882	-
Unassigned	150,941,577	-	-
Total fund balances	<u>328,316,369</u>	<u>5,749,052</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 394,497,741</u>	<u>\$ 66,413,611</u>	<u>\$ 122,591,315</u>

See Notes to Financial Statements

City of Tucson, Arizona
Balance Sheet (Continued)
June 30, 2022

Special Revenue Funds Section 115 Pension Trust	Total Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 338,155,997	\$ 544,748,374
534,632,248	42,682,308	678,632,643
-	11,481,806	37,479,732
-	2,338,068	36,310,998
-	37,597,272	38,767,009
2,100,000	-	96,520,103
-	23,446,751	61,450,756
-	25,301,671	81,218,579
-	502,375	832,029
-	553,078	5,857,329
-	2,183,725	8,840,861
-	-	173,325
-	-	13,598,745
-	51,636	99,119
<u>\$ 536,732,248</u>	<u>\$ 484,294,687</u>	<u>\$ 1,604,529,602</u>
\$ -	\$ 20,590,525	\$ 37,792,534
-	1,048,514	15,946,369
-	33,744,679	92,911,506
-	305,429	1,883,987
-	238,668	2,433,784
-	42,667,550	42,667,550
-	2,430,657	124,888,884
-	101,026,022	318,524,614
-	37,072,129	63,729,779
-	507,641	5,788,645
-	37,579,770	69,518,424
-	-	-
-	2,221,124	11,977,904
536,732,248	343,334,105	883,850,626
-	50,288	73,456,426
-	257,765	96,434,418
-	(174,387)	150,767,190
<u>536,732,248</u>	<u>345,688,895</u>	<u>1,216,486,564</u>
<u>\$ 536,732,248</u>	<u>\$ 484,294,687</u>	<u>\$ 1,604,529,602</u>

See Notes to Financial Statements

City of Tucson, Arizona
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
June 30, 2022

Fund balances of governmental funds	\$ 1,216,486,564
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	
Capital assets, non depreciable or amortizable	1,210,710,524
Capital assets, net of depreciation and amortization	924,369,021
Governmental funds report the effect of debt refunding's and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
	5,210,054
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities consist of:	
Bonds and notes payable, net of premium/discount	(126,061,734)
Leases	(9,842,587)
Clean Energy Bonds	(3,025,000)
Contracts payable	(761,304,974)
Compensated absences	(43,727,099)
Other long-term debt	(5,815,000)
Some other assets are not financial resources and therefore, are not reported in the governmental funds.	
	3,310,000
Unavailable revenue is shown in the governmental statement, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.	
	52,669,837
The internal service fund is used by management to charge the costs of self-insurance. The asset and liabilities of the internal service fund is included in the governmental activities in the statement of net position.	
	16,336,276
Pension and OPEB related items are not reported in the governmental fund financial statements since they are not related to current financial resources, with the exception of contributions to the pension and OPEB plans, which are recorded as expenditures in the governmental funds and deferred outflows of resources in the statement of net position. The pension and related items included in governmental activities (excluding internal service fund portions) consist of:	
Total OPEB liability and related deferred inflows and outflows	(166,705,867)
Net pension liability and related deferred inflows and outflows	(1,155,727,643)
	(1,322,433,510)
Net Position of Governmental Activities	\$ 1,156,882,372

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City of Tucson, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2022

	General Fund	Special Revenue Funds	
		Mass Transit	Disaster Relief
Revenues			
Taxes	\$ 361,704,164	\$ -	\$ -
Licenses and permits	31,616,189	-	-
Fines and forfeitures	5,339,281	-	-
Developer fees	-	-	-
Use of money and property	2,536,947	346,183	736,756
Federal grants and contributions	-	67,187,247	20,418,465
Other agencies	184,668,624	14,600,209	-
Charges for services	53,245,377	1,362,064	-
Contributions from outside sources	-	200	-
Miscellaneous	10,697,464	1,342,464	-
Total revenues	649,808,046	84,838,367	21,155,221
Expenditures			
Current:			
Elected & official	22,376,221	-	147,914
Public safety & justice services	283,043,690	-	2,919,340
Community enrichment & development	43,970,960	96,813,451	857,727
Support services	100,685,021	208,557	115,155
General government	33,123,057	-	13,504,998
Capital outlay	2,499,128	2,513,455	3,610,087
Capital projects	4,264,267	669,208	-
Debt service:			
Principal	33,916,471	-	-
Interest	24,287,661	-	-
Fiscal agent fees	753	-	-
Total expenditures	548,167,229	100,204,671	21,155,221
Excess (deficiency) of revenues over (under) expenditures	101,640,817	(15,366,304)	-
Other financing sources (uses)			
Transfers in	3,391,105	15,739,751	-
Transfers out	(26,940,912)	-	-
Total other financing sources (uses)	(23,549,807)	15,739,751	-
Net change in fund balances	78,091,010	373,447	-
Fund balances, beginning of year	250,225,359	5,375,605	-
Fund balances, end of year	\$ 328,316,369	\$ 5,749,052	\$ -

City of Tucson, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Year Ended June 30, 2022

Special Revenue Funds Section 115 Pension Trust	Total Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 123,770,371	\$ 485,474,535
-	1,509,002	33,125,191
-	680,428	6,019,709
-	7,270,867	7,270,867
(89,873,791)	3,543,828	(82,710,077)
-	140,872,981	228,478,693
-	105,894,435	305,163,268
-	15,943,893	70,551,334
-	530,540	530,740
-	4,454,284	16,494,212
<u>(89,873,791)</u>	<u>404,470,629</u>	<u>1,070,398,472</u>
-	1,058,884	23,583,019
35,444,834	19,341,114	340,748,978
-	216,217,845	357,859,983
-	1,442,089	102,450,822
-	104,376	46,732,431
-	14,967,801	23,590,471
-	74,138,535	79,072,010
-	43,297,700	77,214,171
-	7,054,163	31,341,824
-	5,200	5,953
<u>35,444,834</u>	<u>377,627,707</u>	<u>1,082,599,662</u>
<u>(125,318,625)</u>	<u>26,842,922</u>	<u>(12,201,190)</u>
-	9,129,161	28,260,017
-	(1,302,526)	(28,243,438)
-	7,826,635	16,579
<u>(125,318,625)</u>	<u>34,669,557</u>	<u>(12,184,611)</u>
<u>662,050,873</u>	<u>311,019,338</u>	<u>1,228,671,175</u>
<u>\$ 536,732,248</u>	<u>\$ 345,688,895</u>	<u>\$ 1,216,486,564</u>

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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$	(12,184,611)
<p>Governmental Funds include capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:</p>		
Capital outlay reported as expenditures	\$	102,662,481
Capital outlay not capitalized		(12,691,270)
Depreciation expense		<u>(81,525,001)</u>
		8,446,210
Net changes in the statement of activities that do not provide/(use) current financial resources are not reported as revenue/(expenditures) in the governmental funds.		(2,308,351)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces liabilities long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments:		81,498,616
Expense in the statement of activities that do not use current financial resources are not reported as expenditures in the funds.		
Changes in the compensated absences liability		1,438,605
Changes in the OPEB liability and related deferred inflows and outflows		14,928,333
Changes in the pension liability and related deferred inflows and outflows		(34,535,807)
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.		(3,954,371)
		<hr/>
Change in Net Position of Governmental Activities	\$	<u>53,328,624</u>

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City of Tucson, Arizona
Statement of Net Position
June 30, 2022

	Business-type activities		
	Environmental Services	Water Utility	Public Housing
Assets			
Current assets			
Cash and cash equivalents	\$ 58,961,751	\$ 115,278,054	\$ 9,317,124
Cash & investments - restricted	-	9,837,679	-
Cash & investments with fiscal agent - Restricted	-	50,688,180	-
Accounts receivable, net	3,331,509	29,716,222	411,699
Due from other agencies	13,124	125,841	-
Interest receivable	79,887	181,967	14,562
Lease receivable	-	1,631,467	-
Inventories	-	5,590,099	-
Other assets	-	2,057,107	-
Total current assets	<u>62,386,271</u>	<u>215,106,616</u>	<u>9,743,385</u>
Noncurrent assets			
Long-term investments	-	-	-
Long-term notes receivable	-	-	110,717,110
Other assets - restricted	-	400,091	-
Land & construction in progress	24,734,590	410,734,654	8,395,006
Other capital assets, net	27,079,844	1,079,418,726	12,758,553
Leases, net	126,913	-	-
Water rights	-	52,347,426	-
Total noncurrent assets	<u>51,941,347</u>	<u>1,542,900,897</u>	<u>131,870,669</u>
Total assets	<u>114,327,618</u>	<u>1,758,007,513</u>	<u>141,614,054</u>
Deferred outflows of resources			
Deferred charges on refunding	672,836	8,349,756	-
Related to OPEB	1,023,998	2,570,483	-
Related to pension	12,445,140	36,220,826	3,713,775
Total deferred outflows of resources	<u>14,141,974</u>	<u>47,141,065</u>	<u>3,713,775</u>
Current liabilities			
Accounts payable	1,017,647	10,320,367	508,187
Accrued payroll liabilities	505,387	1,725,861	188,296
Accrued interest payable	42	-	-
Interfund loan payable	-	-	-
Interfund payable	-	-	2,454,760
Due to other agencies	-	339,824	85,264
Refundable deposits	164,203	1,397,529	434,967
Liabilities payable from restricted assets	-	53,609,485	-
Customer advances	-	-	-
Current portion of bonds payable	-	42,005,678	-
Current portion of contracts payable	1,021,566	-	-
Current portion of claims payable	-	-	-
Current portion of remediation liabilities	-	-	-
Current portion of compensated absences	371,090	1,328,246	141,699
Current portion of lease liabilities	57,610	-	-
Current portion of landfill liabilities	857,736	-	-
Total current liabilities	<u>3,995,281</u>	<u>110,726,990</u>	<u>3,813,173</u>

City of Tucson, Arizona
Statement of Net Position (Continued)
June 30, 2022

Business-type activities		Governmental Activities
Non-major Enterprise Funds	Total	Internal Service Funds
\$ 1,496	\$ 183,558,425	\$ 35,555,235
-	9,837,679	-
-	50,688,180	21,402,717
809,047	34,268,477	53,369
-	138,965	-
-	276,416	58,085
	1,631,467	
319,202	5,909,301	-
41,528	2,098,635	458,878
<u>1,171,273</u>	<u>288,407,545</u>	<u>57,528,284</u>
-	-	22,495,691
417,762	111,134,872	-
-	400,091	-
6,794,831	450,659,081	30,242
16,559,740	1,135,816,863	50,565
496,191	623,104	
-	52,347,426	-
<u>24,268,524</u>	<u>1,750,981,437</u>	<u>22,576,498</u>
<u>25,439,797</u>	<u>2,039,388,982</u>	<u>80,104,782</u>
-	9,022,592	-
-	3,594,481	-
331,952	52,711,693	
<u>331,952</u>	<u>65,328,766</u>	<u>-</u>
476,933	12,323,134	1,411,129
116,250	2,535,794	178,592
3,591	3,633	-
173,325	173,325	-
1,153,837	3,608,597	-
46,910	471,998	-
312,505	2,309,204	2,494
-	53,609,485	-
178,956	178,956	-
-	42,005,678	-
12,155	1,033,721	-
-	-	21,349,288
-	-	463,600
15,301	1,856,336	-
432,157	489,767	
-	857,736	-
<u>2,921,920</u>	<u>121,457,364</u>	<u>23,405,103</u>

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Net Position (Continued)
June 30, 2022

	Business-type activities		
	Environmental Services	Water Utility	Public Housing
Noncurrent liabilities			
Bonds payable, net of current portion	-	377,876,622	-
Contracts payable, net of current portion	6,843,749	-	-
Claims payable, net of current portion	-	-	-
Remediation obligations, net of current portion	8,228,724	-	-
Compensated absences, net of current portion	1,398,706	4,476,087	371,582
Lease liabilities, net of current portion	56,084	-	-
Landfill closure and post-closure liabilities, net of current portion	42,549,585	-	-
Net pension liability	22,477,330	65,418,909	6,707,495
Net OPEB liability	7,781,425	19,080,651	-
Total noncurrent liabilities	<u>89,335,603</u>	<u>466,852,269</u>	<u>7,079,077</u>
Total liabilities	<u>93,330,884</u>	<u>577,579,259</u>	<u>10,892,250</u>
Deferred inflows of resources			
Deferred revenues	-	118,376	110,844,270
Leases	-	1,632,309	-
Related to pensions	6,751,894	19,650,980	1,655,349
Related to OPEB	1,058,011	2,725,370	-
Total inflows outflows of resources	<u>7,809,905</u>	<u>24,127,035</u>	<u>112,499,619</u>
Net position			
Net investment in capital assets	44,635,174	1,099,777,845	21,153,559
Restricted for debt service	-	50,688,180	-
Restricted for self-insurance mandates	-	-	-
Restricted for grants and entitlements	-	-	782,401
Unrestricted	(17,306,371)	52,976,259	-
Total net position	<u>27,328,803</u>	<u>1,203,442,284</u>	<u>21,935,960</u>
Reconciliation to government-wide statement of Net Position. Adjustment to consolidate internal service fund activities			
	<u>291,648</u>	<u>1,448,594</u>	<u>-</u>
Total net pension - business-type	<u>\$ 27,620,451</u>	<u>\$ 1,204,890,878</u>	<u>\$ 21,935,960</u>

City of Tucson, Arizona
Statement of Net Position (Continued)
June 30, 2022

Business-type activities		Governmental Activities
Non-major Enterprise Funds	Total	Internal Service Funds
-	377,876,622	-
47,491	6,891,240	-
-	-	37,786,880
-	8,228,724	836,281
24,368	6,270,743	-
59,946	116,030	-
-	42,549,585	-
599,542	95,203,276	-
-	26,862,076	-
<u>731,347</u>	<u>563,998,296</u>	<u>38,623,161</u>
<u>3,653,267</u>	<u>685,455,660</u>	<u>62,028,264</u>
183,873	111,146,519	-
-	1,632,309	-
180,095	28,238,318	-
-	3,783,381	-
<u>363,968</u>	<u>144,800,527</u>	<u>-</u>
23,299,013	1,188,865,591	80,807
-	50,688,180	-
-	-	5,651,894
-	782,401	-
(1,544,499)	34,125,389	12,343,817
<u>21,754,514</u>	<u>1,274,461,561</u>	<u>\$ 18,076,518</u>
-	1,740,242	
<u>\$ 21,754,514</u>	<u>\$ 1,276,201,803</u>	

City of Tucson, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2022

	Business-type activities		
	Environmental Services	Water Utility	Public Housing
Operating revenues			
Charges for services	\$ 55,138,770	\$ 242,992,669	\$ 6,589,156
Federal grants and contributions	-	-	11,864,625
Other agencies	-	-	-
Miscellaneous	2,060,346	3,002,168	1,429,678
Total operating revenues	57,199,116	245,994,837	19,883,459
Operating expenses			
Salaries, wages, and benefits	17,636,306	41,313,604	5,155,762
Contractual services	23,549,965	85,771,018	11,263,455
Commodities	3,299,261	8,655,664	1,537,095
Cost of goods sold	-	-	-
Benefits and claims	-	-	-
Depreciation	6,548,110	41,110,720	2,275,067
Total operating expenses	51,033,642	176,851,006	20,231,379
Operating income (loss)	6,165,474	69,143,831	(347,920)
Nonoperating revenues (expenses)			
Property taxes	-	-	-
Investment income (loss)	503,058	1,754,863	14,250
Gain (loss) on sale of property equipment	(165,927)	2,441,428	24,300
Other - grants and contributions	16,896	2,040,659	-
Non-grant contributions	-	193,341	-
Interest expense	(379,048)	(12,393,707)	-
Fiscal agent fees	-	(416,985)	-
Total nonoperating revenues (expenses)	(25,021)	(6,380,401)	38,550
Income before transfers and capital contributions	6,140,453	62,763,430	(309,370)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(19,259)	(1,997,320)	-
Capital contributions	-	8,965,294	-
Total other financing sources (uses)	(19,259)	6,967,974	-
Changes in net position	6,121,194	69,731,404	(309,370)
Net position at beginning of year	21,207,609	1,133,710,880	22,245,330
Net position at end of year	\$ 27,328,803	\$ 1,203,442,284	\$ 21,935,960
Reconciliation to government-wide statement of activities			
Changes in net position.	\$ 6,121,194	\$ 69,731,404	\$ (309,370)
Adjustment to consolidate internal service activities	(267,674)	(410,725)	-
Changes in net position - business-type activities	\$ 5,853,520	\$ 69,320,679	\$ (309,370)

City of Tucson, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Position (Continued)
Year Ended June 30, 2022

Business-type activities		Governmental Activities
Non-major Enterprise Funds	Total	Internal Service Funds
\$ 11,569,545	\$ 316,290,140	\$ 92,849,925
238,261	12,102,886	-
-	-	4,080,386
85,205	6,577,397	513,536
<u>11,893,011</u>	<u>334,970,423</u>	<u>97,443,847</u>
444,653	64,550,325	3,007,536
9,013,639	129,598,077	23,898,084
1,667,604	15,159,624	65,368
709,945	709,945	-
-	-	77,197,799
1,539,021	51,472,918	9,852
<u>13,374,862</u>	<u>261,490,889</u>	<u>104,178,639</u>
<u>(1,481,851)</u>	<u>73,479,534</u>	<u>(6,734,792)</u>
-	-	565,894
128,951	2,401,122	(463,872)
-	2,299,801	-
-	2,057,555	-
-	193,341	-
-	(12,772,755)	-
-	(416,985)	-
<u>128,951</u>	<u>(6,237,921)</u>	<u>102,022</u>
<u>(1,352,900)</u>	<u>67,241,613</u>	<u>(6,632,770)</u>
-	-	2,000,000
-	(2,016,579)	-
-	8,965,294	-
<u>-</u>	<u>6,948,715</u>	<u>2,000,000</u>
(1,352,900)	74,190,328	(4,632,770)
<u>23,107,414</u>	<u>1,200,271,233</u>	<u>22,709,288</u>
<u>\$ 21,754,514</u>	<u>\$ 1,274,461,561</u>	<u>\$ 18,076,518</u>
\$ (1,352,900)	\$ 74,190,328	
<u>-</u>	<u>(678,399)</u>	
<u>\$ (1,352,900)</u>	<u>\$ 73,511,929</u>	

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Cash Flows
Year Ended June 30, 2022

	Business-type activities		
	Environmental Services	Water Utility	Public Housing
Cash flows from operating activities:			
Cash received from customers	\$ 55,779,681	\$ 250,868,352	\$ 7,999,204
Cash payments to suppliers for goods and services	(26,284,530)	(89,942,545)	(13,545,433)
Cash payments to employees for services	(17,873,208)	(45,880,160)	(5,522,677)
Subsidy from federal grant	-	-	12,805,481
Other operating revenues	2,094,426	3,263,776	-
Cash payments to claimants	-	-	-
Cash flows provided by (used by) operating activities	<u>13,716,369</u>	<u>118,309,423</u>	<u>1,736,575</u>
Cash flows from noncapital financing activities:			
Property taxes	-	-	-
Interfund transfers	(19,259)	(1,997,320)	-
Advances to other funds	-	-	-
Subsidy from federal grant	36,155	373,649	-
State grants	-	67,500	-
Interest paid on advances	-	-	-
Cash flows provided by noncapital financing activities	<u>16,896</u>	<u>(1,556,171)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Payments on financed purchases	-	-	-
Bond issuance	-	-	-
Subsidy from state grant	-	2,000,000	-
Acquisition and construction of capital assets	(5,244,222)	(100,683,044)	(4,563,094)
Principal paid on capital debt	(1,065,698)	(40,854,105)	-
Interest paid on capital debt	(240,257)	(16,155,071)	-
Fiscal agent fees paid on capital debt	-	(416,985)	-
Capital contributions - system equity fee	-	2,727,679	-
Proceeds from sale of assets / equipment	36,325	2,444,968	-
Cash flows used by capital and related financing activities	<u>(6,513,852)</u>	<u>(150,936,558)</u>	<u>(4,563,094)</u>
Cash flows from investing activities:			
Interest on investments	487,296	1,746,021	14,251
Purchase of investments	-	-	-
Cash flows from Investing activities	<u>487,296</u>	<u>1,746,021</u>	<u>14,251</u>
Net increase in cash and cash equivalents	7,706,709	(32,437,285)	(2,812,268)
Cash and cash equivalents at beginning of year	<u>51,255,042</u>	<u>208,241,198</u>	<u>12,129,392</u>
Cash and cash equivalents at end of year	<u>\$ 58,961,751</u>	<u>\$ 175,803,913</u>	<u>\$ 9,317,124</u>

City of Tucson, Arizona
Statement of Cash Flows (Continued)
Year Ended June 30, 2022

Business-type activities		Governmental Activities
Non-major Enterprise Funds	Total	Internal Service Funds
\$ 11,521,089	\$ 326,168,326	\$ 97,587,901
(12,001,427)	(141,773,935)	(23,851,490)
(703,943)	(69,979,988)	(2,895,697)
342,361	13,147,842	-
-	5,358,202	-
-	-	(70,760,730)
<u>(841,920)</u>	<u>132,920,447</u>	<u>79,984</u>
-	-	565,894
1,153,837	(862,742)	2,000,000
(272,371)	(272,371)	-
-	409,804	-
-	67,500	-
<u>(6,665)</u>	<u>(6,665)</u>	<u>-</u>
<u>874,801</u>	<u>(664,474)</u>	<u>2,565,894</u>
(45,747)	(45,747)	-
-	-	-
-	2,000,000	-
(35,039)	(110,525,399)	-
(449,228)	(42,369,031)	-
(3,331)	(16,398,659)	-
-	(416,985)	-
-	2,727,679	-
-	2,481,293	-
<u>(533,345)</u>	<u>(162,546,849)</u>	<u>-</u>
141,860	2,389,428	(464,506)
-	-	1,218,043
<u>141,860</u>	<u>2,389,428</u>	<u>753,537</u>
(358,604)	(27,901,448)	3,399,415
<u>360,100</u>	<u>271,985,732</u>	<u>53,558,537</u>
<u>\$ 1,496</u>	<u>\$ 244,084,284</u>	<u>\$ 56,957,952</u>

City of Tucson, Arizona
Statement of Cash Flows (Continued)
Year Ended June 30, 2022

	Business-type activities		
	Environmental Services	Water Utility	Public Housing
Reconciliation of operating (loss) to cash flows provided by (used for) operating activities:			
Operating income (loss)	\$ 6,165,474	\$ 69,143,831	\$ (347,920)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	6,548,110	41,110,720	2,275,067
Provision for landfill closure	699,539	-	-
Other adjustments:			
Decrease (increase) in assets / deferred outflows of resources:			
Accounts receivable	627,437	5,672,876	18,805
Inventory & prepaids	34,896	(66,537)	-
Due from other agencies	-	-	940,856
Other assets	-	942,590	-
Deferred outflows related to OPEB	308,344	812,224	-
Deferred outflows related to pensions	(9,206,229)	(26,789,031)	(2,725,284)
Increase (decrease) in liabilities / deferred inflows of resources:			
Accounts payable	(134,842)	3,130,555	(744,883)
Accrued payroll liabilities	147,852	309,056	33,011
Accrued compensated absences	295,878	543,543	60,065
Net pension liability	11,244,091	32,707,423	3,279,191
Net OPEB liability	(775,043)	(2,041,577)	-
Deferred revenues	-	-	(56,682)
Customer / refundable deposits	12,658	106,384	(73,111)
Interfund payable	-	-	66,347
Claims & judgments payable	-	-	-
Remediation obligation	-	-	-
Due to other agencies	-	(2,408,517)	25,010
Other operating liabilities	-	-	-
Deferred inflows related to leases	-	1,632,309	-
Deferred inflows related to OPEB	(257,583)	(678,512)	-
Deferred inflows related to pensions	(1,994,213)	(5,817,914)	(1,013,897)
Net cash provided (used) by operating activities	<u>\$ 13,716,369</u>	<u>\$ 118,309,423</u>	<u>\$ 1,736,575</u>
Non-cash investing, capital, and financing activities:			
Contributions of Capital Assets	<u>\$ -</u>	<u>\$ 6,237,615</u>	<u>\$ -</u>
Total non-cash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 6,237,615</u>	<u>\$ -</u>

City of Tucson, Arizona
Statement of Cash Flows (Continued)
Year Ended June 30, 2022

Business-type activities		Governmental Activities
Non-major Enterprise Funds	Total	Internal Service Funds
\$ (1,481,851)	\$ 73,479,534	\$ (6,734,792)
1,539,021	51,472,918	9,852
-	699,539	-
(19,857)	6,299,261	144,055
(62,254)	(93,895)	(56,105)
104,100	1,044,956	-
-	942,590	-
-	1,120,568	-
(172,589)	(38,893,133)	-
(550,892)	1,699,938	193,667
26,468	516,387	111,838
(3,617)	895,869	-
46,838	47,277,543	-
-	(2,816,620)	-
(95,336)	(152,018)	-
(9,809)	36,122	(23,277)
-	66,347	-
-	-	6,437,069
-	-	(2,323)
4,755	(2,378,752)	-
(10,506)	(10,506)	-
93,845	1,726,154	-
-	(936,095)	-
(250,236)	(9,076,260)	-
<u>\$ (841,920)</u>	<u>\$ 132,920,447</u>	<u>\$ 79,984</u>
<u>\$ -</u>	<u>\$ 6,237,615</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 6,237,615</u>	<u>\$ -</u>

City of Tucson, Arizona
Statement of Fiduciary Net Position
June 30, 2022

	Pension Trust	Custodial Funds
Assets		
Cash and cash equivalents	\$ 4,149,771	\$ 4,504,431
Accounts receivable, net	3,651	11,773,291
Short-term investments	29,643,673	-
Securities lending cash collateral	5,731,510	-
U.S. treasuries, agencies, & other governmental bonds	118,504,253	-
U.S. corporate bonds & other fixed income instruments	79,917,323	-
U.S. equity & commingled equity funds	273,598,097	-
International equity & commingled equity funds	188,339,518	-
Real estate & commingled real estate funds	123,907,338	-
Infrastructure investment funds	45,082,647	-
	<u>868,877,781</u>	<u>16,277,722</u>
Liabilities		
Accounts payable	466	2,217,460
Accrued payroll liability	81,767	-
Due to other agencies	-	12,393,316
Other liabilities	-	114
Due to securities borrowers	5,731,510	-
	<u>5,813,743</u>	<u>14,610,890</u>
Fiduciary Net Position		
Restricted for:		
Pensions	863,064,038	-
Other agencies	-	1,666,832
	<u>\$ 863,064,038</u>	<u>\$ 1,666,832</u>
Total fiduciary net position	<u>\$ 863,064,038</u>	<u>\$ 1,666,832</u>

City of Tucson, Arizona
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	Pension Trust	Custodial Funds
Additions		
Employer contributions	\$ 42,789,191	\$ -
Employee contributions	8,328,834	-
Cash collected for other governments	-	140,684,101
Collections from IGAs	-	1,338,091
Fees billed for other governments	-	139,212,909
Investment earnings:		
Net increase (decrease) in fair value of investments	(125,240,577)	-
Interest, dividends, & other income	10,915,392	20,220
Securities lending income, net	109,038	-
Less: Investment activity expense	(5,129,422)	
Net investment earnings	(119,345,569)	20,220
Miscellaneous	134,445	7,791,553
Total additions	(68,093,099)	289,046,874
Deductions		
Cash distributions to other governments	-	148,310,975
Fees paid for by customers for other governments	-	137,855,895
Payments to participants	79,494,496	-
Refunds and transfers to other plans	2,026,724	-
Assets distributed to other agencies	-	3,638,222
Administrative expense	701,949	1,287,365
Total deductions	82,223,169	291,092,457
Changes in net position	(150,316,268)	(2,045,583)
Net position		
Beginning Fiduciary Net Position	1,013,380,306	3,712,415
Ending Fiduciary Net Position	\$ 863,064,038	\$ 1,666,832

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City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2022, the City implemented the provisions of GASB Statement No. 87, *Leases* which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The following is a summary of the significant policies:

a. Reporting Entity

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

Tucson Supplemental Retirement System

The Tucson Supplemental Retirement System (TSRS or System) is a single-employer defined benefit plan established by the City and administered by a seven-member Board of Trustees. Although the system is a separate legal entity, its sole purpose is to provide services exclusively to the City; therefore, it is included as a Pension Trust Fund in these basic financial statements. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Finance Department, PO Box 27450, Tucson, AZ 85726, or visit www.tucsonaz.gov/finance.

b. Government-wide and Fund Financial Statements

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

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

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

The Statement of Activities shows the degree to which direct expenses of various City functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges for services, fines and forfeitures, and licenses and fees, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, which are not specifically identifiable with a particular function or segment, are reported as general revenues at the bottom of the statement. The general revenues support the net costs of the functions and segments not covered by program revenues.

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

c. **Basis of Presentation**

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

1. Governmental Funds

Major Funds:

General Fund - This fund is the main operating fund of the City that is used to account for and report all financial resources not accounted for and reported in another fund.

Mass Transit Fund - This fund is used to account for and report all the revenues and other financial resources necessary to operate fixed route and paratransit services within the Tucson metropolitan area. The main sources of revenue are federal grants and contributions customers and Other Agencies, such as other cities and Pima County, Federal grants and contributions, and an investment from the General Fund for fiscal year 2022 of \$15,739,751.

Disaster Relief Fund - This fund includes federal funds the American Rescue Plan Act "ARPA" provided to City as a recipient of the economic relief. The City received \$97 million to assist with its response to the COVID-19 virus. During fiscal year 2022, City received \$20.4 million from the ARPA to continue the effort in response to pandemic impact. As of June 30, 2022, these funds report eligible expenses of \$21.2 million.

Section 115 Pension Trust Fund - This fund was established to account and accumulate resources for PSPRS pension obligations as the City's strategy to address the \$1.7 billion long-term obligations of the PSPRS pension system. Mayor and Council approved issuance of Certificates of Participation to be placed in an irrevocable trust as per Section 115 to the Internal Revenue Code of 1986. At the end of the fiscal year, total restricted fund balance was \$536.7 million. The City will utilize the restricted fund balance and investment earnings for the PSPRS pension obligations.

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

Non-major Funds:

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources (other than proprietary and fiduciary functions) that are restricted to expenditures for specified purposes other than debt service and capital projects. Resources must be derived from one or more specific revenue sources. Special revenue funds include federal grants and various City functions such as Tucson Convention Center, Highway User Revenue, Sun Link (Streetcar), and Housing and Community Development Funds.

Debt Service Funds - These funds are used to account for and report the accumulation of resources that are restricted, committed, or assigned for the payment of long-term debt principal, interest, and other related costs for General Obligation and Street and Highway Revenue Bonds.

Capital Project Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities and other capital assets. This includes the 2018-A (2020) General Obligation Bonds issued in fiscal year 2021, Capital Improvements, Development Fees, and the Regional Transportation Authority Funds.

2. Enterprise Funds

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

Major Funds:

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

The **Environmental Services Fund** accounts for the financing and operation of all activities necessary to provide solid waste and recycling services to residential and commercial customers in the City of Tucson. Since the Environmental Services Fund is a segment accounted for within an individual fund, no further segment information is presented in these notes.

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

Non-major Funds:

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

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

The **Non-Public Housing Authority (Non-PHA) Asset Management Fund** accounts for operating activities necessary to support non-public housing assets. The Non-PHA Asset Management Fund is accounted for within an individual fund. No further segment information is presented in these notes.

3. Internal Service Funds:

This fund is used to account for the financing of self-insurance provided to City departments on a cost-reimbursement basis. The costs of the internal service funds' services are spread to the appropriate functions on the government-wide Statement of Activities, and the revenues and expenses within the internal service fund are eliminated from the government-wide financial statements to avoid any "doubling-up" effect of these revenues and expenses. City has two internal services funds, the Health Insurance Trust Fund and the Risk Management Trust Fund.

4. Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust and Custodial Funds. The Pension Trust Fund is accounted for in the same manner as proprietary funds. Custodial Funds, which include Pima County sewer collections, forfeitures accounts pending legal settlement and grant funds that are custodial in nature and are also reported in the same manner as proprietary funds.

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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Major revenue sources susceptible to accrual are business privilege and other taxes and grants and similar items when all eligibility requirements are met. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

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

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity).

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. Water connection fees for the Water Utility are established at an amount necessary to recover related costs and are recorded as capital contributions. Housing fund operating revenue includes noncapital grants intended for the operations of services as contracted with the grantor.

The General Fund and certain other funds charge service fees to other operating funds to support general services used by the operating funds (like accounting and maintenance).

e. **Reserve for Loss and Loss Adjustment Expenses**

The Risk Management Fund establishes claim liabilities based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

f. **Budgetary Information**

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of expenditures based on a factor of increases in population and inflation, which are adjusted annually. Under the State statutes, the City must either use the State's expenditure limitation or follow an alternative expenditure limitation, which must be voter-approved. The City is under the State approved expenditure limitation that includes three voter-approved increases in the base. The voters passed an increase of \$800 thousand in November 1981 and an additional \$46.9 million permanent adjustment in November 1987. In November 2013, voters approved a \$50 million permanent adjustment effective July 1, 2014.

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

1. The City Charter requires the City Manager to prepare a written estimate of the funds required to conduct the business and affairs of the City. The estimate, which is the recommended budget, is due on or before the first Monday in May of each year or on such date fixed by the Mayor and Council. The recommended budget may be increased or decreased until tentatively adopted by Mayor and Council.
2. Public hearings are conducted on the recommended budget.
3. State statutes require the City to prepare a full and complete statement of the estimated expenditures and revenues for the fiscal year. Mayor and Council tentatively adopt the budget for the following fiscal year. After the adoption of the tentative budget, total appropriations cannot be increased.
4. A public hearing is held on the budget as tentatively adopted and on the proposed property tax levy.
5. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget by purpose. Purpose is defined as a series of departments/offices as follows: Elected Officials, Public Safety and Justice Services, Community Enrichment and Development, Support Services, Public Utilities and General Government.
6. All appropriations lapse at year-end.

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

7. Supplementary budgetary appropriations require approval of Mayor and Council.

g. Cash and Cash Equivalents

For purposes of the statements of cash flows, which are prepared for the enterprise and internal service funds, the City considers all highly liquid investments (including the funds' participation in the investment pool account and appropriate restricted assets) to be cash equivalents. Individual fund investments with an initial maturity of 3 months or less when purchased are considered to be cash equivalents.

h. Method used to Value Investments

Investments are reported at fair value. The fair value of the pooled investments is based on current market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Estimated fair value for real estate and infrastructure investments are established by third party appraisers.

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

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

i. Accounts / Notes Receivable

The Water Utility Funds' assets and revenues include \$12,063,511 for water sales delivered, but unbilled at June 30, 2022.

General Fund accounts receivables of \$33,907,737 are net of allowance for doubtful accounts of \$41,030. The Water Utility and Environmental Services accounts receivable of \$29,716,222 and \$3,331,509, respectively, are net of allowance for doubtful accounts of \$1,113,134 and \$246,305, respectively.

The Housing and Community Development Department provides many loans to homeowners through Housing and Urban Development financing. The loans are placed on each homeowner's title as a lien against the property naming the City as the lien holder. Dependent upon the homeowner's qualification, an affordability period (from 5 to 20 years) is determined. Each lien is forgiven evenly over the determined affordability period. The City only receives a payoff if a property is sold prior to the end of the affordability period (some sales do not result in payment to the City). Less than 10% of these liens have resulted in payoffs to the City in the past 5 years. As of June 30, 2022, these loans, called forgivable loans, totaled \$4,435,962. Due to the infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

j. Inventories / Prepaids

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/prepaids are consumed, expenditures are recorded in the governmental funds and expenses are recorded in the enterprise funds. In the governmental funds, a non-spendable fund balance account is established for the inventory amount. Certain payments to vendors reflect costs applicable to future accounting

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

periods and are recorded as prepaid items. A non-spendable fund balance account is established for prepaid items that are material.

k. **Restricted Assets / Liabilities**

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

l. **Capital Assets**

Capital assets, which include property, equipment, buildings, and infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), are depreciated and reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets and depreciation expense are not shown in the governmental fund financial statements.

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

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

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

	<u>Estimated Useful Life (Years)</u>
Buildings and building improvements	20 - 40
Improvements other than buildings	10 - 40
Wells, tanks, and improvements	40 - 100
Machinery and equipment	3 - 20
Leased assets	Various

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

m. **Water Rights**

The City does not place a limitation on the useful life of the water rights and does not expect to cease utilizing the water rights in the foreseeable future. The water rights are recorded at historical cost and are considered to have an indefinite useful life. The total book value for water rights for the Water Utility Fund is \$52,347,426 at June 30, 2022.

n. **Compensated Absences**

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments. Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' retirement.

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

o. Long-term Obligations

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

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

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

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

p. Leases

As lessee, the City recognizes lease liabilities with an initial, individual value of \$100,000 or more. The City uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The City's estimated incremental borrowing rate is based on the City's current borrowing rate.

As lessor, the City recognizes lease receivables with an initial value of \$100,000 or more. If there is no stated rate in the lease contract and the implicit rate cannot be determined, the City uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables.

q. Deferred Outflows / Inflows of Resources

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

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

r. **Fund Balance Policies**

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Unrestricted fund balance is the total fund balance less Nonspendable and Restricted fund balances. The Unrestricted fund balance includes Committed, Assigned and Unassigned classifications.

Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because either: 1) it is not in a spendable form, such as inventory or prepaid items, or 2) legally or contractually required to be maintained intact.

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

Committed – Committed fund balance is self-imposed constraints imposed at the highest level of decision-making authority, namely, Mayor and Council. Mayor and Council approval through an ordinance or resolution is required to commit resources or to rescind the commitment. Although an ordinance is the most binding, it is equally difficult to commit/rescind the commitment using either process. A Stabilization Fund is included as a subset of committed fund balance. As of June 30, 2022, this fund is at ten percent (10%) of General Fund revenues, as strived in the City's comprehensive financial policies (Resolution No. 22319). The Stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned fund balance is depleted.

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

Unassigned – Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

Mayor and Council established a Community Banking Program on May 29, 2013. The City participates in a Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the country up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to the Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01 and allowed in the City's investment policy. The City now holds \$10.7 million of the Stabilization Fund in a two-year CDARS investment with Western Alliance Bank of Arizona.

A target of a minimum of seven percent (7%) of General Fund revenues will be "Unassigned/contingency", with the intention to provide additional stability to the General Fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the City. Funds in excess of the minimum targets will be retained in the Unassigned General Fund Balance to supplement "pay as you go" requirements.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

As of June 30, 2022, the fund balance details by classification are listed on the next page:

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

Fund Balance Classifications	General Fund	Mass Transit	Section 115 Pension Trust	Nonmajor Governmental Funds	Total
Nonspendables:					
Items not in spendable form					
Inventory	\$ 2,949,305	\$ 3,707,831	\$ -	\$ 2,183,725	\$ 8,840,861
Long-term investment	2,878,836	-	-	-	2,878,836
Interfund loan	173,325	-	-	-	173,325
Prepaid expenditures	-	47,483	-	37,399	84,882
Subtotal	6,001,466	3,755,314	-	2,221,124	11,977,904
Restricted:					
Crime, prevention, investigation, and education	2,767,077	-	-	-	2,767,077
Street, sidewalks, drainage, and signage	-	-	-	70,275,168	70,275,168
Transportation/mass transit	-	755,179	-	56,860,154	57,615,333
Parks and recreation improvements	-	-	-	56,600,482	56,600,482
Zoo improvements and operations	-	-	-	32,516,570	32,516,570
Public safety pension obligations	-	-	536,732,248	167,786	536,900,034
Police and Fire Equipment and Improvements	262,017	-	-	112,824,381	113,086,398
Community enrichment and development	-	-	-	6,082,343	6,082,343
Green stormwater infrastructure	-	-	-	6,890,367	6,890,367
Affordable housing programs	-	-	-	414,064	414,064
Fuel Reserves	-	-	-	463,363	463,363
Other contributions	-	-	-	239,427	239,427
Subtotal	3,029,094	755,179	536,732,248	343,334,105	883,850,626
Committed:					
Business development loans	636,196	-	-	-	636,196
Land annexation - Raytheon Buffer	1,387,377	-	-	-	1,387,377
Stabilization fund	64,980,304	-	-	-	64,980,304
Parks and recreation projects	794,122	-	-	-	794,122
Crime prevention - investigation and education	863,721	-	-	-	863,721
Litter clean up	561,903	-	-	-	561,903
Housing trust fund	315,905	-	-	-	315,905
Zoo expansion projects debt	1,806,707	-	-	-	1,806,707
Zoo repairs	48,297	-	-	-	48,297
Economic initiatives	422,242	-	-	-	422,242
National service warranty program	668,921	-	-	-	668,921
Energy stabilization fund	806,925	-	-	-	806,925
Miscellaneous commitments	76,841	36,677	-	50,288	163,806
Subtotal	73,369,461	36,677	-	50,288	73,456,426
Assigned:					
Management contingency	8,000,000	-	-	-	8,000,000
Parks and recreations	3,000,000	-	-	-	3,000,000
Imprest cash	528,420	1,201,882	-	257,765	1,988,067
City hall elevator	700,000	-	-	-	700,000
Permitting system	248,000	-	-	-	248,000
Energy performance projects	330,320	-	-	-	330,320
Fuel contingency account	3,155,600	-	-	-	3,155,600
Transit fuel contingency	3,300,000	-	-	-	3,300,000
Operating contingency	2,600,000	-	-	-	2,600,000
Vehicle replacement/maintenance	2,226,610	-	-	-	2,226,610
Building maintenance	2,502,450	-	-	-	2,502,450
Zoo operating and maintenance	2,903,371	-	-	-	2,903,371
Evidence freezer	270,000	-	-	-	270,000
Workday implementation	2,000,000	-	-	-	2,000,000
El Pueblo Park safety measures	47,000	-	-	-	47,000
Case management	280,000	-	-	-	280,000
Chiller	333,000	-	-	-	333,000

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Fund Balance Classifications	General Fund	Mass Transit	Section 115 Pension Trust	Nonmajor Governmental Funds	Total
Moonshot - sewing accelerator program	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Collector street program	4,000,000	-	-	-	4,000,000
Public safety (equip, vehicles, apparatus)	18,000,000	-	-	-	18,000,000
Facilities maintenance program	2,000,000	-	-	-	2,000,000
Information technology	5,000,000	-	-	-	5,000,000
ADA plan	1,000,000	-	-	-	1,000,000
Transit capital	5,000,000	-	-	-	5,000,000
Transit fare program	9,100,000	-	-	-	9,100,000
Community safety, beautification, and entryways	2,500,000	-	-	-	2,500,000
Art, history, heritage and culture	1,500,000	-	-	-	1,500,000
Non-public safety vehicle replacement	2,500,000	-	-	-	2,500,000
Visit Tucson Incentive	500,000	-	-	-	500,000
TCC - Rio Nuevo	1,300,000	-	-	-	1,300,000
One-time supplemental budget	10,000,000	-	-	-	10,000,000
Subtotal	<u>94,974,771</u>	<u>1,201,882</u>	<u>-</u>	<u>257,765</u>	<u>96,434,418</u>
Unassigned					
General Fund	150,941,577	-	-	-	150,941,577
Other Governmental Funds					
Deficit Residuals	-	-	-	(174,387)	(174,387)
Subtotal	<u>150,941,577</u>	<u>-</u>	<u>-</u>	<u>(174,387)</u>	<u>150,767,190</u>
Total Fund Balance	<u>\$ 328,316,369</u>	<u>\$ 5,749,052</u>	<u>\$ 536,732,248</u>	<u>\$ 345,688,895</u>	<u>\$ 1,216,486,564</u>

s. Interfund Transactions

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

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the Statement of Net Position as Internal Balances. The "doubling-up" effect of internal service fund activity has been removed by adjusting the expenses shown in the various functions within the Statement of Activities.

t. 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 \$1,499 and is included in the restricted net position. There are no state laws governing the expenditure of investment income for City donations.

u. Use of Estimates

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

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Note 2 - PROPERTY TAX

Property taxes are levied and collected by the Pima County Treasurer on behalf of the City. Property taxes are levied no later than the third Monday in August and are payable in two installments. Taxes become delinquent after the first business day of both November and May, respectively, and a lien against real and personal property attaches on the first day of January preceding assessment and levy.

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

A single assessed value, called the Limited Property Value (LPV), is used for both the primary and secondary tax levies. The growth in the LPV is limited to no more than 5% per year, excluding new construction. The primary property tax levy is limited to an increase of 2% over the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. Even if the City does not adopt the maximum allowable levy from year to year, the 2% allowable increase will be based on the prior year's "maximum allowable levy." The "net new property" factor is included in the calculation that takes into account all new construction and any additional property added to a community due to annexations. The 2% increase applies to all taxable property. The City Charter sets an upper property tax limit of \$1.75 per \$100 of assessed value. Therefore, the City cannot levy a combined primary and secondary property tax that exceeds \$1.75.

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

Note 3 - INDIVIDUAL FUND DISCLOSURES

At June 30, 2022, the following funds had deficit fund balance / net position:

<u>Fund</u>	<u>Amount</u>
Park Tucson	\$ (174,387)
Risk Management Internal Service Fund	(1,321,793)

The deficit in the Park Tucson special revenue fund is due to the Coronavirus pandemic negatively impacting revenue collection. This deficit will be mitigated during FY 2022/23. The deficit in the Risk Management fund is due to unexpected higher costs for claims and insurance. This deficit will be mitigated during FY 2022/23 by increasing charges for services to appropriate funds.

Note 4 - DEPOSITS AND INVESTMENTS

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

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

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The following is a reconciliation of the City's deposit and investment balances as of June 30, 2022:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank deposits	\$ 815,738,855	\$ (51,876,821)	\$ 763,862,034
Investments	1,608,249,570	62,184,737	1,670,434,307
	<u>\$ 2,423,988,425</u>	<u>\$ 10,307,916</u>	<u>\$ 2,434,296,341</u>
	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and cash equivalents	\$ 763,862,034	\$ 8,654,202	\$ 772,516,236
Noncurrent investments	36,494,527	864,724,359	901,218,886
Cash & investments with fiscal agent*	534,632,248	-	534,632,248
Cash & investments restricted	225,928,971	-	225,928,971
Total Investments	<u>\$ 1,560,917,780</u>	<u>\$ 873,378,561</u>	<u>\$ 2,434,296,341</u>

*Amount presented for the Section 115 Pension Trust Fund only.

a. Deposits

Reconciling items in the previous table are made up of outstanding checks, deposits in transit and other miscellaneous items. Bank balances are covered by federal depository insurance or collateral (if applicable) held by the City's agents in the City's name.

b. Investments

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations typically rated by one or more nationally recognized statistical-rating organizations (NRSROs) i.e., Moody's/Standard & Poors. These obligations may consist of the U.S. Government Treasuries, Agencies and instrumentalities, money market funds consisting of primarily U.S. Governmental issues, repurchase agreements, negotiable and non-negotiable bank certificates of deposit (CDs), commercial paper rated P-2/A-2 or better, corporate bonds and notes rated A2/A or better, and the State of Arizona Local Government Investment Pool. Operating and capital projects funds may be invested for a maximum of five years based on projected construction schedules.

The Tucson Supplemental Retirement System (TSRS) is governed by a separate management board. The City Code provides that the TSRS Board of Trustees make investments in accordance with the "prudent person rule." Trust investments are also governed by an approved investment policy. The TSRS Board of Trustees authorizes domestic and foreign investments including U.S. Government obligations and Agency issues, corporate bonds, stocks, real estate, infrastructure and money market funds, as well as derivative investments. The investment policy also establishes the asset mix and target allocations for each asset class permitted. Short-term investments for this fund may be made up of commercial paper, time deposits, guaranteed insurance contracts, money market funds or any other short-term investment fund (STIF) vehicle permitted.

These deposits and investments are held by the City or its agents in the City's name and are either insured, registered or collateralized (if applicable). A portion of these investments are subject to credit risk (including custodial credit

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risk and concentrations of credit risk), interest rate risk and/or foreign currency risk which are all discussed in the sections that follow.

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

The City's deposits and investments for all funds at fiscal year-end are listed below at fair value net of accruals. The City categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The City has the following recurring fair value measurements as of June 30, 2022:

Investments	Fair value	Level 1	Level 2	Level 3
U.S. issues not on securities loan:				
U.S. Treasuries, agencies, governmental bonds & commingled U.S. debt	\$ 417,294,878	\$ 188,953,212	\$ 109,837,413	\$ 118,504,253
Corporate bonds & other fixed income instruments	229,357,755	6,975	203,765,539	25,585,241
U.S. equity & commingled equity funds	270,607,840	174,347,409	987,316	95,273,115
International equity & commingled equity funds	188,339,518	79,819,138	-	108,520,380
Subtotal	<u>1,105,599,991</u>	<u>443,126,734</u>	<u>314,590,268</u>	<u>347,882,989</u>
Investments held by broker-dealers under securities loans with cash collateral:				
U.S. Corporate bonds & other fixed income instruments	2,307,927	-	2,307,927	-
U.S. equity	2,990,258	2,990,258	-	-
Subtotal	<u>5,298,185</u>	<u>2,990,258</u>	<u>2,307,927</u>	<u>-</u>
Securities lending short-term collateral investment pool				
Money market funds/short-term investments	5,731,510	3,108,876	2,622,634	-
Real estate & commingled real estate funds	1,069,220,045	1,028,957,253	14,398,508	25,864,284
Infrastructure investment funds	123,907,338	-	-	123,907,338
	45,082,647	-	-	45,082,647
Subtotal	<u>1,243,941,540</u>	<u>1,032,066,129</u>	<u>17,021,142</u>	<u>194,854,269</u>
Total deposits and investments	<u>\$ 2,354,839,716</u>	<u>\$ 1,478,183,121</u>	<u>\$ 333,919,337</u>	<u>\$ 542,737,258</u>

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

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

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

c. Credit Risk

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

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

1) Obligations of the U.S. Government, its Agencies and instrumentalities; 2) Repurchase agreements whose underlying collateral is commercial paper rated P-1/A-1 (Moody's/Standard & Poors) with maturities not to exceed 180 days or rated P-2/A-2 with maturities not to exceed 90 days; 3) Bonds, notes and debentures issued by U.S. corporations rated at least A2/A; 4) Money market funds, non-negotiable CDs, etc., that are either insured by an Agency of the federal government or collateralized (if applicable) by obligations of the U.S. Government, its Agencies and instrumentalities or General Obligation municipal bonds rated A2/A or better at the minimum State of Arizona mandated required amount on deposit, calculated on market values. The collateral must be held by the Trust department of the financial institution or delivered to the City's agent; 5) Except for direct obligations of the U.S. Treasury or a U.S. Agency, not more than 5% of the portfolio shall be invested in securities of any one issuer; 6) A minimum of 15% of the portfolio shall be invested in highly liquid securities such as money market funds; 7) Not more than 25% of the portfolio shall be invested in medium-term corporate notes, commercial paper and negotiable CDs; 8) not more than 20% of the portfolio shall be invested in Arizona municipal securities; 9) not more than 25% of the portfolio shall be invested in 144A securities (applicable to large institutional investors only), subject to meeting all the investment policy requirements described above.

The City's investment pool account had the following credit risk structure as of June 30, 2022:

Investment Type	Holdings	Average Credit Rating ⁽¹⁾	Fair Value	Percent of Total
Cash & cash equivalents				
Wells Fargo large balance public institutional bank deposit account, S/T gov't bonds, money market account	1	Aaa	567,559,818	58.43%
U.S. treasury notes	17	Aaa	145,054,804	14.93%
U.S. agency & municipal bonds	69	Aaa	106,958,577	11.01%
Negotiable certificates of deposit	20	Aa	30,344,053	3.12%
U.S. corporate bonds	96	A	121,404,305	12.51%
Total	203		\$ 971,321,557	100.00%

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

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The City also maintains investments and cash funds in specific accounts outside of the investment pool account to meet certain operational and legal requirements which are reported as follows, at fair value net of accruals. As of June 30, 2022, these funds consisted of an investment account at Wells Fargo invested in overnight repurchases with a fair value of \$51,557,794 and various other operational accounts totaling \$130,345,251. The City of Tucson banking policy for these cash accounts is consistent with the investment pool account policy described above.

The City participates in a Community Banking Deposit program. The objective of the program is to help spur local economic activity by depositing funds with “local” financial institutions to be subsequently lent out locally for new consumer and small business loans. After completion of solicitations for offers from local institutions, the City deposited \$10,614,059 in a two-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product during 2022.

The Section 115 Pension Trust holds the proceeds from the issuance of Certificates of Participation and reports cash with fiscal agents and investment proceeds as of June 30, 2022 of \$534,632,248. The proceeds are invested in the short-term money market funds.

The TSRS pension fund presently maintains two externally managed fixed income (bond) accounts which are exposed to some form of credit risk. The assets in the first account are actively managed while the assets in the second account are invested in a commingled bond index fund (passively managed).

The TSRS Board has given the actively managed account manager discretion to invest in a broad array of public and private asset classes, instruments and investment vehicles in order to meet or exceed the agreed upon investment return custom benchmark. The following specific investment policy guidelines pertain to this manager: 1) The maximum position in a single issuer (excluding obligations of U.S. Government and its Agencies) should not exceed 5% of the portfolio’s assets at current fair value; 2) The portfolio should maintain an average quality of a least Ba1/BB+; 3) Money market instruments must be rated in one of the two highest categories by a NRSRO; 4) The minimum rating of individual issues should be Caa2/CCC as rated by Moody’s, Standard & Poors or Fitch; 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken. The passive fund is expected to replicate, as close as possible, the characteristics, quality and performance of its underlying index, the BC aggregate Bond Index.

The TSRS pension fund had the following credit risk structure as of June 30, 2022:

Investment Type	Average Credit Rating ⁽¹⁾	Fair Value	Percent of Total
Cash			
Collective US Gov't STIF 15	NR	\$ 29,443,100	12.92%
	Baa3-A1	99,783	0.04%
U.S. agency & other governmental obligations			
BlackRock US Debt Fund	NR	118,504,253	51.98%
Corporate bonds & other fixed income			
	NR	29,802,207	13.07%
	C	1,439,954	0.63%
	B3-Ba1	24,608,214	10.79%
	Baa3-A1	22,513,112	9.88%
	Aa3-Aaa	1,553,837	0.68%
		<u>79,917,324</u>	<u>35.05%</u>
Total		<u>\$ 227,964,460</u>	<u>99.99%</u>

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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 that will adversely affect the fair value of investments. For fixed income securities, there is an inverse relationship between the change in interest rates and their fair value. For example, in a rising interest rate environment the value of fixed income securities will tend to fall by varying degrees depending on the length of their maturities. In general, the value of fixed income securities with a longer duration will tend to decrease more than shorter duration securities in a rising interest rate environment.

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

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

The City's investment pool account had the following maturity structure as of June 30, 2022:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<u>Cash & cash equivalents</u>		
Wells Fargo large balance public institutional bank deposit account, S/T gov't bonds, money market account	\$ 567,559,818	
	<u>567,559,818</u>	58.43%
<u>Between 1 to 2 Years</u>		
U.S. treasury notes	45,033,876	
U.S. agency & municipal bonds	11,169,805	
Negotiable certificates of deposit	52,410,003	
U.S. corporate bonds	15,265,632	
	<u>123,879,316</u>	12.75%
<u>Between 2 to 3 Years</u>		
U.S. treasury notes	89,208,665	
U.S. agency & municipal bonds	11,630,548	
Negotiable certificates of deposit	11,867,435	
U.S. corporate bonds	44,081,261	
	<u>156,787,909</u>	16.14%
<u>Between 3 to 7 Years</u>		
U.S. treasury notes	42,681,139	
U.S. agency & municipal bonds	7,543,700	
Negotiable certificates of deposit	10,812,263	
U.S. corporate bonds	62,057,412	
	<u>123,094,514</u>	12.68%
Total	<u>\$ 971,321,557</u>	<u>100.00%</u>
Effective duration: 1.81 years		

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

The TSRS fund had the following maturity structure as of June 30, 2022:

Investments	Investment maturities (in years)				Fair value
	Less than 1	1 - 5	6-10	More than 10	
Cash & short-term investments	\$ 29,542,883	\$ -	\$ -	\$ -	\$ 29,542,883
BlackRock U.S. Debt Fund	-	-	118,504,253	-	118,504,253
U.S. corporate & other fixed income instruments	<u>27,041,053</u>	<u>19,728,546</u>	<u>18,384,809</u>	<u>14,762,916</u>	<u>79,917,324</u>
Total rated	<u>\$ 56,583,936</u>	<u>\$ 19,728,546</u>	<u>\$ 136,889,062</u>	<u>\$ 14,762,916</u>	<u>\$ 227,964,460</u>
Effective duration:					
Active account		3.67 years			
Passive account		8.82 years			

e. Foreign Currency Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The exposure to foreign currency risk is currently limited to some of the investments within the TSRS pension fund. The TSRS Board has given the fund’s international equity managers discretion to invest in a broad array of common and preferred stocks, convertibles and warrants of companies headquartered outside of the United States in order to meet or exceed their agreed upon investment return benchmarks. However, the following specific investment policy guidelines pertain to these managers: 1) Investments in any single country market should not exceed more than 4 times the weight of the country in the benchmark index or 50% of portfolio assets, whichever is lower; 2) If a country has a greater than 50% weight in the index, the maximum exposure to that country in the portfolio may be as high as its weight in the index; 3) No more than 35% of each manager’s portfolio should be invested in “emerging markets” (i.e., markets that are not included in the Morgan Stanley Capital International Europe, Australia and Far East index); 4) Managers are permitted to enter into hedging strategies, including cross-currency hedges, using forward currency exchange contracts and currency options; 5) Derivatives should not be used for the purpose of speculation or for leveraging the portfolio.

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The TSRS fund had the following foreign currency risk exposure as of June 30, 2022:

Currency Type	Cash and Cash Equivalents	Fixed Income	Equity	Real Estate	Infrastructure	Fair Value	Percent of Total
Argentina Peso	\$ 558	\$ -	\$ -	\$ -	\$ -	\$ 558	0.00%
Australian Dollar	1,038,310	-	-	-	-	1,038,310	0.12%
Brazil Real	504,001	-	-	-	-	504,001	0.06%
Canadian Dollar	86,098	-	1,749,737	-	-	1,835,835	0.21%
Chinese Yuan Renminbi	(1,065,538)	-	-	-	-	(1,065,538)	-0.12%
Danish Krone	(3,031,147)	3,002,820	-	-	-	(28,327)	0.00%
Euro Currency Unit	(11,639,913)	10,176,044	28,224,850	-	113,284	26,874,265	3.13%
Indonesian Rupiah	(2,897)	-	-	-	-	(2,897)	0.00%
Japanese Yen	178,900	67,925	4,878,177	-	-	5,125,002	0.60%
Mexican Peso	16,088	-	-	-	-	16,088	0.00%
Norwegian Krone	1,056,363	-	-	-	-	1,056,363	0.12%
Polish Zloty	222	-	-	-	-	222	0.00%
Pound Sterling	(3,933,712)	3,877,402	15,777,744	-	-	15,721,434	1.83%
Singapore Dollar	1,596	-	-	-	-	1,596	0.00%
South African Rand	531,647	-	-	-	-	531,647	0.06%
Swedish Krona	30,596	-	898,857	-	-	929,453	0.11%
Swiss Franc	285,067	-	5,050,049	-	-	5,335,116	0.62%
Turkish Lira	7	-	-	-	-	7	0.00%
Currency subtotals	(15,943,754)	17,124,191	56,579,414	-	113,284	57,873,135	6.74%
U.S. Dollar	45,486,637	181,297,386	405,358,202	123,907,338	44,969,363	801,018,926	93.26%
Total rated	<u>\$ 29,542,883</u>	<u>\$ 198,421,577</u>	<u>\$ 461,937,616</u>	<u>\$ 123,907,338</u>	<u>\$ 45,082,647</u>	<u>\$ 858,892,061</u>	
	3.44%	23.10%	53.78%	14.43%	5.25%	100.00%	

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, 2022, the carrying amount and fair value of securities on loan was \$12,859,596. 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.

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, 2022, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

City of Tucson, Arizona
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Derivatives

The Tucson Supplemental Retirement System (TSRS), a fiduciary fund, permits the limited use of derivatives by its international equity and external fixed income managers. Examples of derivative instruments permitted, but not limited to, are forward foreign currency exchange contracts, financial futures, options, swaps and swaptions. All derivative instruments utilized are considered "Investment Derivative Instruments" as defined in GASB Statement 53.

The following table is a summary of the various derivative instruments utilized by the System's actively managed external fixed income manager as of June 30, 2022. Changes in Fair Value is included as part of the overall Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Pension, Fiduciary Fund - Pension Trust. Fair Value is included as part of investments listed under Corporate Bonds & Other Fixed Income Instruments in the Statement of Fiduciary Funds Net Pension, Pension Trust column.

Investment Derivative Instrument	Derivatives		Fair Value	Principal Risk
	Notional Amount	Change in Fair Value		
Foreign exchange	\$ (48,397,168)	\$ 608,600	\$ 608,600	Foreign Currency
Options	(31,249)	3,281	(32,075)	Credit Risk
Interest rate swaps	8,390,484	(1,637,027)	(803,375)	Interest Rate Risk
Forward transactions	193	6,975	3,975	Interest Rate Risk

Whenever possible, the investment manager will base the valuation of derivatives on market information; however, where market quotes are not readily available, an independent third-party pricing vendor will be utilized. Exchange traded derivatives are an example of derivatives where market quotes are available, whereas over-the counter (OTC) securities are not traded over standardized markets.

In addition to the principal risks noted above, Forward Foreign Currencies, Credit Default Swaps and Interest Rate Swaps are also subject to counter-party risk. In general, counterparty risk is the risk of loss of an amount expected to be delivered under an agreement in the event of the default or bankruptcy of the counterparty. Generally, counterparty risk is controlled through dealing with a number of different counterparties reasonably deemed to be credit-worthy by the investment manager and using agreements with counterparties that permit netting of obligations. Counterparty risk with swaps is limited by execution under standardized International Swap and Derivatives Association Agreements. These contracts allow for the mutual exchange of collateral should an overall unsecured market value exceed a certain threshold (e.g., \$250,000).

Credit, interest rate and foreign currency risks are addressed in previous sections of this Note. These risks, applicable to other fixed income and foreign investments, are not substantially different from principal risks associated with derivative instruments.

City of Tucson, Arizona
Notes to Financial Statements
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g. Restricted Fund Balances

Government-wide statement of net position for governmental activities reported \$380.5 million of restricted assets, of which \$236.2 million was restricted by enabling legislation.

<u>Fund</u>	<u>Restricted Fund Balances</u>
General Fund	\$ 3,029,094
Tucson Convention Center	644,052
H.U.R.F.	15,523,039
Civic contributions	1,050,678
Community development block grant	3,532,053
Public housing section 8	1,906,240
HOME affordable housing	414,065
Better streets improvement	70,275,168
Safer city improvement fund	100,435,720
Gene Reid Park Zoo	32,516,570
Green stormwater infrastructure	<u>6,890,367</u>
Total	<u>\$ 236,217,046</u>

Note 5 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables/payables represent cash transfers between funds as of June 30, 2022. These are necessary to cover short term timing differences between cash outflows and inflows for specific funds and payroll transactions to be reimbursed to the general fund. The following governmental interfund receivables/payables are eliminated in the government-wide financial statements:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 94,420,103	\$ 3,265,004
Mass transit fund	-	55,901,823
Section 115 Pension Trust	2,100,000	-
Other non-major governmental funds	<u>-</u>	<u>33,744,679</u>
Total governmental funds	<u>96,520,103</u>	<u>92,911,506</u>
Enterprise funds:		
Public housing	-	2,454,760
Other nonmajor enterprise funds	<u>-</u>	<u>1,153,837</u>
Total enterprise funds	<u>-</u>	<u>3,608,597</u>
Total all funds	<u>\$ 96,520,103</u>	<u>\$ 96,520,103</u>

The Due from/to Other Agencies balances at June 30, 2022 represent receivables/payables to federal, state, or local governmental agencies. Fiduciary Fund due from/to are not shown on the government-wide financial Statement of Net Position.

City of Tucson, Arizona
Notes to Financial Statements
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Fund	Due from other agencies	Due to other agencies
Governmental Funds:		
General Fund	\$ 33,769,085	\$ 822,862
Mass transit fund	4,234,920	755,696
Other non-major governmental funds	<u>23,446,751</u>	<u>305,429</u>
Total governmental funds	<u>61,450,756</u>	<u>1,883,987</u>
Enterprise funds:		
Environmental services	13,124	-
Water utility	125,841	339,824
Public housing	-	85,264
Other nonmajor enterprise funds	<u>-</u>	<u>46,910</u>
Total enterprise funds	<u>138,965</u>	<u>471,998</u>
Fiduciary funds:		
Sewer use fee fund	-	11,683,806
Other agencies	<u>-</u>	<u>709,510</u>
Total fiduciary funds	<u>-</u>	<u>12,393,316</u>
Total all funds	<u>\$ 61,589,721</u>	<u>\$ 14,749,301</u>

Transfers are primarily: 1) operational subsidies from the general fund to various funds and 2) payment in lieu of taxes from the Water Utility Enterprise Fund to General Fund.

Transfers made during the year ended June 30, 2022, were as follows:

Fund	Transfers in	Transfers out
Governmental Funds:		
General Fund	\$ 3,391,105	\$ (26,940,912)
Mass transit fund	15,739,751	-
Other non-major governmental funds	<u>9,129,161</u>	<u>(1,302,526)</u>
Total governmental funds	<u>28,260,017</u>	<u>(28,243,438)</u>
Enterprise funds:		
Environmental services	-	(19,259)
Water utility	-	(1,997,320)
Internal service funds	<u>2,000,000</u>	<u>-</u>
Total enterprise funds	<u>2,000,000</u>	<u>(2,016,579)</u>
Total all funds	<u>\$ 30,260,017</u>	<u>\$ (30,260,017)</u>

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

Note 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets as of June 30, 2022:

	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022
Governmental activities				
Nondepreciable assets				
Land	\$ 847,109,681	\$ 2,583,181	\$ (16,446,583)	\$ 833,246,279
Construction in progress	341,609,188	86,632,015	(50,746,714)	377,494,489
Total capital assets not being depreciated or amortized	<u>1,188,718,869</u>	<u>89,215,196</u>	<u>(67,193,297)</u>	<u>1,210,740,768</u>
Capital assets being depreciated and amortized				
Buildings and improvements	909,581,425	10,524,014	(8,303,535)	911,801,904
Equipment	382,882,109	25,862,370	(10,894,981)	397,849,498
Infrastructure	1,085,542,559	31,892,128	(257,345,089)	860,089,598
Intangible right to use - leases	10,807,702	-	-	10,807,702
Totals at historical cost	<u>2,388,813,795</u>	<u>68,278,512</u>	<u>(276,543,605)</u>	<u>2,180,548,702</u>
Less accumulated depreciation and amortization for				
Buildings and improvements	445,914,650	26,434,996	(8,007,620)	464,342,026
Equipment	282,028,239	19,281,576	(10,851,844)	290,457,971
Infrastructure	722,865,781	34,718,444	(257,345,089)	500,239,136
Intangible right to use - leases (amortized)	-	1,069,055	-	1,069,055
Total accumulated depreciation and amortization	<u>1,450,808,670</u>	<u>81,504,071</u>	<u>(276,204,553)</u>	<u>1,256,108,188</u>
Net capital assets being depreciated and amortization	<u>938,005,125</u>	<u>(13,225,559)</u>	<u>(339,052)</u>	<u>924,440,514</u>
Governmental activities capital assets, net	<u>\$ 2,126,723,994</u>	<u>\$ 75,989,637</u>	<u>\$ (67,532,349)</u>	<u>\$ 2,135,181,282</u>
Depreciation and amortization expense was charged to governmental purposes as follows:				
Elected and official				\$ 60,878
Public safety and justice services				9,438,390
Community enrichment and development				61,871,736
Support services				8,127,066
General government				<u>2,006,001</u>
Total governmental depreciation expense				81,504,071
Internal service funds				<u>(9,852)</u>
Total depreciation and amortization expense				<u>\$ 81,494,219</u>

City of Tucson, Arizona
Notes to Financial Statements
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	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022
Business-type activities				
Nondepreciable assets				
Land	\$ 76,138,986	\$ -	\$ (669)	\$ 76,138,317
Construction in progress	310,210,221	109,157,623	(44,847,080)	374,520,764
Water rights	52,347,426	-	-	52,347,426
Total capital assets not being depreciated or amortized	<u>438,696,633</u>	<u>109,157,623</u>	<u>(44,847,749)</u>	<u>503,006,507</u>
Capital assets being depreciated and amortized				
Buildings, art, and improvements	276,835,168	15,087,411	(8,337)	291,914,242
Equipment	99,252,097	6,524,958	(2,079,854)	103,697,201
Distribution and collection systems	1,618,751,293	33,923,734	-	1,652,675,027
Goodwill	1,187,338	-	(1,187,338)	-
Intangible right to use - leases	1,111,185	-	-	1,111,185
Totals at historical cost	<u>1,997,137,081</u>	<u>55,536,103</u>	<u>(3,275,529)</u>	<u>2,049,397,655</u>
Less accumulated depreciation and amortization for				
Buildings, art, and improvements	153,545,686	11,525,142	(8,337)	165,062,491
Equipment	64,701,693	6,902,758	(1,503,594)	70,100,857
Distribution and collection systems	644,749,321	32,556,938	-	677,306,259
Goodwill	1,187,338	-	(1,187,338)	-
Intangible right to use - leases	-	488,081	-	488,081
Total accumulated depreciation and amortization	<u>864,184,038</u>	<u>51,472,919</u>	<u>(2,699,269)</u>	<u>912,957,688</u>
Net capital assets being depreciated and amortized	<u>1,132,953,043</u>	<u>4,063,184</u>	<u>(576,260)</u>	<u>1,136,439,967</u>
Business-type activities capital assets, net	<u>\$ 1,571,649,676</u>	<u>\$ 113,220,807</u>	<u>\$ (45,424,009)</u>	<u>\$ 1,639,446,474</u>

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

Note 7 - CHANGES IN LONG-TERM DEBT AND LIABILITIES

The following is a summary of changes in long-term debt as of June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 139,940,000	\$ -	\$ (29,035,000)	\$ 110,905,000	\$ 29,280,000
Street & highway revenue bonds	10,615,000	-	(10,615,000)	-	-
Clean renewable energy bonds	4,434,300	-	(1,409,300)	3,025,000	845,000
Certificates of participation	786,708,845	-	(34,095,981)	752,612,864	39,393,434
Leases	10,807,702	-	(965,115)	9,842,587	972,003
Unamortized amounts:					
Premiums	18,382,381	-	(3,198,432)	15,183,949	-
Discounts	(30,617)	-	3,402	(27,215)	-
Total bonds and notes payable	970,857,611	-	(79,315,426)	891,542,185	70,490,437
Other liabilities:					
Contracts payables	10,427,879	-	(1,735,769)	8,692,110	1,739,156
RN settlement - Depot Plaza garage	6,100,000	-	(285,000)	5,815,000	285,000
Other post employment benefits	183,134,608	-	(22,060,321)	161,074,287	-
Compensated absences*	45,165,704	8,995,596	(10,434,201)	43,727,099	12,053,245
Pensions	1,243,121,907	135,136,077	(96,573,794)	1,281,684,190	-
Remediation	1,302,204	63,398	(65,721)	1,299,881	463,600
Claims and judgments	47,067,099	14,961,918	(8,425,849)	53,603,168	15,816,288
Claims payable - health insurance	5,632,000	-	(99,000)	5,533,000	5,533,000
Total other liabilities	1,541,951,401	159,156,989	(139,679,655)	1,561,428,735	35,890,289
Governmental activities - long-term liabilities	\$ 2,512,809,012	\$ 159,156,989	\$ (218,995,081)	\$ 2,452,970,920	\$ 106,380,726
Business-type activities:					
Bonds and notes payable:					
Enterprise bonds	\$ 395,840,000	\$ -	\$ (36,730,000)	\$ 359,110,000	\$ 38,335,000
Certificates of participation	8,061,676	-	(1,009,538)	7,052,138	1,021,566
Unamortized premiums	44,539,128	-	(5,235,711)	39,303,417	-
Leases	1,111,185	-	(505,388)	605,797	489,767
	449,551,989	-	(43,480,637)	406,071,352	39,846,333
Loans from direct borrowings	26,406,165	-	(4,124,105)	22,282,060	3,670,678
Total bonds and notes payable	475,958,154	-	(47,604,742)	428,353,412	43,517,011
Other liabilities:					
Landfill closure/post closure costs	42,352,643	2,471,409	(1,416,731)	43,407,321	857,736
Remediation	8,583,862	-	(355,139)	8,228,723	-
Financed purchases	105,394	-	(45,747)	59,647	12,155
Other post employment benefits	29,678,696	-	(2,816,620)	26,862,076	-
Compensated absences*	7,231,211	2,560,136	(1,664,268)	8,127,079	1,856,336
Pensions	47,925,733	47,277,543	-	95,203,276	-
Total other liabilities	135,877,539	52,309,088	(6,298,505)	181,888,122	2,726,227
Business-type activities - long-term liabilities	\$ 611,835,693	\$ 52,309,088	\$ (53,903,247)	\$ 610,241,534	\$ 46,243,238

* Compensated Absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2022, City paid for compensated absences from governmental funds with 91.7% from the General Fund, 8.1% from

City of Tucson, Arizona
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Nonmajor Other Special Revenue funds, 0.1% from Mass Transit Special Revenue fund, and 0.1% from Disaster Relief special revenue fund.

Note 8 - LEASES

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

a. Lease Receivable

The City has 18 contracts recorded as lease receivables with a total value of \$7,488,796 as of June 30, 2022. The leases are primarily for land with terms of 11 to 393 months, including options to renew ranging from 30 to 300 months. The lessees are required to make either monthly, quarterly, semiannual or annual fixed payments ranging from \$517 to \$25,655. The leases have interest rates ranging from 0.59% to 3.40%. The value of the deferred inflow of resources was \$7,420,956 at year end and the City recognized lease revenue of \$771,068 during the fiscal year.

b. Lease Liabilities

The City has entered into leasing arrangements under the provisions of various lease agreements for the use of capital assets. The City is required to make fixed lease payments with various interest rates based upon the agreement.

The total amount of lease assets and the related accumulated amortization are as follows:

	As of fiscal year end	
	Lease asset value	Accumulated amortization
A mount of leased assets by major class:		
Land	\$ 2,221,719	\$ 65,260
Buildings	8,585,983	1,003,796
Vehicles	1,111,185	488,080
Total leased assets	\$ 11,918,887	\$ 1,557,136

City of Tucson, Arizona
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June 30, 2022

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

Governmental activities		
For the Year Ending June 30,	Principal	Interest
2023	\$ 972,003	\$ 150,968
2024	883,276	137,407
2025	824,361	124,223
2026	848,525	110,778
2027	873,221	96,939
2028-2032	3,785,765	270,536
2033-2037	302,925	129,042
2038-2042	329,825	102,144
2043-2047	359,111	72,859
2048-2051	390,997	40,972
2053-2057	272,578	8,202
Total minimum future lease payments	\$ 9,842,587	\$ 1,244,070

Business-type activities		
For the Year Ending June 30,	Principal	Interest
2023	\$ 489,767	\$ 2,483
2024	116,030	560
Total payments	\$ 605,797	\$ 3,043

Note 9 - BOND ISSUES

a. Governmental Funds

General Obligation Bonds

General Obligation Bonds provide funds for construction of police and fire facilities, street lighting and sidewalk improvements, drainage system improvements, environmental safety improvements, parks improvements and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled semi-annually from July 1, 2022 to July 1, 2033. General Obligation Bonds are payable from property taxes.

Clean Renewable Energy Bonds (CREBS)

The City entered into certificates of participation to install solar panels on various City buildings. The bonds were issued under the Build America Bond program, with interest subsidized, partially or entirely, by the US Treasury. The bonds will mature on January 1, 2026.

Certificates of Participation (COPs)

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

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

At June 30, 2022 bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2022
2012-A Series (2013)	4.00	2026	\$ 20,000,000	\$ 20,000,000
2012-B Series (2014)	3.00 - 5.00	2027	20,000,000	20,000,000
2012-C Series (2015)	3.00	2023	20,000,000	7,500,000
2015 Series Refunding	5.00	2023	36,535,000	2,355,000
2012-D Series (2016)	2.00 - 3.00	2024	20,000,000	12,875,000
2012-E Series (2017)	5.00	2025	17,265,000	10,165,000
2018-A Series (2020)	4.00 - 5.00	2033	47,810,000	38,010,000
Total			\$ 181,610,000	\$ 110,905,000

Clean Renewable Energy Bonds Issued and Outstanding				
Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2022
2011 Series	2.03	2026	\$ 11,235,000	\$ 3,025,000
Total			\$ 11,235,000	\$ 3,025,000

Certificates of Participation				
Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2022
2010-A Series Taxable	6.75	2030	\$ 35,050,000	\$ 33,335,000
2011 Series Qualified Energy Conservation	5.849 - 6.049	2027	705,000	595,000
2012-C Series Refunding	5.00	2024	8,965,000	6,100,000
2014 Series Tax Exempt Refunding	4.00 - 5.00	2026	11,275,000	9,572,918
2014 Series Taxable	3.756 - 4.831	2034	14,520,000	13,655,000
2015 Series Tax Exempt Refunding	5.00	2026	13,565,000	9,869,949
2016 Series Tax Exempt Refunding	3.00 - 5.00	2029	26,650,000	16,793,000
2021 Series Taxable - Pension Obligation	0.309 - 2.856	2047	658,055,000	642,045,000
2020 Series Taxable Refunding	0.634 - 2.311	2031	25,975,000	20,646,997
Total			\$ 794,760,000	\$ 752,612,864

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

b. Enterprise Funds

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

Water Utility Revenue Bonds Issued and Outstanding				
Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2022
Water System Revenue Obligations 2010A	5.789 - 5.939	2030	\$ 38,510,000	\$ 38,510,000
2013A Refunding	3.00 - 5.00	2025	34,280,000	9,855,000
Water System Revenue Obligations 2013	2.25 - 5.00	2030	21,065,000	3,425,000
Water System Revenue Obligations 2014	3.00 - 5.00	2033	35,630,000	18,165,000
2015 Refunding	3.00 - 5.00	2032	46,640,000	43,205,000
2016 Refunding	5.00	2024	71,805,000	19,360,000
2017 Refunding	5.00	2035	82,410,000	49,795,000
Water System Revenue Obligations 2015	2.00 - 5.00	2033	20,570,000	8,025,000
Water System Revenue Obligations 2016	3.00 - 5.00	2035	17,215,000	15,955,000
Water System Revenue Obligations 2017	5.00	2035	24,560,000	23,310,000
Water System Revenue Obligations 2018	3.00 - 5.00	2036	23,935,000	22,735,000
Water System Revenue Obligations 2019	2.00 - 5.00	2036	13,195,000	12,370,000
Water System Revenue Obligations 2020	3.00 - 5.00	2039	45,765,000	42,770,000
2020 Refunding	0.38 - 2.06	2033	53,985,000	51,630,000
Total Water Utility Revenue Bonds Issued and Outstanding			<u>\$ 529,565,000</u>	<u>\$ 359,110,000</u>

Loans from Direct Borrowing				
Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2022
2004 Water Infrastructure Finance Authority (WIF5)	3.15	2023	\$ 3,000,000	\$ 205,695
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	187,252
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	406,698
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	642,829
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	506,899
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	1,647,546
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	5,673,082
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	976,310
2009B Water Infrastructure Finance Authority (WIF12)	3.60	2028	1,000,000	377,084
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,292,844
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	8,091,412
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	2,274,409
Total Loans from Direct Borrowing			<u>\$ 63,547,000</u>	<u>\$ 22,282,060</u>

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2022

c. Principal and Interest Requirements

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

For the Year Ending June 30,	Governmental Activities					
	General Obligation		Clean Renewable Energy Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 29,280,000	\$ 4,448,350	\$ 845,000	\$ 159,892	\$ 39,393,434	\$ 19,478,053
2024	23,750,000	3,348,100	860,000	111,612	39,545,383	18,610,910
2025	20,265,000	2,345,600	875,000	62,622	36,103,036	17,720,751
2026	16,500,000	1,507,350	445,000	12,638	34,642,803	16,869,449
2027	7,000,000	857,350	-	-	34,127,973	15,954,761
2028 - 2032	11,510,000	2,006,750	-	-	140,535,235	67,942,887
2033 - 2037	2,600,000	104,000	-	-	126,170,000	52,625,460
2038 - 2042	-	-	-	-	140,430,000	35,343,714
2043 - 2047	-	-	-	-	161,665,000	14,111,353
Totals	\$ 110,905,000	\$ 14,617,500	\$ 3,025,000	\$ 346,764	\$ 752,612,864	\$ 258,657,338

For the Year Ending June 30,	Business-Type Activities			
	Water Services Revenue Bonds		Water Services Loans from Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 38,335,000	\$ 15,214,283	\$ 3,670,678	\$ 691,844
2024	35,200,000	13,366,656	3,385,566	574,441
2025	35,685,000	11,625,406	3,279,467	466,126
2026	31,430,000	10,195,331	3,384,956	360,985
2027	28,115,000	8,890,789	2,736,083	252,428
2028 - 2032	133,705,000	25,326,783	5,825,310	415,209
2033 - 2037	49,840,000	5,255,567	-	-
2038 - 2042	6,800,000	307,500	-	-
Totals	\$ 359,110,000	\$ 90,182,315	\$ 22,282,060	\$ 2,761,033

Note 10 - ADVANCE REFUNDING/DEFEASANCE OF DEBT

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refunding have been deposited in these trusts and invested in U.S. Governmental Securities that are designed to meet the requirement of the refunded debt. The debt associated with the refunding issues, as well as defeased debt outstanding, but removed includes Water revenue obligation debt of \$59,070,000 and certificates of participation debt of \$24,550,000.

Note 11 - LANDFILLS

The U.S. Environmental Protection Agency ruling "Solid Waste Disposal Facility Criteria" requires the City to incur specified landfill closure and post-closure care costs. Closure requirements have been established for municipal landfills that received solid waste after October 9, 1991. Additional thirty-year post-closure monitoring and maintenance functions are required of landfills that accepted solid waste after October 9, 1993. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City records a liability for these required costs based upon each landfill's percentage of capacity used through 2022. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2022. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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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 June 30, 2022	Estimated Closure/Post- Closure Costs	Liability Recognized at June 30, 2022	Estimated Remaining Life in Years
Los Reales	93.65%	\$ 40,104,985	\$ 36,010,752	29
Harrison	100%	2,297,217	2,463,001	
Irvington	100%	2,111,150	2,454,984	
Mullins	100%	2,184,948	2,478,584	
Total		\$ 46,698,300	\$ 43,407,321	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management accumulates a portion of net position to address the closure/post-closure liability and construction of new landfill cells. As of June 30, 2022, the amounts accumulated are \$14,918,107 and \$18,846,600, respectively.

The June 30, 2022, liability for closure and post-closure costs is \$43,407,321 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN

The City contributes to the Tucson Supplemental Retirement System (TSRS), the Public Safety Personnel Retirement System (PSPRS), and the Elected Officials Retirement Plan (EORP). At June 30, 2022, the City reported the following aggregate amounts related to these pension plans:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 1,281,684,190	\$ 95,203,276	\$ 1,376,887,466
Deferred outflows of resources	277,700,400	52,711,693	330,412,093
Deferred inflows of resources	151,743,853	28,238,318	179,982,171
Pension expense	142,724,483	14,526,193	157,250,676

a. Plan Description

The Tucson Supplemental Retirement System (System or TSRS) plan is a single-employer defined benefit plan for City of Tucson ("City") employees. It was established in the City Charter to provide its members with a supplement to the retirement and disability benefits of the social security system. The System is governed by a seven-member Board of Trustees: a chairman who is appointed by the Mayor and Council, the City's directors of Human Resources and of Finance, two members elected by the membership of the System, a retired member elected by the System's retirees, and one member appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Trustees and must be approved by Mayor and Council.

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The System covers substantially all City of Tucson, Arizona, employees, except for appointed office and staff who may elect not to join, and commissioned police and fire personnel and elected official who are covered under other plans. Employees participate in the System immediately upon beginning employment with the City. Employee membership data as of June 30, 2022 is as follows:

Active Employees	2,605
Inactive plan members (or their beneficiaries) currently receiving benefits	3,177
Inactive plan members entitled to but not yet receiving benefits	<u>617</u>
Total plan participants	<u><u>6,399</u></u>

b. Plan Benefits

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

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

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

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

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

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

The spousal beneficiary of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 100% joint and survivor annuity based on the member's years of credited service and average final monthly compensation at the time of the member's

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death, or may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

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

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

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

c. Contributions and Reserves

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

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

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

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

Earnings of the System are allocated semi-annually (at June 30 and December 31) to the reserves which comprise net position. At the year ended June 30, 2022, allocations were based on rates of return of 3.00% per annum. Any unallocated earnings remain in unreserved net position.

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The net position at June 30, 2022, consisted of the following components:

Reserved for employee contributions	\$ 127,764,745
Reserved for retirement benefits	820,981,063
Unreserved net position (deficit)	<u>(85,681,769)</u>
Net position	<u>\$ 863,064,039</u>

d. Investments

The System is governed by a Board of Trustees. The Board of Trustees is required by City Code in making investment decisions, to exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from, as well as the probable safety of the capital. Investments of the System are held separately from those of other City funds by investment custodians. Quoted market prices have been used to value investments as of June 30, 2022.

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

These investments are either held by the System or its agent in the System's name and are insured, registered or collateralized. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Government Accounting Standards Board (GASB) Statement 40 requires the System to disclose such risks which are discussed in Note 4.

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

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e. Liability, Expense, and Deferred Outflows/Inflows

The components of the net pension liability at June 30, 2022 are as follows:

Total pension liability	\$ 1,214,166,437
Plan's fiduciary net position	<u>863,064,039</u>
Net pension liability	<u>\$ 351,102,398</u>
Plan's fiduciary net position as a percentage of total pension liability	71.08%

Pension Expense and Deferred Outflows/Inflows of Resources-For the year ended June 30, 2022, the City recognized pension expense for TSRS of \$53,571,490. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 21,441,739	\$ -
Differences between actual and expected experience	10,646,665	8,987,513
Net difference between projected and actual earnings on plan investments	<u>162,308,278</u>	<u>96,479,032</u>
Total	<u>\$ 194,396,682</u>	<u>\$ 105,466,545</u>

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

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2023	\$ 22,799,762
2024	19,077,683
2025	9,240,879
2026	<u>37,811,813</u>
	<u>\$ 88,930,137</u>

f. Changes in Net Pension Liability

The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date.

City of Tucson, Arizona
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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at June 30, 2021	\$ 1,182,069,084	\$ 1,013,380,306	\$ 168,688,778
Service cost	16,270,543	-	16,270,543
Interest	80,461,062	-	80,461,062
Differences between expected and actual experience	(12,186,371)	-	(12,186,371)
Changes of assumptions	29,073,338	-	29,073,338
Contributions - employer		42,789,191	(42,789,191)
Contributions - member	-	8,328,834	(8,328,834)
Benefit payments, including refunds of employee contributions	(81,521,219)	(81,521,219)	-
Net investment income	-	(119,211,124)	119,211,124
Administrative expenses	-	(701,949)	701,949
Other charges	-	-	-
Net changes	<u>32,097,353</u>	<u>(150,316,267)</u>	<u>182,413,620</u>
Balance at June 30, 2022	<u>\$ 1,214,166,437</u>	<u>\$ 863,064,039</u>	<u>\$ 351,102,398</u>

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

g. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2022 valuation covering the plan year July 1, 2021 through June 30, 2022 are as follows:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.00% to 6.00%, including inflation
Investment Rate of Return	6.75%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study for the period 2013-2018.
Mortality rates	Pre-retirement: RP-2014 Employee Mortality Tables projected with the ultimate rates of the MP-2018 projection scale. Post-retirement RP-2014 Healthy Annuitant Mortality Tables projected with the ultimate rates of the MP-2018 projection scale. Disabled retirement: RP-2014 Disabled Mortality Tables projected with the ultimate rates of the MP-2018 projection scale.

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Rate of Return and Discount Sensitivity

The long-term expected rate of return on pension plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return, (expected returns, net of pension plan investment expense and inflation), are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary. The major asset class allocation is listed below for June 30, 2022:

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return Arithmetic</u>
U.S Equities	34.0%	4.35%
International Equities	25.0%	-0.50%
Fixed Income	24%	4.55%
Real Estate	12.0%	3.50%
Infrastructure	<u>5.0%</u>	3.85%
Total	<u><u>100%</u></u>	
Weighted average arithmetic returns, in proportion to asset allocation		3.10%

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligation in the future. To make this determination, employer contributions, employee contribution, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk free" rate is required as described below.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and tax- exempt municipal bond rate base on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate of return are not met). For this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.69%; and the resulting single discount rate is 6.75%.

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

	<u>Discount Rate -1% (5.75 %)</u>	<u>Current Discount Rate (6.75%)</u>	<u>Discount Rate +1% (7.75%)</u>
Net pension liability	<u>\$ 481,352,020</u>	<u>\$ 351,102,398</u>	<u>\$ 240,945,203</u>

TSRS did not hold investments (other than those explicitly guaranteed by the U.S. Government) in any one organization that represent 5% or more of the Plan's fiduciary net position at June 30, 2022.

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For the year ended June 30, 2022, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was -11.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

a. Plan Description

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

b. Benefits Provided

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

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

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

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

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c. Membership and Contributions

At June 30, 2022, the following employees were covered by the agent pension plan's benefit terms:

<u>Plan Participants</u>	<u>Police Pension</u>	<u>Police Health</u>	<u>Fire Pension</u>	<u>Fire Health</u>
Active Employees	682	682	523	523
Inactive plan members (or their beneficiaries) currently receiving benefits	1,066	1,066	601	601
Inactive plan members entitled to but not yet receiving benefits	238	100	82	61
Total plan participants	<u>1,986</u>	<u>1,848</u>	<u>1,206</u>	<u>1,185</u>

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the fiscal year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Active members:		
Pension	7.65% to 11.65%	7.65% to 11.65%
Health insurance	0.00% to 0.12%	0.00% to 0.12%
City:		
Pension	75.48% to 77.86%	65.73% to 68.67%
Health insurance	0.54% to 0.86%	0.32% to 0.63%

The City's contributions to the pension and OPEB plans for the year ended June 30, 2021, were:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension	\$ 47,411,780	\$ 34,737,305
Health insurance	508,161	310,118
Total	<u>\$ 47,919,941</u>	<u>\$ 35,047,423</u>

The City's public safety pension contributions are paid by the General Fund and Section 115 Trust Fund. OPEB contributions are paid from the same funds as the employee's salary, with the largest component coming from the General Fund.

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d. Pension and OPEB assets and liabilities

At June 30, 2022, the City reported the following net pension liabilities:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension		
Total pension liability	\$ 1,037,057,258	\$ 649,208,294
Plan's fiduciary net position	409,663,089	252,333,107
Net pension liability	<u>\$ 627,394,169</u>	<u>\$ 396,875,187</u>
Health Insurance		
Total OPEB liability	\$ 19,243,020	\$ 11,439,065
Plan's fiduciary net position	18,336,029	12,571,760
Net OPEB liability	<u>\$ 906,991</u>	<u>\$ (1,132,695)</u>

The net pension and OPEB assets/liability were measured as of June 30, 2021. The total liability used to calculate the liability was determined by an actuarial valuation as of that date.

e. Actuarial Assumptions

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

	<u>Pension</u>	<u>OPEB (Health Insurance)</u>
Actuarial Valuation Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.30% Tier 1/2 7.00% Tier 3	7.30% Tier 1/2 7.00% Tier 3
Projected salary increases	3.50% to 7.50%	3.50% to 7.50%
Wage inflation	2.50%	2.50%
Permanent benefit increase	1.75%	1.75%
Mortality rates	Active: PubS-2010 Employee mortality, loaded 110% for males and females. 100% of active deaths are assumed to be in the line of duty.	Actives: PubS-2010 Employee mortality, loaded 110% for males and females. 100% of active deaths are assumed to be in the line of duty.
	Inactive: PubS-2010 Health Retiree mortality, loaded 110% for males and females	Inactive: PubS-2010 Health Retiree mortality, loaded 110% for males and females
	Beneficiaries: PubS-2010 Survivor mortality Beneficiaries: PubS-2010 Disabled mortality All populations are projected with future mortality improvements reflected generationally using 75% of scale MP-2019	Beneficiaries: PubS-2010 Survivor mortality Beneficiaries: PubS-2010 Disabled mortality All populations are projected with future mortality improvements reflected generationally using 75% of scale MP-2019
Health care trend rates	n/a	For active members, 70% of retirees are expected to utilize retiree health care. Actual utilization is used for inactive members.

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

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Asset Class	Target Allcoation	Long-term Expected Real Rate of Return
U.S. public equity	24%	4.80%
International public entity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash - Mellon	1%	-0.31%
Total	100%	

Discount Rate

At June 30, 2021, the discount rate used to measure the total pension and OPEB liability was 7.3%.

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

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

	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Tucson Police						
Balance at June 30, 2021	\$ 1,018,042,701	\$ 327,489,663	\$ 690,553,038	\$ 20,785,068	\$ 15,213,142	\$ 5,571,926
Service cost	11,797,483	-	11,797,483	295,288	-	295,288
Interest	72,948,247	-	72,948,247	1,488,070	-	1,488,070
Differences between expected and actual experience	(4,632,924)	-	(4,632,924)	(1,933,729)	-	(1,933,729)
Contributions - employer	-	43,568,407	(43,568,407)	-	441,452	(441,452)
Contributions - member	-	5,568,753	(5,568,753)	-	42,010	(42,010)
Benefit payments, including refunds of employee contributions	(61,098,249)	(61,098,249)	-	(1,391,677)	(1,391,677)	-
Net investment income	-	94,572,801	(94,572,801)	-	4,047,746	(4,047,746)
Administrative expenses	-	(438,286)	438,286	-	(16,644)	16,644
Net changes	19,014,557	82,173,426	(63,158,869)	(1,542,048)	3,122,887	(4,664,935)
Balance at June 30, 2022	\$ 1,037,057,258	\$ 409,663,089	\$ 627,394,169	\$ 19,243,020	\$ 18,336,029	\$ 906,991

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

Tucson Fire	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2021	\$ 627,679,043	\$ 197,523,456	\$ 430,155,587	\$ 12,680,335	\$ 10,355,816	\$ 2,324,519
Service cost	9,112,065	-	9,112,065	204,660	-	204,660
Interest	45,129,443	-	45,129,443	910,287	-	910,287
Differences between expected and actual experience	4,446,854	-	4,446,854	(1,525,600)	-	(1,525,600)
Contributions - employer	-	31,853,066	(31,853,066)	-	276,474	(276,474)
Contributions - member	-	3,704,273	(3,704,273)	-	13,169	(13,169)
Benefit payments, including refunds of employee contributions	(37,159,111)	(37,159,111)	-	(830,617)	(830,617)	-
Net investment income	-	56,675,780	(56,675,780)	-	2,768,301	(2,768,301)
Administrative expenses	-	(264,357)	264,357	-	(11,383)	11,383
Net changes	21,529,251	54,809,651	(33,280,400)	(1,241,270)	2,215,944	(3,457,214)
Balance at June 30, 2022	\$ 649,208,294	\$ 252,333,107	\$ 396,875,187	\$ 11,439,065	\$ 12,571,760	\$ (1,132,695)

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

	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
PSRS - Police:			
Rate	6.30%/5.75%	7.30%/6.75%	8.30%/7.75%
Net pension liability	\$ 754,182,024	\$ 627,394,169	\$ 522,776,413
Net OPEB liability (asset)	2,876,670	906,991	(760,205)
PSRS - Fire:			
Rate	6.30%/5.75%	7.30%/6.75%	8.30%/7.75%
Net pension liability	\$ 477,950,585	\$ 396,875,187	\$ 329,944,558
Net OPEB liability (asset)	65,043	(1,132,695)	(2,148,088)

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

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

For the year ended June 30, 2022, the City recognized the following as pension and OEPB expense:

	Tucson Police	Tucson Fire
Pension	\$ 63,524,224	\$ 40,029,163
OPEB	(600,860)	(483,897)

At June 30, 2022, the city reported deferred outflow of resources and deferred inflows of resources related to pension and OEPEB from the following sources:

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	Pension		OPEB (Health Insurance)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Tucson Police				
Contributions made subsequent to measurement date	\$ 47,411,780	\$ -	\$ 508,161	\$ -
Changes in assumptions	9,726,833	-	149,786	12,145
Differences between actual and expected experience	18,427,445	3,756,789	-	2,390,091
Net difference between projected and actual earnings on plan investments	-	42,860,302	-	1,683,911
Total	<u>\$ 75,566,058</u>	<u>\$ 46,617,091</u>	<u>\$ 657,947</u>	<u>\$ 4,086,147</u>
Tucson Fire				
Contributions made subsequent to measurement date	\$ 34,737,305	\$ -	\$ 310,118	\$ -
Changes in assumptions	10,329,565	-	86,801	-
Differences between actual and expected experience	15,291,342	2,710,705	-	2,182,370
Net difference between projected and actual earnings on plan investments	-	25,449,930	-	1,155,201
Total	<u>\$ 60,358,212</u>	<u>\$ 28,160,635</u>	<u>\$ 396,919</u>	<u>\$ 3,337,571</u>

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the tables above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended	PSPRS - Police		PSPRS - Fire	
	Annual Amortization	Annual Amortization	Annual Amortization	Annual Amortization
June 30				
2023	\$ 3,087,212	\$ (1,047,776)	\$ 3,302,925	\$ (774,135)
2024	2,145,683	(977,877)	1,757,197	(757,581)
2025	(8,545,396)	(929,773)	(617,198)	(756,396)
2026	(15,150,312)	(980,935)	(7,723,794)	(708,391)
2027	-	-	741,142	(254,267)
	<u>\$ (18,462,813)</u>	<u>\$ (3,936,361)</u>	<u>\$ (2,539,728)</u>	<u>\$ (3,250,770)</u>

Note 14 - ELECTED OFFICIALS RETIREMENT PLAN

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

Note 15 - OTHER POST EMPLOYMENT BENEFITS

a. Plan description

Under authority of the Mayor and Council, the City provides post-retirement insurance benefits, for certain retirees and their dependents, in accordance with the Retiree Health Benefit Continuation Program (Plan). The Plan is a single-employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets

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the criteria in paragraph 4 of GASB Statement 75. The plan was closed to new entrants who were hired by the City of Tucson after December 31, 2016. Generally, resources from the General Fund are used to pay for post-employment benefits.

b. Benefits provided

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

c. Contributions

Depending upon the date of retirement, the City contributes between 75% and 100% of the medical insurance premiums and retirees agree to pay the remaining portion of the premium. For the current fiscal year, the City contributed \$9,749,363 for these benefits, which was net of \$4,669,713 of retiree contributions. The City's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the Plan.

d. Employees covered by benefit terms

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

Active Employees	2,678
Inactive plan members (or their beneficiaries) currently receiving benefits	4,022
Inactive plan members entitled to but not yet receiving benefits	-
	-
Total plan participants	6,700

e. Total OPEB liability

The City's total OPEB liability of \$188,162,067 was measured determined by an actuarial valuation as of that date.

f. Actuarial assumptions and other inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Measurement date	June 30, 2021
Actuarial valuation date	June 30, 2021
Discount rate	2.16%
Inflation rate	3.00%
Projected salary increases	3.00% to 7.50%
Healthcare cost trend rate Medical and Prescription Drug	7.00% graded down to an ultimate rate of 4.5% over 10 years
Retiree contribution increase	Consistent with medical / drug trends
TSRS subsidy increases	None
Cost of living adjustments	N/A

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

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

Public safety employee mortality rates for active public safety employees were based on the PubS-2010 Employee Headcount-Weighted Mortality Table, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2020. Public safety employee mortality rates for retired public safety employees were based on the PubS-2010 Healthy Retiree Headcount-Weighted Mortality Table, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2020.

g. Changes in the total OPEB liability

At June 30, 2022, the City had the following total liability and associated changes:

Balance at June 30, 2021	<u>\$ 204,916,859</u>
Service cost	8,242,610
Interest	4,570,752
Differences between expected and actual experience	(6,305,555)
Changes of assumptions	(10,516,725)
Benefit payments, including refunds of employee contributions	<u>(12,745,874)</u>
Net changes	<u>(16,754,792)</u>
Balance at June 30, 2022	<u><u>\$ 188,162,067</u></u>

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

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

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	Discount Rate -1% (1.16%)	Current Discount Rate (2.16%)	Discount Rate +1% (3.16%)
Total OPEB liability	\$ 206,130,366	\$ 188,162,067	\$ 172,451,815

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

	1% decrease in health care cost trend rates	Current health care cost trend rates	1% increase in health care cost trend rates
Total OPEB liability	\$ 176,661,026	\$ 188,162,067	\$ 201,447,604

i. OPEB expense and deferred outflows of resource and deferred inflows of resources related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$(3,352,514). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	\$ 12,304,930	\$ -
Changes in assumptions	8,255,003	11,818,322
Differences between actual and expected experience	-	10,770,566
Total	\$ 20,559,933	\$ 22,588,888

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

Year Ended June 30	Annual Amortization
2023	\$ (8,718,284)
2024	(2,619,853)
2025	(2,995,748)
	\$ (14,333,885)

Note 16 - SELF-INSURANCE PROGRAM

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for excess liability, property insurance, public employee fidelity bonds, crime insurance, aircraft insurance, inland marine, cyber and miscellaneous insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

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All risk management activities are accounted for in the Risk Management Internal Service Fund that has an appointed Board of Trustees. There have not been any settlements in excess of the insurance coverage provided by this fund in the previous four years.

The estimated outstanding losses are the cost of unpaid claims, which are calculated on a present value basis based on a 3% discount rate. Claims and expenses are recognized when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported (IBNR) claims.

Changes in the Internal Service Fund's aggregate claims liabilities for the fiscal years ended June 30, 2022 and 2021, are as follows:

	Risk management		Health insurance	
	2022	2021	2022	2021
Beginning of fiscal year liability	\$ 47,067,099	\$ 46,876,987	\$ 5,632,000	\$ 5,947,000
Current year claims and changes in estimates	14,961,918	12,183,138	62,235,881	57,308,653
Claim payments	<u>(8,425,849)</u>	<u>(11,993,026)</u>	<u>(62,334,881)</u>	<u>(57,623,653)</u>
Balance at fiscal year end	<u>\$ 53,603,168</u>	<u>\$ 47,067,099</u>	<u>\$ 5,533,000</u>	<u>\$ 5,632,000</u>

Note 17 - PLEDGED REVENUES

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$381,392,060 in utility system revenue outstanding bonds and obligations. Proceeds from the bonds provided financing for the construction of various utility related projects including new water pipelines and water treatment plants. The bonds are payable solely from utility customer net revenues and are payable through June 2039. Annual principal and interest payments on the bonds are expected to require less than 45% percent of net revenues (iii) available after operations. The total principal and interest remaining to be paid on the bonds is \$466,138,535. Principal and interest paid for the current year and total customer net revenues were \$52,756,815 and \$127,005,245, respectively.

Note 18 - CONTINGENCIES AND COMMITMENTS

a. Litigation

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

b. Central Arizona Project Water Purchase Contract

The Central Arizona Water Conservation District (CAWCD) is the entity responsible for contracting with the Secretary of Interior for Central Arizona Project (CAP) water and for subcontracting with users within the State of Arizona. Under a contract between the City, CAWCD and the Department of the Interior, the City currently has the right to receive 144,191 acre-feet of CAP water each year. In return, the City agreed to

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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 \$7,209,550. 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 \$23,607,450.

c. Construction and Other Commitments

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

d. Federal and State Grants

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

e. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies and low-income housing tax credits from the State of Arizona. Notes and interest receivables have been established for: the sales price, certain construction costs paid by the City, and accrued interest due on the notes at 7.5%. The note balance, with accrued interest at 7.5% thereon, totaled \$49,554,503 at June 30, 2022.

According to the terms of the regulatory and operating agreement with the U.S. Department of Housing, the Tucson House units must be operated as affordable housing for a period of not less than the compliance period, as defined in Section 42 of the Internal Revenue Code. The tax credit compliance period ended in 2014 and the City is assessing its option to repurchase the Tucson House in exchange for forgiveness of the debt. The Extended Land Use Agreement requires continued affordability for a 40-year period ending in 2039. In addition, the Agreement Concerning the Affordable Housing Program Loan with the Federal Home Loan Bank (FHLB) requires the units be operated as low-income housing for a 50-year period ending in 2049 with the subsidy being forgiven annually over that period. If the terms are violated, the City will be jointly liable (with the limited partnership) for repayment of the subsidy to the FHLB. The City has made certain commitments to ensure affordability, and therefore, has potential associated liability. The likelihood of such liabilities occurring is considered remote by the City.

f. Financing of Posadas Sentinel Low-Income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (Posadas), whereby the City leased various properties to Posadas for 75 years. Under the terms of the lease, Posadas will develop and operate the properties solely as low-income residential housing facilities. Posadas is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as notes receivable. The note balance, with accrued interest at 7.5% thereon, was \$44,593,769 at June 30, 2022.

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Eligibility of Posadas Sentinel LLLP for the tax credits requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period ended in 2017, therefore the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credits, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

g. Financing of South Park Low-Income Housing

On December 2, 2002 and as amended on September 1, 2003, the City entered into a capital lease with South Park Development Partners LLLP (South Park), whereby the City leased various properties to South Park for 75 years. Under the terms of the lease, South Park will develop and operate the properties solely as low-income residential housing facilities. South Park is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest at various rates, was \$4,914,803 at June 30, 2022.

Eligibility of South Park Development Partners, LLLP for the tax credits requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period ended in 2019, therefore the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credit, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

h. Financing of Silverbell Homes Low-Income Housing

On November 15, 2005, and as amended on September 6, 2006, the City entered into a capital lease with Silverbell Homes Limited Partnership (Silverbell Homes), whereby the City leased various parcels to Silverbell Homes for a period of 89 years. Under the terms of the lease, Silverbell Homes will develop and operate the properties solely as low-income residential housing facilities. Silverbell Homes financed this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest, was \$3,502,949 at June 30, 2022.

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

i. Financing of Martin Luther King Low-Income Housing

On September 22, 2009, the City amended a ground lease for 89 years with MLK I, LLC (MLK) to include only an above ground condominium unit for development of low-income residential housing units. MLK financed this development through Low-Income Housing Tax Credit Exchange funds and State Housing Funds from the State of Arizona, Federal Home Loan Bank funds from Alliance Bank, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance was \$6,635,230 at June 30, 2022.

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Eligibility of MLK for the tax credit exchange funds requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2025, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

j. Starr Pass Resort Developments Lease

On May 11, 2005, the City entered into a sublease agreement with Starr Pass Resort Developments LLC. The City acquired, among other property, an interest in the real property and the improvements to a parking garage structure located on the Starr Pass grounds. The City issued Certificates of Participation for \$2,640,000 to pay ground rent to Starr Pass Resort Developments. Under the terms of the lease, Starr Pass will develop and operate the properties. The Resort is paying the City under the sublease the amount equal to the debt service. City's Refunding of COPs Series 2020 included the 2005 and 2007 Starr Pass portions. The notes receivable balance corresponding to the 2005 Starr Garage due to the City is \$565,000 at June 30, 2022.

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 \$923,000 at June 30, 2022.

k. Rio Nuevo Multipurpose Facilities District

In order to resolve a variety of lawsuits between the City and the Rio Nuevo Multipurpose Facilities District (the District"), the City Mayor and Council and the District Board signed an agreement on February 7, 2013. In this agreement, the City will pay the District, in recognition for monies spent for the construction of the garage and to relinquish any claims on future revenues, \$21,279,884 from fiscal year 2013 through fiscal year 2050. The terms of the agreement specifies that the City will retain ownership, be solely responsible for the operation and maintenance, and shall be solely responsible for any issues with all third parties relating to the design, construction and operation of the garage. The City will not sell or lease the entire garage without prior written consent from the District. The District will continue to satisfy the existing debt service obligation. On October 5, 2016, The City adopted Resolution 22647 which authorized the sale of City owned land to Rio Nuevo Multipurpose Facilities District (Rio Nuevo) in return for a reduced liability of the garage settlement described above. The remaining liability was set to be paid in twenty-one annual payments of \$285,000 from fiscal year 2022 through fiscal year 2042. In fiscal year 2019, the City prepaid for the rental agreement the sum of \$6,620,000 to secure rental agreement until fiscal year 2043. As of June 30, 2022, no balance due remains and the prepaid balance is \$3,310,000.

l. Encumbrances

The City of Tucson utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. All appropriations lapse on the last day of the fiscal year. Any outstanding

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commitments that the City intends to honor are re-budgeted in the new fiscal year. At June 30, 2022, the City intended to honor \$34,694,524 of outstanding encumbrances in the new year.

General Fund	\$ 9,543,508
Mass transit	3,733,434
Nonmajor governmental funds	<u>21,417,582</u>
Total	<u>\$ 34,694,524</u>

Note 19 - REMEDIATION LIABILITY

The City owned and operated fueling facilities that are now closed. When the underground storage tanks were removed, evidence was found that contaminants had leaked into the ground creating a possible hazard to our groundwater resources. In accordance with state statutes, the City started remediation actions to clear, remove, and monitor the sites. Cost estimates are based on actual monthly expenditures annualized for the ten-year estimate. Changes to the estimates will depend on the periodic sampling of the affected areas. See Note 7 for liability information.

Note 20 - CREDIT CARD PAYMENTS BY THE CITY OF TUCSON

The City of Tucson requires some vendors to accept payment only through credit cards. In such cases Arizona Revised Statutes requires the City to disclose the requirement during the bid process or amend the contract under a mutual agreement with the vendor. The statute also requires disclosure of the incentive received by the City resulting from credit card payments. For fiscal year 2022 the City received rebate revenues of \$871,309.

Note 21 - CHANGE IN ACCOUNTING PRINCIPLE

Balances as of July 1, 2021, have been restated as follows for the implementation of GASB Statement No. 87, *Leases*:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Net Position as restated, July 1, 2021	\$ 1,103,553,748	\$ 1,202,689,874	\$ 2,306,243,622
Intangible Right to Use Lease Assets	10,807,702	1,111,185	11,918,887
Lease Receivables	1,875,003	1,752,205	3,627,208
Deferred Inflows - Leases	(1,875,003)	(1,752,205)	(3,627,208)
Lease Liabilities	<u>(10,807,702)</u>	<u>(1,111,185)</u>	<u>(11,918,887)</u>
Net Position as restated, July 1, 2021	<u>\$ 1,103,553,748</u>	<u>\$ 1,202,689,874</u>	<u>\$ 2,306,243,622</u>





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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals	
Revenues				
Taxes	\$ 327,708,800	\$ 362,799,990	\$ 361,704,164	\$ (1,095,826)
Licenses and permits	32,271,040	31,734,860	31,616,189	(118,671)
Fines and forfeitures	6,949,520	6,949,520	5,339,281	(1,610,239)
Use of money and property	2,006,730	2,050,730	2,536,947	486,217
Other agencies	172,963,890	188,842,760	184,668,624	(4,174,136)
Charges for services	49,020,250	49,976,250	53,245,377	3,269,127
Miscellaneous	2,661,760	13,502,650	10,697,464	(2,805,186)
Total revenues	593,581,990	655,856,760	649,808,046	(6,048,714)
Expenditures				
Current:				
Elected & official	22,218,610	23,709,280	22,376,221	1,333,059
Public safety & justice services	264,471,160	264,020,314	283,043,690	(19,023,376)
Community enrichment & development	41,461,030	41,581,030	43,970,960	(2,389,930)
Support services	100,390,340	100,686,636	100,685,021	1,615
General government	107,249,210	39,738,230	33,123,057	6,615,173
Capital outlay	3,443,450	3,087,055	2,499,128	587,927
Capital projects	5,785,000	4,104,190	4,264,267	(160,077)
Debt service:				
Principal	33,538,690	33,823,690	33,916,471	(92,781)
Interest	24,264,440	24,264,440	24,287,661	(23,221)
Fiscal agent fees	17,500	17,500	753	16,747
Total expenditures	602,839,430	535,032,365	548,167,229	(13,134,864)
Excess (deficiency) of revenues over (under) expenditures	(9,257,440)	120,824,395	101,640,817	(19,183,578)
Other financing sources (uses)				
Transfers in	2,357,320	2,357,320	3,391,105	1,033,785
Transfers out	(45,799,560)	(45,799,560)	(26,940,912)	18,858,648
Total other financing sources (uses)	(43,442,240)	(43,442,240)	(23,549,807)	19,892,433
Net change in fund balances	\$ (52,699,680)	\$ 77,382,155	78,091,010	\$ 708,855
Fund balances, beginning of year			250,225,359	
Fund balances, end of year			\$ 328,316,369	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Mass Transit Fund Year Ended June 30, 2022

	Budgeted Amounts		Actuals	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 720,000	\$ 720,000	\$ 346,183	\$ (373,817)
Federal grants and contributions	59,931,030	59,931,030	67,187,247	7,256,217
Other agencies	16,329,560	16,329,560	14,600,209	(1,729,351)
Charges for services	900,000	900,000	1,362,064	462,064
Contributions from outside sources	-	-	200	200
Miscellaneous	455,000	455,000	1,342,464	887,464
Total revenues	78,335,590	78,335,590	84,838,367	6,502,777
Expenditures				
Current:				
Community enrichment & development	85,036,120	85,036,120	96,813,451	(11,777,331)
Support services	-	-	208,557	(208,557)
Capital outlay	17,083,500	17,083,500	2,513,455	14,570,045
Capital projects	863,100	863,100	669,208	193,892
Total expenditures	102,982,720	102,982,720	100,204,671	2,778,049
Excess (deficiency) of revenues over (under) expenditures	(24,647,130)	(24,647,130)	(15,366,304)	9,280,826
Other financing sources (uses)				
Transfers in	37,647,130	37,647,130	15,739,751	(21,907,379)
Total other financing sources (uses)	37,647,130	37,647,130	15,739,751	(21,907,379)
Net change in fund balances	\$ 13,000,000	\$ 13,000,000	373,447	\$ (12,626,553)
Fund balances, beginning of year			5,375,605	
Fund balances, end of year			<u>\$ 5,749,052</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Disaster Relief Fund Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals	
Revenues				
Use of money and property	\$ -	\$ 736,770	\$ 736,756	\$ (14)
Federal grants and contributions	-	20,418,470	20,418,465	(5)
Miscellaneous	-	46,470	-	(46,470)
Total revenues	-	21,201,710	21,155,221	(46,489)
Expenditures				
Current:				
Elected & official	3,187,500	147,920	147,914	6
Public safety & justice services	-	2,919,340	2,919,340	-
Community enrichment & development	29,529,900	857,730	857,727	3
Support services	9,011,200	115,160	115,155	5
General government	29,719,780	13,505,000	13,504,998	2
Capital outlay	-	3,610,090	3,610,087	3
Total expenditures	71,448,380	21,155,240	21,155,221	19
Net change in fund balances	\$ (71,448,380)	\$ 46,470	-	\$ (46,470)
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Section 115 Pension Trust Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actuals</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,873,791)</u>	<u>\$ (89,873,791)</u>
Total revenues	<u>-</u>	<u>-</u>	<u>(89,873,791)</u>	<u>(89,873,791)</u>
Expenditures				
Current:				
Public safety & justice services	<u>35,665,550</u>	<u>35,665,550</u>	<u>35,444,834</u>	<u>220,716</u>
Total expenditures	<u>35,665,550</u>	<u>35,665,550</u>	<u>35,444,834</u>	<u>220,716</u>
Net change in fund balances	<u>\$ (35,665,550)</u>	<u>\$ (35,665,550)</u>	<u>(125,318,625)</u>	<u>\$ (89,653,075)</u>
Fund balances, beginning of year			<u>662,050,873</u>	
Fund balances, end of year			<u>\$ 536,732,248</u>	

City of Tucson, Arizona
Note to Required Supplementary Information
Year Ended June 30, 2022

NOTE - BUDGET INFORMATION:

The City prepares a legally adopted annual operating budget for the General Fund, Disaster Relief, Section 115 Trust and Mass Transit fund. The City's budget is adopted using a basis of accounting consistent with generally accepted accounting principles (GAAP), with immaterial exceptions (e.g., beginning fund balance is budgeted as a revenue source). The City's actuals are presented on a GAAP basis; therefore, no reconciliation is necessary.





PENSION PLAN DISCLOSURES





City of Tucson, Arizona
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios Tucson Supplemental Retirement System (TSRS)
Last 10 Years

	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	\$ 16,270,543	\$ 14,966,928	\$ 14,648,214	\$ 14,130,993	\$ 13,104,720
Interest	80,461,062	78,164,082	76,836,667	75,605,853	72,893,717
Differences Between Expected and Actual Experience	(12,186,371)	19,575,935	6,252,324	5,030,045	6,919,468
Changes of Assumptions	29,073,338	-	-	57,324,201	-
Benefit Payments, Including Refunds of Member Contributions	(81,521,219)	(79,568,289)	(78,298,677)	(76,586,216)	(75,618,198)
Net Change in Total Pension Liability	32,097,353	33,138,656	19,438,528	75,504,876	17,299,707
Total Pension Liability - Beginning	1,182,069,084	1,148,930,428	1,129,491,900	1,053,987,024	1,036,687,317
Total Pension Liability - Ending	\$ 1,214,166,437	\$ 1,182,069,084	\$ 1,148,930,428	\$ 1,129,491,900	\$ 1,053,987,024
Plan Fiduciary Net Position					
Contributions - Employer	\$ 42,789,191	\$ 34,821,399	\$ 34,830,264	\$ 32,589,204	\$ 31,795,197
Contributions - Member	8,328,834	7,836,090	7,791,910	7,779,477	8,561,747
Net Investment Income	(119,211,124)	217,804,541	32,909,415	49,819,110	69,478,468
Benefit Payments, Including Refunds of Member Contributions	(81,521,219)	(79,568,289)	(78,298,677)	(76,586,216)	(75,618,198)
Pension Plan Administrative Expense	(701,949)	(684,967)	(644,408)	(652,065)	(745,754)
Other (Net Transfer)	-	-	-	-	219,121
Net Change in Plan Fiduciary Net Position	(150,316,267)	180,208,774	(3,411,496)	12,949,510	33,690,581
Plan Fiduciary Net Position - Beginning	1,013,380,306	833,171,532	836,583,028	823,633,518	789,942,937
Plan Fiduciary Net Position - Ending	\$ 863,064,039	\$ 1,013,380,306	\$ 833,171,532	\$ 836,583,028	\$ 823,633,518
City's Net Position Liability - Ending	\$ 351,102,398	\$ 168,688,778	\$ 315,758,896	\$ 292,908,872	\$ 230,353,506
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.08%	85.73%	72.52%	74.07%	78.14%
Covered Payroll	\$ 140,476,216	\$ 139,661,315	\$ 127,378,110	\$ 123,822,602	\$ 115,618,898
City's Net Position Liability as a Percentage of Covered Payroll	249.94%	120.78%	247.89%	236.56%	199.24%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
 Required Supplementary Information
 Schedule of Changes in the City's Net Pension Liability and Related Ratios
 Tucson Supplemental Retirement System (TSRS) (Continued)
 Last 10 Years

	2017	2016	2015	2014
\$	13,130,902	\$ 14,279,065	\$ 15,753,944	\$ 14,825,019
	72,547,402	72,013,831	70,688,775	66,915,612
	(6,472,776)	(6,529,764)	(7,815,270)	325,889
	-	-	(31,210,057)	76,945,563
	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
	5,992,371	9,317,382	(20,194,959)	93,010,070
	1,030,694,946	1,021,377,564	1,041,572,523	948,562,453
\$	<u>1,036,687,317</u>	<u>\$ 1,030,694,946</u>	<u>\$ 1,021,377,564</u>	<u>\$ 1,041,572,523</u>
\$	31,823,694	\$ 33,175,307	\$ 33,985,523	\$ 34,189,288
	7,439,065	7,083,385	7,531,845	7,338,543
	97,535,598	17,820,325	30,684,188	119,729,154
	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
	(756,268)	(786,028)	(650,405)	(735,739)
	331,126	142,093	118,247	171,077
	63,160,058	(13,010,668)	4,057,047	94,690,310
	726,782,879	739,793,547	735,736,500	641,046,190
\$	<u>789,942,937</u>	<u>\$ 726,782,879</u>	<u>\$ 739,793,547</u>	<u>\$ 735,736,500</u>
\$	<u>246,744,380</u>	<u>\$ 303,912,067</u>	<u>\$ 281,584,017</u>	<u>\$ 305,836,023</u>
	76.20%	70.51%	72.43%	70.64%
\$	117,006,431	\$ 115,183,349	\$ 123,414,560	\$ 126,639,423
	210.88%	263.85%	228.16%	241.50%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Required Supplementary Information
Schedule of the Tucson Supplemental Retirement System (TSRS) Net Pension Liability
Last 10 Years

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % Covered Payroll
2022	\$ 1,214,166,437	\$ 863,064,039	\$ 351,102,398	71.08%	\$ 140,476,216	249.94%
2021	1,182,069,084	1,013,380,306	168,688,778	85.73%	139,661,315	120.78%
2020	1,148,930,428	833,171,532	315,758,896	72.52%	127,378,110	247.89%
2019	1,129,491,900	836,583,028	292,908,872	74.07%	123,822,602	236.56%
2018	1,053,987,024	823,633,518	230,353,506	78.14%	115,618,898	199.24%
2017	1,036,687,317	789,942,937	246,744,380	76.20%	115,722,524	213.22%
2016	1,030,694,946	726,782,879	303,912,067	70.51%	120,637,480	251.92%
2015	1,021,377,564	739,793,547	281,584,017	72.43%	123,583,720	227.85%
2014	1,041,572,524	735,736,500	305,836,024	70.64%	126,206,305	242.33%

City of Tucson, Arizona
Required Supplementary Information
Schedule of Contribution Tucson Supplemental Retirement System (TSRS)
Last 10 Years

FY Ending June 30,	Actuarially Determined % of Pay	Actuarially Determined Contribution (ADC)	Actual Contributions % of Pay	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions in relation to ADC, Expressed as % of Covered Payroll
2022	24.09%	\$ 33,854,768	28.77%	\$ 42,789,191	(8,934,423)	140,476,216	106.40%
2021	24.71%	31,288,610	27.50%	34,821,399	(3,532,789)	126,655,505	102.80%
2020	21.99%	27,842,681	27.50%	34,821,399	(6,978,718)	126,655,505	105.50%
2019	23.48%	27,825,255	27.50%	32,589,204	(4,763,949)	118,506,196	104.00%
2018	25.78%	29,806,552	27.50%	31,795,197	(1,988,645)	115,618,898	101.70%
2017	25.52%	29,532,388	27.50%	31,823,694	(2,291,306)	115,722,524	102.00%
2016	27.04%	32,608,311	27.50%	33,175,307	(566,996)	120,637,480	100.50%
2015	26.95%	33,305,813	27.50%	33,985,523	(679,710)	123,583,720	100.50%
2014	27.09%	34,189,288	27.09%	34,189,288	-	126,206,305	n/a
2013	28.77%	34,523,315	28.77%	34,523,315	-	119,997,619	n/a

City of Tucson, Arizona
Notes to Schedule of Contributions
Summary of Actuarial Methods and Assumptions Tucson Supplemental Retirement System (TSRS)

Valuation Date: June 30, 2021
 Notes Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Fiscal Year 2022 Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5 year smoothed fair value
Inflation	2.50%
Salary Increases	3.00% to 6.00%, including inflation
Investment rate of return	7.00%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to an experience study of the period 2013-2018.
Mortality rates	Pre-retirement: RP-20014 Employee Mortality Tables projected with the ultimate rates of the MP-2018 projection scale. Post-retirement: RP-2014 Healthy Annuitant Mortality Tables projected with the ultimate rates of the MP-2018 projection scale. Disabled retirement: RP-2014 Disabled Mortality Tables projected with the ultimate rates of the MP-2018 projection scale.

City of Tucson, Arizona
Schedule of Pension Investment Returns
Tucson Supplemental Retirement System (TSRS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return									
Net investment Expense	-11.39%	27.34%	4.23%	6.32%	8.85%	14.26%	2.38%	4.17%	19.17%

City of Tucson, Arizona
Schedule of Changes in the Net Pension Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Police)
Last 10 Fiscal Years

TUCSON POLICE				
	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)
Total Pension Liability				
Service Cost	\$ 11,797,483	\$ 12,409,359	\$ 13,100,961	\$ 11,100,699
Interest	72,948,247	70,210,266	65,886,833	63,586,063
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(4,632,924)	13,559,885	24,643,166	3,901,976
Changes of Assumptions	-	-	23,196,034	-
Benefit Payments, Including Refunds of Member Contributions	(61,098,249)	(55,023,833)	(54,403,239)	(55,692,488)
Net Change in Total Pension Liability	19,014,557	41,155,677	72,423,755	22,896,250
Total Pension Liability - Beginning	1,018,042,701	976,887,024	904,463,269	881,567,019
Total Pension Liability - Ending	\$ 1,037,057,258	\$ 1,018,042,701	\$ 976,887,024	\$ 904,463,269
Plan Fiduciary Net Position				
Contributions - Employer	\$ 43,568,407	\$ 42,607,658	\$ 46,215,262	\$ 52,220,657
Contributions - Member	5,568,753	5,512,812	5,532,860	5,665,060
Net Investment Income	94,572,801	4,404,637	17,761,280	21,304,803
Benefit Payments, Including Refunds of Member Contributions	(61,098,249)	(55,023,833)	(54,403,239)	(55,692,488)
Pension Plan Administrative Expense	(438,286)	(359,415)	(309,463)	(334,957)
Other (Net Transfer)	-	(260,752)	(36,932)	(266,348)
Net Change in Plan Fiduciary Net Position	82,173,426	(3,118,893)	14,759,768	22,896,727
Plan Fiduciary Net Position - Beginning	327,489,663	331,799,090	317,394,116	294,497,389
Adjustments to Beginning of Year		(1,190,534)	(354,794)	
Plan Fiduciary Net Position - Ending	\$ 409,663,089	\$ 327,489,663	\$ 331,799,090	\$ 317,394,116
City's Net Position Liability - Ending	\$ 627,394,169	\$ 690,553,038	\$ 645,087,934	\$ 587,069,153
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	39.50%	32.17%	33.96%	35.09%
Covered Payroll	\$ 51,104,811	\$ 57,118,869	\$ 59,733,789	\$ 53,553,769
City's Net Position Liability as a Percentage of Covered Payroll	1,227.66%	1,208.98%	1,079.94%	1,096.22%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of Changes in the Net Pension Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Police) (Continued)
Last 10 Fiscal Years

TUCSON POLICE			
Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
\$ 14,015,744	\$ 12,024,132	\$ 11,668,152	\$ 11,720,855
60,046,963	58,552,864	58,577,435	49,886,649
8,792,051	21,480,741	-	17,350,937
(3,781,994)	(10,074,554)	(12,033,376)	(1,845,566)
33,615,459	28,166,832	-	82,969,636
<u>(49,479,021)</u>	<u>(63,352,983)</u>	<u>(54,053,416)</u>	<u>(44,637,621)</u>
63,209,202	46,797,032	4,158,795	115,444,890
818,357,817	771,560,785	767,401,990	651,957,100
<u>\$ 881,567,019</u>	<u>\$ 818,357,817</u>	<u>\$ 771,560,785</u>	<u>\$ 767,401,990</u>
\$ 34,353,830	\$ 34,353,830	\$ 26,978,551	\$ 25,050,303
7,711,279	8,187,736	7,096,010	6,411,220
32,061,276	1,658,844	10,553,615	36,646,985
(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
(284,088)	(239,099)	(257,865)	-
(265,766)	(438,656)	(418,057)	(14,311,889)
<u>27,108,668</u>	<u>(19,830,328)</u>	<u>(10,101,162)</u>	<u>9,158,998</u>
267,388,721	287,219,049	297,320,211	288,161,213
<u>\$ 294,497,389</u>	<u>\$ 267,388,721</u>	<u>\$ 287,219,049</u>	<u>\$ 297,320,211</u>
<u>\$ 587,069,630</u>	<u>\$ 550,969,096</u>	<u>\$ 484,341,736</u>	<u>\$ 470,081,779</u>
33.41%	32.67%	37.23%	38.74%
\$ 57,207,120	\$ 59,290,594	\$ 58,837,806	\$ 57,677,943
1,026.22%	929.27%	823.18%	815.01%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of Changes in the Net Pension Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Fire)
Last 10 Fiscal Years

	TUCSON FIRE			
	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)
Total Pension Liability				
Service Cost	\$ 9,112,065	\$ 9,194,877	\$ 9,623,461	\$ 8,840,096
Interest	45,129,443	43,096,926	41,395,645	39,511,044
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	4,446,854	11,466,433	5,951,987	6,215,137
Changes of Assumptions	-	-	8,947,604	-
Benefit Payments, Including Refunds of Member Contributions	(37,159,111)	(34,506,338)	(34,537,400)	(34,066,814)
Net Change in Total Pension Liability	21,529,251	29,251,898	31,381,297	20,499,463
Total Pension Liability - Beginning	627,679,043	598,427,145	567,045,848	546,546,385
Total Pension Liability - Ending	\$ 649,208,294	\$ 627,679,043	\$ 598,427,145	\$ 567,045,848
Plan Fiduciary Net Position				
Contributions - Employer	\$ 31,853,066	\$ 27,950,762	\$ 30,051,636	\$ 34,070,743
Contributions - Member	3,704,273	4,028,345	3,802,902	3,712,765
Net Investment Income	56,675,780	2,674,001	10,531,681	12,483,625
Benefit Payments, Including Refunds of Member Contributions	(37,159,111)	(34,506,338)	(34,537,400)	(34,066,814)
Pension Plan Administrative Expense	(264,357)	(218,237)	(183,737)	(200,699)
Other (Net Transfer)	-	-	-	74,358
Net Change in Plan Fiduciary Net Position	54,809,651	(71,467)	9,665,082	16,073,978
Plan Fiduciary Net Position - Beginning	197,523,456	197,594,912	188,136,299	172,062,321
Adjustments to Beginning of Year	11	11	(206,469)	11
Plan Fiduciary Net Position - Ending	\$ 252,333,107	\$ 197,523,456	\$ 197,594,912	\$ 188,136,299
City's Net Position Liability - Ending	\$ 396,875,187	\$ 430,155,587	\$ 400,832,233	\$ 378,909,549
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.87%	31.47%	33.02%	33.18%
Covered Payroll	\$ 43,480,798	\$ 42,176,160	\$ 42,836,283	\$ 40,628,506
City's Net Position Liability as a Percentage of Covered Payroll	912.76%	1,019.90%	935.73%	932.62%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of Changes in the Net Pension Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Fire) (Continued)
Last 10 Fiscal Years

TUCSON FIRE			
Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
\$ 9,848,803	\$ 8,490,888	\$ 7,103,326	\$ 7,175,895
37,603,512	36,150,578	36,501,680	31,594,819
5,007,792	18,630,092	-	9,902,338
(11,548,340)	229,638	(8,410,285)	99,733
24,947,334	17,131,550	-	44,213,488
<u>(31,536,773)</u>	<u>(49,360,141)</u>	<u>(31,362,134)</u>	<u>(29,522,292)</u>
34,322,328	31,272,605	3,832,587	63,463,981
<u>512,224,147</u>	<u>480,951,542</u>	<u>477,118,955</u>	<u>413,654,974</u>
<u>\$ 546,546,475</u>	<u>\$ 512,224,147</u>	<u>\$ 480,951,542</u>	<u>\$ 477,118,955</u>
\$ 27,383,515	\$ 22,701,968	\$ 17,186,603	\$ 15,972,870
5,103,020	5,209,851	4,092,378	3,849,878
18,533,184	978,548	6,307,289	22,057,153
(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
(164,387)	(141,207)	(154,261)	-
<u>(210,132)</u>	<u>78,270</u>	<u>(132,475)</u>	<u>(9,649,798)</u>
19,108,427	(20,532,711)	(4,062,600)	2,707,811
<u>152,953,894</u>	<u>173,486,605</u>	<u>177,549,205</u>	<u>174,841,394</u>
<u>\$ 172,062,321</u>	<u>\$ 152,953,894</u>	<u>\$ 173,486,605</u>	<u>\$ 177,549,205</u>
<u>\$ 374,484,154</u>	<u>\$ 359,270,253</u>	<u>\$ 307,464,937</u>	<u>\$ 299,569,750</u>
31.48%	29.86%	36.07%	37.21%
\$ 40,900,346	\$ 42,306,370	\$ 35,256,315	\$ 35,105,468
915.60%	849.21%	872.08%	853.34%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of Contributions
Public Safety Personnel Retirement System (PSPRS)
Last 10 Fiscal Years

TUCSON POLICE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2021	2022	\$ 37,951,983	\$ 43,568,407	\$ (5,616,424)	51,104,811	85.25%
2020	2021	42,607,658	42,607,658	-	57,118,869	74.59%
2019	2020	46,215,262	46,215,262	-	59,733,789	77.37%
2018	2019	61,287,835	61,287,835	-	53,553,769	114.44%
2017	2018	37,364,988	37,364,988	-	57,207,120	65.32%
2016	2017	34,353,830	34,353,830	-	59,290,594	57.94%
2015	2016	26,978,551	26,978,551	-	58,837,806	45.85%
2014	2015	25,050,303	25,050,303	-	57,677,943	44.30%

TUCSON FIRE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2021	2022	\$ 28,219,616	\$ 31,853,066	\$ (3,633,450)	43,480,798	73.26%
2020	2021	27,950,762	27,950,762	-	42,176,160	66.27%
2019	2020	30,051,636	30,051,636	-	42,836,283	70.15%
2018	2019	40,548,962	40,548,962	-	40,628,506	99.80%
2017	2018	27,383,515	27,383,515	-	40,900,346	66.95%
2016	2017	22,701,968	22,701,968	-	42,306,370	53.66%
2015	2016	17,186,603	17,186,603	-	35,256,316	48.75%
2014	2015	15,972,870	15,972,870	-	35,105,468	45.50%

FY 2012-2014 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
 Note to schedule of contributions
 Summary of Actuarial Methods and Assumptions
 Public Safety Personnel Retirement System (PSPRS)

Valuation Date: June 30, 2021
 Notes Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Fiscal Year 2022 Contribution Rates:

Actuarial Cost Method Entry Age Normal

Tier 1/2

Amortization Method Beginning with 2020 new amounts use Level Dollar, layered
 Remaining Amortization Period Initial 2019 layer remains Level Percentage of Payroll, Closed
 25 years
 Asset Valuation Method 7-Year smoothed market; 20% corridor
 Investment Rate of Return 7.3%, net of investment and administrative expenses

Tier 3

Amortization Method Level Dollar, Layered
 Remaining Amortization Period 10 years
 Asset Valuation Method 5-Year smoothed market; 20% corridor
 Investment Rate of Return 7.0%, net of investment and administrative expenses
 Wage Inflation 3.50%
 Price Inflation 2.50%
 Salary Increases 3.50% to 7.50% including inflation
 Retirement age Experience-based table of rates that is specific to the type of
 eligibility condition.
 Mortality PubS-2010 Employee mortality, loaded 110% for males and females

Other Information:

Assumed Future Permanent Benefit Increases The COLA adjustment will be based on the average annual percentage change in Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.

City of Tucson, Arizona
Schedule of Changes in the Net OPEB Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Police)
Last 10 Fiscal Years

TUCSON POLICE					
	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
Total OPEB Liability					
Service Cost	\$ 295,288	\$ 309,856	\$ 202,922	\$ 180,290	\$ 228,828
Interest	1,488,070	1,529,970	1,544,102	1,542,475	1,594,853
Changes of Benefit Terms	(1,933,729)	-	-	-	33,852
Differences Between Expected and Actual Experience	-	(678,808)	(913,929)	(272,424)	(484,718)
Changes of Assumptions	-	-	374,464	-	(210,460)
Benefit Payments	(1,391,677)	(1,482,737)	(1,528,188)	(1,554,072)	(1,563,012)
Net Change in Total OPEB	(1,542,048)	(321,719)	(320,629)	(103,731)	(400,657)
Total OPEB Liability - Beginning	20,785,068	21,106,787	21,427,416	21,531,147	21,931,804
Total OPEB Liability - Ending	\$ 19,243,020	\$ 20,785,068	\$ 21,106,787	\$ 21,427,416	\$ 21,531,147
Plan Fiduciary Net Position					
Contributions - Employer	\$ 441,452	\$ 583,851	\$ 530,629	\$ 182,926	\$ 512,380
Contributions - Member	42,010	38,526	20,344	1,585	
Net Investment Income	4,047,746	193,772	826,586	1,071,704	1,750,756
Benefit Payments	(1,391,677)	(1,482,737)	(1,528,188)	(1,554,072)	(1,563,012)
Administrative Expense	(16,644)	(15,758)	(14,268)	(16,311)	(15,493)
Net Change in Plan Fiduciary Net Position	3,122,887	(682,346)	(164,897)	(314,168)	684,631
Plan Fiduciary Net Position - Beginning	15,213,142	15,895,488	15,705,592	16,019,760	15,335,129
Adjustments to Beginning of Year			354,793		
Plan Fiduciary Net Position - Ending	\$ 18,336,029	\$ 15,213,142	\$ 15,895,488	\$ 15,705,592	\$ 16,019,760
City's Net OPEB Liability - Ending	\$ 906,991	\$ 5,571,926	\$ 5,211,299	\$ 5,721,824	\$ 5,511,387
Plan Fiduciary Net Position as a Percentage of the Total OPEB	95.29%	73.19%	75.31%	73.30%	74.40%
Covered Payroll	\$ 51,104,811	\$ 57,118,869	\$ 59,733,789	\$ 53,553,769	\$ 57,207,120
City's Net OPEB Liability as a Percentage of Covered Payroll	1.77%	9.75%	8.72%	10.68%	9.63%

FY 2012-2017 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of Changes in the Net OPEB Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Fire)
Last 10 Fiscal Years

TUCSON FIRE					
	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
Total OPEB Liability					
Service Cost	\$ 204,660	\$ 206,355	\$ 136,905	\$ 132,903	\$ 134,971
Interest	910,287	925,112	983,785	987,402	997,383
Changes of Benefit Terms	-	-	-	-	12,995
Differences Between Expected and Actual Experience	(1,525,600)	(285,763)	(1,141,572)	(282,442)	(277,360)
Changes of Assumptions	-	-	91,238	-	167,748
Benefit Payments	(830,617)	(921,049)	(944,323)	(970,061)	(1,009,698)
Net Change in Total OPEB	(1,241,270)	(75,345)	(873,967)	(132,198)	26,039
Total OPEB Liability - Beginning	12,680,335	12,755,680	13,629,647	13,761,845	13,735,806
Total OPEB Liability - Ending	\$ 11,439,065	\$ 12,680,335	\$ 12,755,680	\$ 13,629,647	\$ 13,761,845
Plan Fiduciary Net Position					
Contributions - Employer	\$ 276,474	\$ 345,214	\$ 322,665	\$ 86,491	\$ 146,333
Contributions - Member	13,169	8,187	2,862	544	-
Net Investment Income	2,768,301	132,181	562,529	726,450	1,191,166
Benefit Payments	(830,617)	(921,049)	(944,323)	(970,061)	(1,009,698)
Administrative Expense	(11,383)	(10,749)	(9,710)	(11,057)	(10,539)
Other (Net Transfer)	-	-	-	1	-
Net Change in Plan Fiduciary Net Position	2,215,944	(446,216)	(65,977)	(167,632)	317,262
Plan Fiduciary Net Position - Beginning	10,355,816	10,802,032	10,661,541	10,829,173	10,511,911
Adjustments to Beginning of Year			206,468		
Plan Fiduciary Net Position - Ending	\$ 12,571,760	\$ 10,355,816	\$ 10,802,032	\$ 10,661,541	\$ 10,829,173
City's Net OPEB Liability - Ending	\$ (1,132,695)	\$ 2,324,519	\$ 1,953,648	\$ 2,968,106	\$ 2,932,672
Plan Fiduciary Net Position as a Percentage of the Total OPEB	109.90%	81.67%	84.68%	78.22%	78.69%
Covered Payroll	\$ 43,480,798	\$ 42,176,160	\$ 42,836,283	\$ 40,628,506	\$ 40,900,346
City's Net OPEB Liability as a Percentage of Covered Payroll	-2.61%	5.51%	4.56%	7.31%	7.17%

FY 2012-2017 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of City's OPEB Contributions -
Public Safety Personnel Retirement System (PSPRS)
Last 10 Fiscal Years

TUCSON POLICE						
Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2021	2022	\$ 441,452	\$ 441,452	\$ -	\$ 51,104,811	0.86%
2020	2021	583,851	583,851	-	57,118,869	1.02%
2019	2020	530,629	530,629	-	59,733,789	0.89%
2018	2019	182,926	182,926	-	53,553,769	0.34%
2017	2018	512,380	512,380	-	57,207,120	0.90%

TUCSON FIRE						
Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2021	2022	\$ 276,474	\$ 276,474	\$ -	\$ 43,480,798	0.64%
2020	2021	345,214	345,214	-	42,176,160	0.82%
2019	2020	322,665	322,665	-	42,836,283	0.75%
2018	2019	86,491	86,491	-	40,628,506	0.21%
2017	2018	146,333	146,333	-	40,900,346	0.36%

FY 2012-2017 – Information is not available. Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Tucson, Arizona
Schedule of Changes in the Net OPEB Liability and Related Ratios -
City Sponsored Plan
Last 10 Fiscal Years

	Reporting Fiscal Year				
	Measurement Date				
	2022	2021	2020	2019	2018
	(2021)	(2020)	(2019)	(2018)	(2017)
Total OPEB Liability					
Service Cost	\$ 8,242,610	\$ 6,720,818	\$ 6,163,154	\$ 9,475,148	\$ 10,746,774
Interest	4,570,752	6,868,360	7,270,919	8,662,021	7,193,692
Differences Between Expected and Actual Experience	(6,305,555)	(5,276,328)	(404,867)	(24,039,470)	(20,411,157)
Changes of Assumptions	(10,516,725)	13,021,354	6,484,817	(32,541,492)	6,668,600
Benefit Payments	(12,745,874)	(11,769,570)	(11,755,359)	(12,886,797)	(13,874,433)
Net Change in Total OPEB	(16,754,792)	9,564,634	7,758,664	(51,330,590)	(9,676,524)
Total OPEB Liability - Beginning	204,916,859	195,352,225	187,593,561	238,924,151	248,600,675
Total OPEB Liability - Ending	<u>\$ 188,162,067</u>	<u>\$ 204,916,859</u>	<u>\$ 195,352,225</u>	<u>\$ 187,593,561</u>	<u>\$ 238,924,151</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 12,745,874	\$ 11,769,570	\$ 11,755,359	\$ 12,886,797	\$ 13,874,433
Benefit Payments	(12,745,874)	(11,769,570)	(11,755,359)	(12,886,797)	(13,874,433)
Net Change in Plan Fiduciary Net Position	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-
Plan Fiduciary Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Net OPEB Liability - Ending	<u>\$ 188,162,067</u>	<u>\$ 204,916,859</u>	<u>\$ 195,352,225</u>	<u>\$ 187,593,561</u>	<u>\$ 238,924,151</u>

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

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COMBINING STATEMENTS &
INDIVIDUAL FUND STATEMENTS &
SCHEDULES



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City of Tucson, Arizona
Combining Balance Sheet – All Nonmajor Governmental Funds – By Fund Type
June 30, 2022

	Special Revenue	Debt Service	Capital Projects	Total Non-major Governmental Funds
Assets				
Cash and cash equivalents	\$ 226,712,700	\$ 139,367	\$ 111,303,930	\$ 338,155,997
Cash & investments with fiscal agent - restricted	14,758	42,667,550	-	42,682,308
Taxes receivable, net	11,481,806	-	-	11,481,806
Accounts receivable, net	2,201,567	-	136,501	2,338,068
Notes & loans receivable	37,597,272	-	-	37,597,272
Due from other agencies	5,989,653	-	17,457,098	23,446,751
Grants & entitlements receivable	25,301,671	-	-	25,301,671
Interest receivable	357,580	-	144,795	502,375
Lease receivable	553,078	-	-	553,078
Inventories	2,183,725	-	-	2,183,725
Other assets	51,636	-	-	51,636
Total assets	\$ 312,445,446	\$ 42,806,917	\$ 129,042,324	\$ 484,294,687
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 14,315,160	\$ -	\$ 6,275,365	\$ 20,590,525
Accrued payroll liabilities	1,045,447	-	3,067	1,048,514
Interfund payable	20,992,171	-	12,752,508	33,744,679
Due to other agencies	300,831	-	4,598	305,429
Refundable deposits	238,668	-	-	238,668
Matured bonds & interest payable	-	42,667,550	-	42,667,550
Advances from grantors	2,430,657	-	-	2,430,657
Total liabilities	39,322,934	42,667,550	19,035,538	101,026,022
Deferred inflows of resources				
Unavailable revenue - leases	507,641	-	-	507,641
Deferred revenues	37,072,129	-	-	37,072,129
Total deferred inflows of resources	37,579,770	-	-	37,579,770
Fund balances				
Nonspendable	2,221,124	-	-	2,221,124
Restricted	233,187,952	139,367	110,006,786	343,334,105
Committed	50,288	-	-	50,288
Assigned	257,765	-	-	257,765
Unassigned	(174,387)	-	-	(174,387)
Total fund balances	235,542,742	139,367	110,006,786	345,688,895
Total liabilities, deferred inflows of resources and fund balances	\$ 312,445,446	\$ 42,806,917	\$ 129,042,324	\$ 484,294,687

City of Tucson, Arizona
Combining Balance Sheet – Nonmajor Special Revenue Funds
June 30, 2022

	Park Tucson	Convention Center	HURF	Civic Contributions
Assets				
Cash and cash equivalents	\$ -	\$ 5,316,639	\$ 12,659,787	\$ 1,173,825
Cash & investments with fiscal agent - restricted	14,758	-	-	-
Taxes receivable, net	-	-	-	-
Accounts receivable, net	174,690	831,532	617,858	2
Notes & loans receivable	-	-	-	-
Due from other agencies	-	-	4,711,040	-
Grants & entitlements receivable	-	-	-	-
Interest receivable	2,413	-	32,540	1,499
Lease receivable	553,078	-	-	-
Inventories	-	62,072	-	-
Other assets	-	37,399	-	-
Total assets	\$ 744,939	\$ 6,247,642	\$ 18,021,225	\$ 1,175,326
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 160,580	\$ 1,730,659	\$ 1,641,615	\$ 74,355
Accrued payroll liabilities	54,553	1,188	780,672	-
Interfund payable	186,930	-	-	-
Due to other agencies	-	20,589	-	5
Refundable deposits	9,622	-	75,899	-
Advances from grantors	-	-	-	-
Total liabilities	411,685	1,752,436	2,498,186	74,360
Deferred inflows of resources				
Unavailable revenue - leases	507,641	-	-	-
Deferred revenues	-	3,713,918	-	-
Total deferred inflows of resources	507,641	3,713,918	-	-
Fund balances				
Nonspendable	-	99,471	-	-
Restricted	-	644,052	15,523,039	1,050,678
Committed	-	-	-	50,288
Assigned	-	37,765	-	-
Unassigned	(174,387)	-	-	-
Total fund balances	(174,387)	781,288	15,523,039	1,100,966
Total liabilities, deferred inflows of resources and fund balances	\$ 744,939	\$ 6,247,642	\$ 18,021,225	\$ 1,175,326

City of Tucson, Arizona
Combining Balance Sheet – Nonmajor Special Revenue Funds
June 30, 2022

Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants	Non-Federal Grants	Federal Highway Grant
\$ -	\$ -	\$ 2,581,198	\$ 472,849	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	185	577,300	-	-	-	-
5,922,793	-	-	31,674,479	-	-	-
-	-	-	-	-	1,278,613	-
2,056,095	2,076,303	213,530	311,440	19,559,752	-	1,084,551
-	-	60,645	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	14,237	-	-
<u>\$ 7,978,888</u>	<u>\$ 2,076,488</u>	<u>\$ 3,432,673</u>	<u>\$ 32,458,768</u>	<u>\$ 19,573,989</u>	<u>\$ 1,278,613</u>	<u>\$ 1,084,551</u>
\$ 387,061	\$ 605,361	\$ 115,146	\$ 226,954	\$ 2,739,837	\$ 414,885	\$ 306,329
53,916	35,146	90,536	11,458	5,705	7,230	4,555
2,322,033	1,435,981	887,920	131,812	14,689,576	564,252	773,667
93	-	280,144	-	-	-	-
-	-	152,687	-	460	-	-
-	-	-	-	2,138,411	292,246	-
<u>2,763,103</u>	<u>2,076,488</u>	<u>1,526,433</u>	<u>370,224</u>	<u>19,573,989</u>	<u>1,278,613</u>	<u>1,084,551</u>
-	-	-	-	-	-	-
<u>1,683,732</u>	-	-	<u>31,674,479</u>	-	-	-
<u>1,683,732</u>	-	-	<u>31,674,479</u>	-	-	-
-	-	-	-	-	-	-
3,532,053	-	1,906,240	414,065	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,532,053</u>	-	<u>1,906,240</u>	<u>414,065</u>	-	-	-
<u>\$ 7,978,888</u>	<u>\$ 2,076,488</u>	<u>\$ 3,432,673</u>	<u>\$ 32,458,768</u>	<u>\$ 19,573,989</u>	<u>\$ 1,278,613</u>	<u>\$ 1,084,551</u>

City of Tucson, Arizona
Combining Balance Sheet (Continued)
June 30, 2022

	Sun Link	Better Streets Improvement	Safer City Improvement	Gene Reid Park Zoo Capital Improvements
Assets				
Cash and cash equivalents	\$ 323,466	\$ 68,630,402	\$ 97,420,797	\$ 31,503,340
Cash & investments with fiscal agent - restricted	-	-	-	-
Taxes receivable, net	-	3,020,632	6,676,155	1,513,022
Accounts receivable, net	-	-	-	-
Notes & loans receivable	-	-	-	-
Due from other agencies	-	-	-	-
Grants & entitlements receivable	-	-	-	-
Interest receivable	-	89,205	124,957	38,336
Lease receivable	-	-	-	-
Inventories	2,121,653	-	-	-
Other assets	-	-	-	-
Total assets	<u>\$ 2,445,119</u>	<u>\$ 71,740,239</u>	<u>\$ 104,221,909</u>	<u>\$ 33,054,698</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 102,978	\$ 1,465,071	\$ 3,786,189	\$ 538,128
Accrued payroll liabilities	488	-	-	-
Interfund payable	-	-	-	-
Due to other agencies	-	-	-	-
Refundable deposits	-	-	-	-
Advances from grantors	-	-	-	-
Total liabilities	<u>103,466</u>	<u>1,465,071</u>	<u>3,786,189</u>	<u>538,128</u>
Deferred inflows of resources				
Unavailable revenue - leases	-	-	-	-
Deferred revenues	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	2,121,653	-	-	-
Restricted	-	70,275,168	100,435,720	32,516,570
Committed	-	-	-	-
Assigned	220,000	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>2,341,653</u>	<u>70,275,168</u>	<u>100,435,720</u>	<u>32,516,570</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,445,119</u>	<u>\$ 71,740,239</u>	<u>\$ 104,221,909</u>	<u>\$ 33,054,698</u>

City of Tucson, Arizona
Combining Balance Sheet (Continued)
June 30, 2022

Green Stormwater Infrastructure	Total Special Revenue Funds
\$ 6,630,397	\$ 226,712,700
-	14,758
271,997	11,481,806
-	2,201,567
-	37,597,272
-	5,989,653
-	25,301,671
7,985	357,580
-	553,078
-	2,183,725
-	51,636
<u>\$ 6,910,379</u>	<u>\$ 312,445,446</u>

\$ 20,012	\$ 14,315,160
-	1,045,447
-	20,992,171
-	300,831
-	238,668
-	2,430,657
<u>20,012</u>	<u>39,322,934</u>

-	507,641
-	37,072,129
<u>-</u>	<u>37,579,770</u>

-	2,221,124
6,890,367	233,187,952
-	50,288
-	257,765
-	(174,387)
<u>6,890,367</u>	<u>235,542,742</u>

<u>\$ 6,910,379</u>	<u>\$ 312,445,446</u>
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City of Tucson, Arizona
Combining Balance Sheet – Nonmajor Debt Service Funds
June 30, 2022

	General Obligation Bond & Interest	Streets & Highway Bond & Interest	Total Non-major Debt Service Funds
Assets			
Cash and cash equivalents	\$ 139,367	\$ -	\$ 139,367
Cash & investments with fiscal agent - restricted	31,787,175	10,880,375	42,667,550
Total assets	\$ 31,926,542	\$ 10,880,375	\$ 42,806,917
Liabilities and fund balances			
Liabilities			
Matured bonds & interest payable	\$ 31,787,175	\$ 10,880,375	\$ 42,667,550
Total liabilities	31,787,175	10,880,375	42,667,550
Fund balances			
Restricted	139,367	-	139,367
Total fund balances	139,367	-	139,367
Tot resources and fund balances	\$ 31,926,542	\$ 10,880,375	\$ 42,806,917

City of Tucson, Arizona
Combining Balance Sheet – Nonmajor Capital Projects Funds
June 30, 2022

	Capital Improvements	Development Fees	Regional Transportation Authority	2020 General Obligation / Connections Improvement	Total Non-major Capital Projects Funds
Assets					
Cash and cash equivalents	\$ -	\$ 69,693,607	\$ -	\$ 41,610,323	\$ 111,303,930
Accounts receivable, net	-	-	136,501	-	136,501
Due from other agencies	8,945,030	-	8,512,068	-	17,457,098
Interest receivable	-	88,389	-	56,406	144,795
Total assets	\$ 8,945,030	\$ 69,781,996	\$ 8,648,569	\$ 41,666,729	\$ 129,042,324
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 329,186	\$ 102,540	\$ 4,121,577	\$ 1,722,062	\$ 6,275,365
Accrued payroll liabilities	3,067	-	-	-	3,067
Interfund payable	8,612,777	-	4,139,731	-	12,752,508
Due to other agencies	-	-	4,598	-	4,598
Total liabilities	8,945,030	102,540	8,265,906	1,722,062	19,035,538
Fund balances					
Restricted	-	69,679,456	382,663	39,944,667	110,006,786
Total fund balances	-	69,679,456	382,663	39,944,667	110,006,786
Total liabilities & deferred inflows of resources, and fund balances	\$ 8,945,030	\$ 69,781,996	\$ 8,648,569	\$ 41,666,729	\$ 129,042,324

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City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All nonmajor governmental funds – by fund type
Year Ended June 30, 2022

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Taxes	\$ 89,174,836	\$ 34,595,535	\$ -	\$ 123,770,371
Licenses and permits	1,509,002	-	-	1,509,002
Fines and forfeitures	680,428	-	-	680,428
Developer fees	-	-	7,270,867	7,270,867
Use of money and property	2,599,478	-	944,350	3,543,828
Federal grants and contributions	140,872,981	-	-	140,872,981
Other agencies	52,191,858	10,138,228	43,564,349	105,894,435
Charges for services	15,943,893	-	-	15,943,893
Contributions from outside sources	530,540	-	-	530,540
Miscellaneous	4,331,149	-	123,135	4,454,284
Total revenues	307,834,165	44,733,763	51,902,701	404,470,629
Expenditures				
Current:				
Elected & official	1,058,884	-	-	1,058,884
Public safety & justice services	19,341,114	-	-	19,341,114
Community enrichment & development	214,616,152	-	1,601,693	216,217,845
Support services	1,442,089	-	-	1,442,089
General government	104,376	-	-	104,376
Capital outlay	14,907,752	-	60,049	14,967,801
Capital projects	22,549,925	-	51,588,610	74,138,535
Debt service:				
Principal	3,647,700	39,650,000	-	43,297,700
Interest	1,019,063	6,035,100	-	7,054,163
Fiscal agent fees	-	5,200	-	5,200
Total expenditures	278,687,055	45,690,300	53,250,352	377,627,707
Excess (deficiency) of revenues over (under) expenditures	29,147,110	(956,537)	(1,347,651)	26,842,922
Other financing sources (uses)				
Transfers in	8,120,439	1,008,722	-	9,129,161
Transfers out	(1,302,526)	-	-	(1,302,526)
Total other financing sources (uses)	6,817,913	1,008,722	-	7,826,635
Net change in fund balances	35,965,023	52,185	(1,347,651)	34,669,557
Fund balances, beginning of year	199,577,719	87,182	111,354,437	311,019,338
Fund balances, end of year	<u>\$ 235,542,742</u>	<u>\$ 139,367</u>	<u>\$ 110,006,786</u>	<u>\$ 345,688,895</u>

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor special revenue funds
Year Ended June 30, 2022

	Park Tucson	Convention Center	HURF	Civic Contributions
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,509,002	-
Fines and forfeitures	680,262	-	166	-
Use of money and property	77,485	61,069	838,898	9,526
Federal grants and contributions	-	-	-	-
Other agencies	-	-	47,172,481	-
Charges for services	3,915,661	8,237,007	71,297	-
Contributions from outside sources	-	-	-	530,540
Miscellaneous	68,448	-	4,232,194	-
Total revenues	4,741,856	8,298,076	53,824,038	540,066
Expenditures				
Current:				
Elected & official	-	-	339,479	19,595
Public safety & justice services	-	-	-	16,054
Community enrichment & development	3,876,182	11,276,358	45,203,012	269,623
Support services	-	-	1,441,739	-
General government	-	-	100,000	4,376
Capital outlay	54,732	180,571	1,583,397	-
Capital projects	-	-	1,575,826	-
Debt service:				
Principal	1,495,795	-	1,286,905	-
Interest	210,006	-	164,533	-
Total expenditures	5,636,715	11,456,929	51,694,891	309,648
Excess (deficiency) of revenues over (under) expenditures	(894,859)	(3,158,853)	2,129,147	230,418
Other financing sources (uses)				
Transfers in	-	3,271,590	-	-
Transfers out	(113,975)	-	(1,183,871)	-
Total other financing sources (uses)	(113,975)	3,271,590	(1,183,871)	-
Net change in fund balances	(1,008,834)	112,737	945,276	230,418
Fund balances, beginning of year	834,447	668,551	14,577,763	870,548
Fund balances, end of year	\$ (174,387)	\$ 781,288	\$ 15,523,039	\$ 1,100,966

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor special revenue funds (Continued)
Year Ended June 30, 2022

Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants	Non-Federal Grants	Federal Highway Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	6,512	-	3,126	-	-
7,576,525	8,471,606	45,752,992	8,190,923	69,214,738	-	1,666,197
-	-	-	-	-	3,819,377	-
-	-	34,396	-	-	-	-
-	-	-	-	-	-	-
24,433	-	-	-	957	-	-
<u>7,600,958</u>	<u>8,471,606</u>	<u>45,793,900</u>	<u>8,190,923</u>	<u>69,218,821</u>	<u>3,819,377</u>	<u>1,666,197</u>
-	-	-	-	481,113	218,697	-
-	-	-	-	12,584,768	3,430,918	-
4,882,202	8,471,606	45,812,908	8,228,514	55,757,009	18,090	432,239
-	-	-	-	-	350	-
-	-	-	-	-	-	-
2,020,787	-	-	-	391,251	151,322	-
1,380,373	-	-	-	-	-	1,409,108
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>8,283,362</u>	<u>8,471,606</u>	<u>45,812,908</u>	<u>8,228,514</u>	<u>69,214,141</u>	<u>3,819,377</u>	<u>1,841,347</u>
<u>(682,404)</u>	<u>-</u>	<u>(19,008)</u>	<u>(37,591)</u>	<u>4,680</u>	<u>-</u>	<u>(175,150)</u>
-	-	-	-	-	-	175,150
-	-	-	-	(4,680)	-	-
-	-	-	-	(4,680)	-	175,150
(682,404)	-	(19,008)	(37,591)	-	-	-
4,214,457	-	1,925,248	451,656	-	-	-
<u>\$ 3,532,053</u>	<u>\$ -</u>	<u>\$ 1,906,240</u>	<u>\$ 414,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor special revenue funds (Continued)
Year Ended June 30, 2022

	Sun Link	Better Streets Improvement	Safer City Improvement	Gene Reid Park Zoo Capital Improvements
Revenues				
Taxes	\$ -	\$ 29,010,288	\$ 45,660,573	\$ 14,503,975
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	34	555,525	772,461	228,502
Federal grants and contributions	-	-	-	-
Other agencies	1,200,000	-	-	-
Charges for services	269,218	-	-	-
Contributions from outside sources	-	-	-	-
Miscellaneous	4,010	-	1,107	-
Total revenues	1,473,262	29,565,813	46,434,141	14,732,477
Expenditures				
Current:				
Elected & official	-	-	-	-
Public safety & justice services	-	-	3,309,374	-
Community enrichment & development	4,319,269	21,199,969	-	4,222,500
Support services	-	-	-	-
General government	-	-	-	-
Capital outlay	32,893	-	10,492,799	-
Capital projects	-	-	17,383,325	791,622
Debt service:				
Principal	865,000	-	-	-
Interest	644,524	-	-	-
Total expenditures	5,861,686	21,199,969	31,185,498	5,014,122
Excess (deficiency) of revenues over (under) expenditures	(4,388,424)	8,365,844	15,248,643	9,718,355
Other financing sources (uses)				
Transfers in	4,673,699	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	4,673,699	-	-	-
Net change in fund balances	285,275	8,365,844	15,248,643	9,718,355
Fund balances, beginning of year	2,056,378	61,909,324	85,187,077	22,798,215
Fund balances, end of year	<u>\$ 2,341,653</u>	<u>\$ 70,275,168</u>	<u>\$ 100,435,720</u>	<u>\$ 32,516,570</u>

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor special revenue funds (Continued)
Year Ended June 30, 2022

Green Stormwater Infrastructure	Total Special Revenue Funds
\$ -	\$ 89,174,836
-	1,509,002
-	680,428
46,340	2,599,478
-	140,872,981
-	52,191,858
3,416,314	15,943,893
-	530,540
-	4,331,149
<u>3,462,654</u>	<u>307,834,165</u>
-	1,058,884
-	19,341,114
646,671	214,616,152
-	1,442,089
-	104,376
-	14,907,752
9,671	22,549,925
-	3,647,700
-	1,019,063
<u>656,342</u>	<u>278,687,055</u>
<u>2,806,312</u>	<u>29,147,110</u>
-	8,120,439
-	<u>(1,302,526)</u>
-	<u>6,817,913</u>
2,806,312	35,965,023
<u>4,084,055</u>	<u>199,577,719</u>
<u>\$ 6,890,367</u>	<u>\$ 235,542,742</u>

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor debt service funds
Year Ended June 30, 2022

	General Obligation Bond & Interest	Streets & Highway Bond & Interest	Total Debt Service Funds
Revenues			
Taxes	\$ 34,595,535	\$ -	\$ 34,595,535
Other agencies	-	10,138,228	10,138,228
Total revenues	<u>34,595,535</u>	<u>10,138,228</u>	<u>44,733,763</u>
Expenditures			
Debt service:			
Principal	29,035,000	10,615,000	39,650,000
Interest	5,504,350	530,750	6,035,100
Fiscal agent fees	4,000	1,200	5,200
Total expenditures	<u>34,543,350</u>	<u>11,146,950</u>	<u>45,690,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,185</u>	<u>(1,008,722)</u>	<u>(956,537)</u>
Other financing sources (uses)			
Transfers in	-	1,008,722	1,008,722
Total other financing sources (uses)	<u>-</u>	<u>1,008,722</u>	<u>1,008,722</u>
Net change in fund balances	52,185	-	52,185
Fund balances, beginning of year	<u>87,182</u>	<u>-</u>	<u>87,182</u>
Fund balances, end of year	<u>\$ 139,367</u>	<u>\$ -</u>	<u>\$ 139,367</u>

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor capital projects funds
Year Ended June 30, 2022

	Capital Improvements	Development Fees	Regional Transportation Authority	2020 General Obligation / Connections Improvement	Total Non-major Capital Projects Funds
Revenues					
Developer fees	\$ -	\$ 7,270,867	\$ -	\$ -	\$ 7,270,867
Use of money and property	-	559,482	13,137	371,731	944,350
Other agencies	19,856,453	-	23,707,896	-	43,564,349
Miscellaneous	-	-	-	123,135	123,135
Total revenues	19,856,453	7,830,349	23,721,033	494,866	51,902,701
Expenditures					
Current:					
Community enrichment & development	698,043	-	194,100	709,550	1,601,693
Capital outlay	-	-	-	60,049	60,049
Capital projects	19,158,410	1,799,205	23,580,693	7,050,302	51,588,610
Total expenditures	19,856,453	1,799,205	23,774,793	7,819,901	53,250,352
Net change in fund balances	-	6,031,144	(53,760)	(7,325,035)	(1,347,651)
Fund balances, beginning of year	-	63,648,312	436,423	47,269,702	111,354,437
Fund balances, end of year	<u>\$ -</u>	<u>\$ 69,679,456</u>	<u>\$ 382,663</u>	<u>\$ 39,944,667</u>	<u>\$ 110,006,786</u>

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Nonmajor Enterprise Funds
June 30, 2022

City of Tucson, Arizona

City of Tucson, Arizona
 Nonmajor Enterprise Funds
 Combining Statement of Net Position
 June 30, 2022

	Business-type activities		
	Tucson Golf	Non-PHA Asset Management	Total
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 1,496	\$ 1,496
Accounts receivable, net	7,420	801,627	809,047
Inventories	319,202	-	319,202
Other assets	41,528	-	41,528
Total current assets	<u>368,150</u>	<u>803,123</u>	<u>1,171,273</u>
Noncurrent assets			
Long-term notes receivable	417,762	-	417,762
Land & construction in progress	3,536,908	3,257,923	6,794,831
Other capital assets, net	8,304,452	8,255,288	16,559,740
Leases, net	496,191	-	496,191
Total noncurrent assets	<u>12,755,313</u>	<u>11,513,211</u>	<u>24,268,524</u>
Total assets	<u>13,123,463</u>	<u>12,316,334</u>	<u>25,439,797</u>
Deferred outflows of resources			
Related to pensions	-	331,952	331,952
Total deferred outflows of resources	<u>-</u>	<u>331,952</u>	<u>331,952</u>
Current liabilities			
Accounts payable	324,361	152,572	476,933
Accrued payroll liabilities	97,582	18,668	116,250
Accrued interest payable	3,107	484	3,591
Interfund payable	-	1,153,837	1,153,837
Interfund loans payable	173,325	-	173,325
Due to other agencies	46,910	-	46,910
Refundable deposits	-	312,505	312,505
Customer advances	178,956	-	178,956
Current portion of contracts payable	12,155	-	12,155
Current portion of lease liabilities	432,157	-	432,157
Current portion of compensated absences	-	15,301	15,301
Total current liabilities	<u>1,268,553</u>	<u>1,653,367</u>	<u>2,921,920</u>
Noncurrent liabilities			
Contracts payable, net of current portion	47,491	-	47,491
Leases payable	59,946	-	59,946
Compensated absences, net of current portion	-	24,368	24,368
Net pension liability	-	599,542	599,542
Total noncurrent liabilities	<u>107,437</u>	<u>623,910</u>	<u>731,347</u>
Total liabilities	<u>1,375,990</u>	<u>2,277,277</u>	<u>3,653,267</u>
Deferred inflows of resources			
Deferred revenues	-	183,873	183,873
Related to OPEB	-	180,095	180,095
Total deferred inflows of resources	<u>-</u>	<u>363,968</u>	<u>363,968</u>
Net position			
Net investment in capital assets	11,785,802	11,513,211	23,299,013
Unrestricted	(38,329)	(1,506,170)	(1,544,499)
Total net position	<u>\$ 11,747,473</u>	<u>\$ 10,007,041</u>	<u>\$ 21,754,514</u>

City of Tucson, Arizona
Internal Service Funds
Combining Statement of Net Position
June 30, 2022

	Risk Management	Health Insurance	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,541,269	\$ 26,013,966	\$ 35,555,235
Cash & investments with fiscal agent - Restricted	21,402,717	-	21,402,717
Accounts receivable, net	53,369	-	53,369
Interest receivable	27,768	30,317	58,085
Other assets	458,878	-	458,878
Total current assets	<u>31,484,001</u>	<u>26,044,283</u>	<u>57,528,284</u>
Noncurrent assets			
Long-term investments	22,495,691	-	22,495,691
Land & construction in progress	30,242	-	30,242
Other capital assets, net	50,565	-	50,565
Total noncurrent assets	<u>22,576,498</u>	<u>-</u>	<u>22,576,498</u>
Total assets	<u>54,060,499</u>	<u>26,044,283</u>	<u>80,104,782</u>
Current liabilities			
Accounts payable	313,047	1,098,082	1,411,129
Accrued payroll liabilities	163,702	14,890	178,592
Refundable deposits	2,494	-	2,494
Current portion of claims payable	15,816,288	5,533,000	21,349,288
Current portion of remediation liabilities	463,600	-	463,600
Total current liabilities	<u>16,759,131</u>	<u>6,645,972</u>	<u>23,405,103</u>
Noncurrent liabilities			
Claims payable, net of current portion	37,786,880	-	37,786,880
Remediation obligations, net of current portion	836,281	-	836,281
Total noncurrent liabilities	<u>38,623,161</u>	<u>-</u>	<u>38,623,161</u>
Total liabilities	<u>55,382,292</u>	<u>6,645,972</u>	<u>62,028,264</u>
Net position			
Net investment in capital assets	80,807	-	80,807
Restricted for self-insurance mandates	-	5,651,894	5,651,894
Unrestricted	(1,402,600)	13,746,417	12,343,817
Total net position	<u>\$ (1,321,793)</u>	<u>\$ 19,398,311</u>	<u>\$ 18,076,518</u>

City of Tucson, Arizona
 Nonmajor Enterprise Funds
 Combining Statement of Revenues, Expenditures and Changes in Net Position
 Year Ended June 30, 2022

	Business-type activities		
	Tucson Golf	Non-PHA Asset Management	Total
Operating revenues			
Charges for services	\$ 9,740,748	\$ 1,828,797	\$ 11,569,545
Federal grants and contributions	-	238,261	238,261
Miscellaneous	-	85,205	85,205
Total operating revenues	<u>9,740,748</u>	<u>2,152,263</u>	<u>11,893,011</u>
Operating expenses			
Salaries, wages, and benefits	55,011	389,642	444,653
Contractual services	6,601,236	2,412,403	9,013,639
Commodities	1,471,457	196,147	1,667,604
Cost of goods sold	709,945	-	709,945
Depreciation	1,088,528	450,493	1,539,021
Total operating expenses	<u>9,926,177</u>	<u>3,448,685</u>	<u>13,374,862</u>
Operating income (loss)	<u>(185,429)</u>	<u>(1,296,422)</u>	<u>(1,481,851)</u>
Nonoperating revenues (expenses)			
Investment income (loss)	<u>(10,973)</u>	<u>139,924</u>	<u>128,951</u>
Total nonoperating revenues (expenses)	<u>(10,973)</u>	<u>139,924</u>	<u>128,951</u>
Changes in net position	(196,402)	(1,156,498)	(1,352,900)
Net position at beginning of year	<u>11,943,875</u>	<u>11,163,539</u>	<u>23,107,414</u>
Net position at end of year	<u>\$ 11,747,473</u>	<u>\$ 10,007,041</u>	<u>\$ 21,754,514</u>

City of Tucson, Arizona
Internal Service Funds
Combining Statement of Revenues, Expenditures and Changes in Net Position
Year Ended June 30, 2022

	Risk Management	Health Insurance	Total
Operating revenues			
Charges for services	\$ 16,310,883	\$ 76,539,042	\$ 92,849,925
Other agencies	723,180	3,357,206	4,080,386
Miscellaneous	-	513,536	513,536
Total operating revenues	<u>17,034,063</u>	<u>80,409,784</u>	<u>97,443,847</u>
Operating expenses			
Salaries, wages, and benefits	2,150,664	856,872	3,007,536
Contractual services	11,247,779	12,650,305	23,898,084
Commodities	64,680	688	65,368
Benefits and claims	14,961,918	62,235,881	77,197,799
Depreciation	9,852	-	9,852
Total operating expenses	<u>28,434,893</u>	<u>75,743,746</u>	<u>104,178,639</u>
Operating income (loss)	<u>(11,400,830)</u>	<u>4,666,038</u>	<u>(6,734,792)</u>
Nonoperating revenues (expenses)			
Property taxes	565,894	-	565,894
Investment income (loss)	(650,635)	186,763	(463,872)
Total nonoperating revenues (expenses)	<u>(84,741)</u>	<u>186,763</u>	<u>102,022</u>
Income before transfers and capital contributions	<u>(11,485,571)</u>	<u>4,852,801</u>	<u>(6,632,770)</u>
Other financing sources (uses)			
Transfers in	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Changes in net position	(9,485,571)	4,852,801	(4,632,770)
Net position at beginning of year	<u>8,163,778</u>	<u>14,545,510</u>	<u>22,709,288</u>
Net position at end of year	<u>\$ (1,321,793)</u>	<u>\$ 19,398,311</u>	<u>\$ 18,076,518</u>

City of Tucson, Arizona
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022

	Business-type activities		
	Tucson Golf	Non-PHA Asset Management	Total
Cash flows from operating activities:			
Cash received from customers	\$ 9,727,479	\$ 1,793,610	\$ 11,521,089
Cash payments to suppliers for goods and services	(9,248,547)	(2,752,880)	(12,001,427)
Cash payments to employees for services	(24,978)	(678,965)	(703,943)
Subsidy from federal grant	-	342,361	342,361
Cash flows provided by (used by) operating activities	<u>453,954</u>	<u>(1,295,874)</u>	<u>(841,920)</u>
Cash flows from noncapital financing activities:			
Advances to other funds	(272,371)	-	(272,371)
Interfund borrowing	-	1,153,837	1,153,837
Interest paid on advances	(6,665)	-	(6,665)
Cash flows provided by noncapital financing activities	<u>(279,036)</u>	<u>1,153,837</u>	<u>874,801</u>
Cash flows from capital and related financing activities:			
Payments on financed purchases	(45,747)	-	(45,747)
Acquisition and construction of capital assets	(35,039)	-	(35,039)
Principal paid on capital debt	(449,228)	-	(449,228)
Interest paid on capital debt	(3,331)	-	(3,331)
Cash flows used by capital and related financing activities	<u>(533,345)</u>	<u>-</u>	<u>(533,345)</u>
Cash flows from investing activities:			
Interest on investments	-	141,860	141,860
Cash flows from Investing activities	<u>-</u>	<u>141,860</u>	<u>141,860</u>
Net increase in cash and cash equivalents	(358,427)	(177)	(358,604)
Cash and cash equivalents at beginning of year	<u>358,427</u>	<u>1,673</u>	<u>360,100</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 1,496</u>	<u>\$ 1,496</u>
Reconciliation of operating (loss) to cash flows provided by (used for) operating activities:			
Operating income (loss)	\$ (185,429)	\$ (1,296,422)	\$ (1,481,851)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	1,088,528	450,493	1,539,021
Other adjustments:			
Decrease (increase) in assets / deferred outflows of resources:			
Accounts receivable	(2,763)	(17,094)	(19,857)
Inventory & prepaids	(62,254)	-	(62,254)
Due from other agencies	-	104,100	104,100
Deferred outflows related to pensions & OPEB	-	(172,589)	(172,589)
Increase (decrease) in liabilities / deferred inflows of resources:			
Accounts payable	(406,562)	(144,330)	(550,892)
Accrued payroll liabilities	30,033	(3,565)	26,468
Accrued compensated absences	-	(3,617)	(3,617)
Net pension liability	-	46,838	46,838
Deferred revenues	-	(95,336)	(95,336)
Customer / refundable deposits	(1,848)	(7,961)	(9,809)
Due to other agencies	4,755	-	4,755
Other operating liabilities	(10,506)	-	(10,506)
Deferred inflows related to leases	-	93,845	93,845
Deferred inflows related to pensions & OPEB	-	(250,236)	(250,236)
Net cash provided (used) by operating activities	<u>\$ 453,954</u>	<u>\$ (1,295,874)</u>	<u>\$ (841,920)</u>

City of Tucson, Arizona
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022

	Risk Management	Health Insurance	Total
Cash flows from operating activities:			
Cash received from customers	\$ 16,980,693	\$ 80,607,208	\$ 97,587,901
Cash payments to suppliers for goods and services	(11,308,322)	(12,543,168)	(23,851,490)
Cash payments to employees for services	(2,040,510)	(855,187)	(2,895,697)
Cash payments to claimants	(8,425,849)	(62,334,881)	(70,760,730)
Cash flows provided by (used by) operating activities	<u>(4,793,988)</u>	<u>4,873,972</u>	<u>79,984</u>
Cash flows from noncapital financing activities:			
Property taxes	565,894	-	565,894
Interfund transfers	2,000,000	-	2,000,000
Cash flows provided by noncapital financing activities	<u>2,565,894</u>	<u>-</u>	<u>2,565,894</u>
Cash flows from investing activities:			
Interest on investments	(638,317)	173,811	(464,506)
Purchase of investments	1,218,043	-	1,218,043
Cash flows from Investing activities	<u>579,726</u>	<u>173,811</u>	<u>753,537</u>
Net increase in cash and cash equivalents	(1,648,368)	5,047,783	3,399,415
Cash and cash equivalents at beginning of year	<u>32,592,354</u>	<u>20,966,183</u>	<u>53,558,537</u>
Cash and cash equivalents at end of year	<u>\$ 30,943,986</u>	<u>\$ 26,013,966</u>	<u>\$ 56,957,952</u>
Reconciliation of operating (loss) to cash flows provided by (used for) operating activities:			
Operating income (loss)	\$ (11,400,830)	\$ 4,666,038	\$ (6,734,792)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	9,852	-	9,852
Other adjustments:			
Decrease (increase) in assets / deferred outflows of resources:			
Accounts receivable	(53,369)	197,424	144,055
Inventory & prepaids	(56,105)	-	(56,105)
Increase (decrease) in liabilities / deferred inflows of resources:			
Accounts payable	85,841	107,826	193,667
Accrued payroll liabilities	110,154	1,684	111,838
Accrued compensated absences	-	-	-
Customer / refundable deposits	(23,277)	-	(23,277)
Interfund payable	-	-	-
Claims & judgments payable	6,536,069	(99,000)	6,437,069
Remediation obligation	(2,323)	-	(2,323)
Net cash provided (used) by operating activities	<u>\$ (4,793,988)</u>	<u>\$ 4,873,972</u>	<u>\$ 79,984</u>

Custodial Funds
June 30, 2022

City of Tucson, Arizona

City of Tucson, Arizona
Combining Statement of Fiduciary Net Position – All Custodial Funds
June 30, 2022

	Sewer User Fee	Other Agencies	High-Intensity Drug Trafficking	Total Custodial Funds
Assets				
Cash and cash equivalents	\$ 2,701,389	\$ 536,395	\$ 1,266,647	\$ 4,504,431
Accounts receivable, net	11,144,414	628,877	-	11,773,291
Total assets	13,845,803	1,165,272	1,266,647	16,277,722
Liabilities				
Accounts payable	2,161,997	55,463	-	2,217,460
Due to other agencies	11,683,806	709,510	-	12,393,316
Other liabilities	-	114	-	114
Total liabilities	13,845,803	765,087	-	14,610,890
Fiduciary Net Position				
Restricted for:				
Other agencies	\$ -	\$ 400,185	\$ 1,266,647	\$ 1,666,832

City of Tucson, Arizona
Combining Statement of Changes in Net Position – All Custodial Funds
Year Ended June 30, 2022

	Sewer User Fee	Other Agencies	High-Intensity Drug Trafficking	Total Custodial Funds
Additions				
Cash collected for other governments	\$ 140,542,221	\$ 141,880	\$ -	\$ 140,684,101
Collections from IGAs	-	1,338,091	-	1,338,091
Fees billed for other governments	139,212,909	-	-	139,212,909
Interest, dividends, & other income	-	20,220	-	20,220
Miscellaneous	-	113,166	7,678,387	7,791,553
Total additions	<u>279,755,130</u>	<u>1,613,357</u>	<u>7,678,387</u>	<u>289,046,874</u>
Deductions				
Cash distributions to other governments	141,899,235	-	6,411,740	148,310,975
Fees paid for by customers for other governments	137,855,895	-	-	137,855,895
Assets distributed to other agencies	-	3,638,222	-	3,638,222
Administrative expense	-	1,287,365	-	1,287,365
Total deductions	<u>279,755,130</u>	<u>4,925,587</u>	<u>6,411,740</u>	<u>291,092,457</u>
Changes in net position	-	(3,312,230)	1,266,647	(2,045,583)
Net position				
Beginning fiduciary net position	<u>-</u>	<u>3,712,415</u>	<u>-</u>	<u>3,712,415</u>
Ending fiduciary net position	<u>\$ -</u>	<u>\$ 400,185</u>	<u>\$ 1,266,647</u>	<u>\$ 1,666,832</u>

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City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor
Special Revenue Funds
Year Ended June 30, 2022

	Park Tucson		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	880,000	680,262	(199,738)
Use of money and property	60,000	77,485	17,485
Federal grants and contributions	-	-	-
Other agencies	-	-	-
Charges for services	4,610,000	3,915,661	(694,339)
Contributions from outside sources	-	-	-
Miscellaneous	-	68,448	68,448
Total revenues	5,550,000	4,741,856	(808,144)
Expenditures			
Current:			
Elected & official	-	-	-
Public safety & justice services	-	-	-
Community enrichment & development	3,403,950	3,876,182	(472,232)
Support services	-	-	-
General government	-	-	-
Capital outlay	30,000	54,732	(24,732)
Capital projects	-	-	-
Debt service:			
Principal	1,203,630	1,495,795	(292,165)
Interest	552,420	210,006	342,414
Total expenditures	5,190,000	5,636,715	(446,715)
Excess (deficiency) of revenues over (under) expenditures	360,000	(894,859)	(1,254,859)
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	(360,000)	(113,975)	246,025
Total other financing sources (uses)	(360,000)	(113,975)	246,025
Net change in fund balances	\$ -	(1,008,834)	\$ (1,008,834)
Fund balances, beginning of year		834,447	
Fund balances, end of year		<u>\$ (174,387)</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

Convention Center			HURF		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,599,000	1,509,002	(89,998)
-	-	-	-	166	166
-	61,069	61,069	730,000	838,898	108,898
-	-	-	-	-	-
-	-	-	43,630,000	47,172,481	3,542,481
8,076,050	8,237,007	160,957	31,000	71,297	40,297
-	-	-	-	-	-
-	-	-	780,000	4,232,194	3,452,194
<u>8,076,050</u>	<u>8,298,076</u>	<u>222,026</u>	<u>46,770,000</u>	<u>53,824,038</u>	<u>7,054,038</u>
-	-	-	40,000	339,479	(299,479)
-	-	-	-	-	-
10,885,680	11,276,358	(390,678)	42,871,180	45,203,012	(2,331,832)
-	-	-	1,614,740	1,441,739	173,001
-	-	-	100,580	100,000	580
466,590	180,571	286,019	2,087,500	1,583,397	504,103
-	-	-	1,974,600	1,575,826	398,774
-	-	-	1,286,910	1,286,905	5
-	-	-	164,530	164,533	(3)
<u>11,352,270</u>	<u>11,456,929</u>	<u>(104,659)</u>	<u>50,140,040</u>	<u>51,694,891</u>	<u>(1,554,851)</u>
<u>(3,276,220)</u>	<u>(3,158,853)</u>	<u>117,367</u>	<u>(3,370,040)</u>	<u>2,129,147</u>	<u>5,499,187</u>
3,276,220	-	(3,276,220)	-	-	-
-	3,271,590	3,271,590	-	-	-
-	-	-	(2,070,160)	(1,183,871)	886,289
<u>3,276,220</u>	<u>3,271,590</u>	<u>(4,630)</u>	<u>(2,070,160)</u>	<u>(1,183,871)</u>	<u>886,289</u>
<u>\$ -</u>	<u>112,737</u>	<u>\$ 112,737</u>	<u>\$ (5,440,200)</u>	<u>945,276</u>	<u>\$ 6,385,476</u>
	<u>668,551</u>			<u>14,577,763</u>	
	<u>\$ 781,288</u>			<u>\$ 15,523,039</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

	Civic Contributions		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	-	9,526	9,526
Federal grants and contributions	-	-	-
Other agencies	-	-	-
Charges for services	-	-	-
Contributions from outside sources	3,127,010	530,540	(2,596,470)
Miscellaneous	-	-	-
Total revenues	3,127,010	540,066	(2,586,944)
Expenditures			
Current:			
Elected & official	47,260	19,595	27,665
Public safety & justice services	63,470	16,054	47,416
Community enrichment & development	855,860	269,623	586,237
Support services	-	-	-
General government	-	4,376	(4,376)
Capital outlay	-	-	-
Capital projects	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	966,590	309,648	656,942
Excess (deficiency) of revenues over (under) expenditures	2,160,420	230,418	(1,930,002)
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ 2,160,420	230,418	\$ (1,930,002)
Fund balances, beginning of year		870,548	
Fund balances, end of year		\$ 1,100,966	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

Community Development Block Grants			Miscellaneous Housing Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
6,564,480	7,576,525	1,012,045	7,191,520	8,471,606	1,280,086
-	-	-	-	-	-
-	-	-	-	-	-
-	24,433	24,433	-	-	-
<u>6,564,480</u>	<u>7,600,958</u>	<u>1,036,478</u>	<u>7,191,520</u>	<u>8,471,606</u>	<u>1,280,086</u>
-	-	-	-	-	-
4,914,480	4,882,202	32,278	7,191,520	8,471,606	(1,280,086)
-	-	-	-	-	-
-	2,020,787	(2,020,787)	-	-	-
1,650,000	1,380,373	269,627	-	-	-
-	-	-	-	-	-
<u>6,564,480</u>	<u>8,283,362</u>	<u>(1,718,882)</u>	<u>7,191,520</u>	<u>8,471,606</u>	<u>(1,280,086)</u>
-	(682,404)	(682,404)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>(682,404)</u>	<u>\$ (682,404)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>4,214,457</u>			<u>-</u>	
	<u>\$ 3,532,053</u>			<u>\$ -</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	7,500	6,512	(988)
Federal grants and contributions	47,097,810	45,752,992	(1,344,818)
Other agencies	-	-	-
Charges for services	8,000	34,396	26,396
Contributions from outside sources	-	-	-
Miscellaneous	3,000	-	(3,000)
Total revenues	47,116,310	45,793,900	(1,322,410)
Expenditures			
Current:			
Elected & official	-	-	-
Public safety & justice services	-	-	-
Community enrichment & development	47,116,310	45,812,908	1,303,402
Support services	-	-	-
General government	-	-	-
Capital outlay	-	-	-
Capital projects	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	47,116,310	45,812,908	1,303,402
Excess (deficiency) of revenues over (under) expenditures	-	(19,008)	(19,008)
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ -	(19,008)	\$ (19,008)
Fund balances, beginning of year		1,925,248	
Fund balances, end of year		<u>\$ 1,906,240</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

HOME Affordable Housing Grant			Other Federal Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,126	3,126
4,904,550	8,190,923	3,286,373	68,166,142	69,214,738	1,048,596
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	957	957
<u>4,904,550</u>	<u>8,190,923</u>	<u>3,286,373</u>	<u>68,166,142</u>	<u>69,218,821</u>	<u>1,052,679</u>
-	-	-	258,980	481,113	(222,133)
-	-	-	12,341,720	12,584,768	(243,048)
4,904,550	8,228,514	(3,323,964)	54,897,580	55,757,009	(859,429)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	667,862	391,251	276,611
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,904,550</u>	<u>8,228,514</u>	<u>(3,323,964)</u>	<u>68,166,142</u>	<u>69,214,141</u>	<u>(1,047,999)</u>
-	(37,591)	(37,591)	-	4,680	4,680
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(4,680)	(4,680)
-	-	-	-	(4,680)	(4,680)
<u>\$ -</u>	<u>(37,591)</u>	<u>\$ (37,591)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>451,656</u>			<u>-</u>	
	<u>\$ 414,065</u>			<u>\$ -</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

	Non-Federal Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	-	-	-
Federal grants and contributions	-	-	-
Other agencies	5,299,850	3,819,377	(1,480,473)
Charges for services	-	-	-
Contributions from outside sources	-	-	-
Miscellaneous	-	-	-
Total revenues	5,299,850	3,819,377	(1,480,473)
Expenditures			
Current:			
Elected & official	254,250	218,697	35,553
Public safety & justice services	4,610,315	3,430,918	1,179,397
Community enrichment & development	370,490	18,090	352,400
Support services	-	350	(350)
General government	-	-	-
Capital outlay	64,795	151,322	(86,527)
Capital projects	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	5,299,850	3,819,377	1,480,473
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ -	-	\$ -
Fund balances, beginning of year		-	
Fund balances, end of year		\$ -	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

Federal Highway Grant			Sun Link		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	34	34
1,659,040	1,666,197	7,157	-	-	-
-	-	-	1,200,000	1,200,000	-
-	-	-	300,000	269,218	(30,782)
-	-	-	-	-	-
-	-	-	10,000	4,010	(5,990)
<u>1,659,040</u>	<u>1,666,197</u>	<u>7,157</u>	<u>1,510,000</u>	<u>1,473,262</u>	<u>(36,738)</u>
-	-	-	-	-	-
-	-	-	-	-	-
355,440	432,239	(76,799)	4,590,620	4,319,269	271,351
-	-	-	-	-	-
-	-	-	-	-	-
25,000	-	25,000	-	32,893	(32,893)
1,278,600	1,409,108	(130,508)	-	-	-
-	-	-	865,000	865,000	-
-	-	-	644,520	644,524	(4)
<u>1,659,040</u>	<u>1,841,347</u>	<u>(182,307)</u>	<u>6,100,140</u>	<u>5,861,686</u>	<u>238,454</u>
<u>-</u>	<u>(175,150)</u>	<u>(175,150)</u>	<u>(4,590,140)</u>	<u>(4,388,424)</u>	<u>201,716</u>
-	-	-	-	-	-
-	175,150	175,150	4,590,140	4,673,699	83,559
-	-	-	-	-	-
<u>-</u>	<u>175,150</u>	<u>175,150</u>	<u>4,590,140</u>	<u>4,673,699</u>	<u>83,559</u>
<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	285,275	<u>\$ 285,275</u>
	<u>-</u>			<u>2,056,378</u>	
	<u>\$ -</u>			<u>\$ 2,341,653</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

	Better Streets Improvement Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ 25,400,700	\$ 29,010,288	\$ 3,609,588
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	-	555,525	555,525
Federal grants and contributions	-	-	-
Other agencies	-	-	-
Charges for services	-	-	-
Contributions from outside sources	-	-	-
Miscellaneous	-	-	-
Total revenues	25,400,700	29,565,813	4,165,113
Expenditures			
Current:			
Elected & official	-	-	-
Public safety & justice services	-	-	-
Community enrichment & development	36,518,000	21,199,969	15,318,031
Support services	-	-	-
General government	-	-	-
Capital outlay	-	-	-
Capital projects	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	36,518,000	21,199,969	15,318,031
Excess (deficiency) of revenues over (under) expenditures	(11,117,300)	8,365,844	19,483,144
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ (11,117,300)	8,365,844	\$ 19,483,144
Fund balances, beginning of year		61,909,324	
Fund balances, end of year		\$ 70,275,168	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

Safer City Improvement Fund			Gene Reid Park Zoo Capital Improvement Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 45,660,580	\$ 45,660,573	\$ (7)	\$ 14,503,980	\$ 14,503,975	\$ (5)
-	-	-	-	-	-
772,470	772,461	(9)	-	228,502	228,502
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,107	1,107	-	-	-
<u>46,433,050</u>	<u>46,434,141</u>	<u>1,091</u>	<u>14,503,980</u>	<u>14,732,477</u>	<u>228,497</u>
-	-	-	-	-	-
3,309,400	3,309,374	26	-	-	-
-	-	-	4,223,000	4,222,500	500
-	-	-	-	-	-
-	-	-	-	-	-
10,492,800	10,492,799	1	-	-	-
17,383,330	17,383,325	5	503,520	791,622	(288,102)
-	-	-	-	-	-
-	-	-	-	-	-
<u>31,185,530</u>	<u>31,185,498</u>	<u>32</u>	<u>4,726,520</u>	<u>5,014,122</u>	<u>(287,602)</u>
<u>15,247,520</u>	<u>15,248,643</u>	<u>1,123</u>	<u>9,777,460</u>	<u>9,718,355</u>	<u>(59,105)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 15,247,520</u>	<u>15,248,643</u>	<u>\$ 1,123</u>	<u>\$ 9,777,460</u>	<u>9,718,355</u>	<u>\$ (59,105)</u>
	<u>85,187,077</u>			<u>22,798,215</u>	
	<u>\$ 100,435,720</u>			<u>\$ 32,516,570</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

	Green Stormwater Infrastructure		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	-	46,340	46,340
Federal grants and contributions	-	-	-
Other agencies	-	-	-
Charges for services	3,052,640	3,416,314	363,674
Contributions from outside sources	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>3,052,640</u>	<u>3,462,654</u>	<u>410,014</u>
Expenditures			
Current:			
Elected & official	-	-	-
Public safety & justice services	-	-	-
Community enrichment & development	747,590	646,671	100,919
Support services	-	-	-
General government	-	-	-
Capital outlay	-	-	-
Capital projects	2,300,000	9,671	2,290,329
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>3,047,590</u>	<u>656,342</u>	<u>2,391,248</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,050</u>	<u>2,806,312</u>	<u>2,801,262</u>
Other financing sources (uses)			
Capital lease proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 5,050</u>	<u>2,806,312</u>	<u>\$ 2,801,262</u>
Fund balances, beginning of year		<u>4,084,055</u>	
Fund balances, end of year		<u>\$ 6,890,367</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2022

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 85,565,260	\$ 89,174,836	\$ 3,609,576
1,599,000	1,509,002	(89,998)
880,000	680,428	(199,572)
1,569,970	2,599,478	1,029,508
135,583,542	140,872,981	5,289,439
50,129,850	52,191,858	2,062,008
16,077,690	15,943,893	(133,797)
3,127,010	530,540	(2,596,470)
793,000	4,331,149	3,538,149
<u>295,325,322</u>	<u>307,834,165</u>	<u>12,508,843</u>
600,490	1,058,884	(458,394)
20,324,905	19,341,114	983,791
223,846,250	214,616,152	9,230,098
1,614,740	1,442,089	172,651
100,580	104,376	(3,796)
13,834,547	14,907,752	(1,073,205)
25,090,050	22,549,925	2,540,125
3,355,540	3,647,700	(292,160)
<u>1,361,470</u>	<u>1,019,063</u>	<u>342,407</u>
<u>290,128,572</u>	<u>278,687,055</u>	<u>11,441,517</u>
<u>5,196,750</u>	<u>29,147,110</u>	<u>23,950,360</u>
3,276,220	-	(3,276,220)
4,590,140	8,120,439	3,530,299
<u>(2,430,160)</u>	<u>(1,302,526)</u>	<u>1,127,634</u>
<u>5,436,200</u>	<u>6,817,913</u>	<u>1,381,713</u>
<u>\$ 10,632,950</u>	<u>35,965,023</u>	<u>\$ 25,332,073</u>
	<u>199,577,719</u>	
	<u>\$ 235,542,742</u>	

City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Debt Service Funds Year Ended June 30, 2022

	General Obligation Bond & Interest		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ 34,549,350	\$ 34,595,535	\$ 46,185
Other agencies	-	-	-
Total revenues	34,549,350	34,595,535	46,185
Expenditures			
Debt service:			
Principal	29,035,000	29,035,000	-
Interest	5,504,350	5,504,350	-
Fiscal agent fees	10,000	4,000	6,000
Total expenditures	34,549,350	34,543,350	6,000
Excess (deficiency) of revenues over (under) expenditures	-	52,185	40,185
Other financing sources (uses)			
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ -	52,185	\$ 40,185
Fund balances, beginning of year		87,182	
Fund balances, end of year		\$ 139,367	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Debt Service Funds (Continued)
Year Ended June 30, 2022

Streets & Highway Bond & Interest			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ -	\$ -	\$ -	\$ 34,549,350	\$ 34,595,535	\$ 46,185
<u>9,300,000</u>	<u>10,138,228</u>	<u>838,228</u>	<u>9,300,000</u>	<u>10,138,228</u>	<u>838,228</u>
<u>9,300,000</u>	<u>10,138,228</u>	<u>838,228</u>	<u>43,849,350</u>	<u>44,733,763</u>	<u>884,413</u>
10,615,000	10,615,000	-	39,650,000	39,650,000	-
530,750	530,750	-	6,035,100	6,035,100	-
<u>-</u>	<u>1,200</u>	<u>(1,200)</u>	<u>10,000</u>	<u>5,200</u>	<u>4,800</u>
<u>11,145,750</u>	<u>11,146,950</u>	<u>(1,200)</u>	<u>45,695,100</u>	<u>45,690,300</u>	<u>4,800</u>
<u>(1,845,750)</u>	<u>(1,008,722)</u>	<u>839,428</u>	<u>(1,845,750)</u>	<u>(956,537)</u>	<u>879,613</u>
<u>1,845,750</u>	<u>1,008,722</u>	<u>(837,028)</u>	<u>1,845,750</u>	<u>1,008,722</u>	<u>(837,028)</u>
<u>1,845,750</u>	<u>1,008,722</u>	<u>(837,028)</u>	<u>1,845,750</u>	<u>1,008,722</u>	<u>(837,028)</u>
<u>\$ -</u>	<u>-</u>	<u>\$ 2,400</u>	<u>\$ -</u>	<u>52,185</u>	<u>\$ 42,585</u>
	<u>-</u>			<u>87,182</u>	
	<u>\$ -</u>			<u>\$ 139,367</u>	

City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects Funds Year Ended June 30, 2022

	Capital improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Developer fees	\$ -	\$ -	\$ -
Use of money and property	-	-	-
Other agencies	44,473,800	19,856,453	(24,617,347)
Miscellaneous	-	-	-
Total revenues	44,473,800	19,856,453	(24,617,347)
Expenditures			
Current:			
Community enrichment & development	66,640	698,043	(631,403)
Capital outlay	-	-	-
Capital projects	44,407,160	19,158,410	25,248,750
Total expenditures	44,473,800	19,856,453	24,617,347
Excess (deficiency) of revenues over (under) expenditures	-	-	(49,234,694)
Other financing sources (uses)			
Premium on debt issuance	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ -	-	\$ (49,234,694)
Fund balances, beginning of year		-	
Fund balances, end of year		\$ -	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Capital Projects Funds (Continued)
Year Ended June 30, 2022

Development fees			Regional Transportation Authority		
Budget	Actual	Variance - Positive Positive	Budget	Actual	Variance - Positive (Negative)
\$ 13,113,800	\$ 7,270,867	\$ (5,842,933)	\$ -	\$ -	\$ -
60,000	559,482	499,482	-	13,137	13,137
-	-	-	33,683,100	23,707,896	(9,975,204)
-	-	-	-	-	-
<u>13,173,800</u>	<u>7,830,349</u>	<u>(5,343,451)</u>	<u>33,683,100</u>	<u>23,721,033</u>	<u>(9,962,067)</u>
-	-	-	572,000	194,100	377,900
750,000	-	750,000	225,000	-	225,000
<u>5,135,530</u>	<u>1,799,205</u>	<u>3,336,325</u>	<u>32,886,100</u>	<u>23,580,693</u>	<u>9,305,407</u>
<u>5,885,530</u>	<u>1,799,205</u>	<u>4,086,325</u>	<u>33,683,100</u>	<u>23,774,793</u>	<u>9,908,307</u>
<u>7,288,270</u>	<u>6,031,144</u>	<u>(9,429,776)</u>	<u>-</u>	<u>(53,760)</u>	<u>(19,870,374)</u>
<u>510,480</u>	<u>-</u>	<u>(510,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>510,480</u>	<u>-</u>	<u>(510,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 7,798,750</u>	<u>6,031,144</u>	<u>\$ (9,940,256)</u>	<u>\$ -</u>	<u>(53,760)</u>	<u>\$ (19,870,374)</u>
	<u>63,648,312</u>			<u>436,423</u>	
	<u>\$ 69,679,456</u>			<u>\$ 382,663</u>	

City of Tucson, Arizona
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – Nonmajor Capital Projects Funds (Continued)
Year Ended June 30, 2022

	<u>2020 General Obligation / Connections Improvement</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Developer fees	\$ -	\$ -	\$ -
Use of money and property	-	371,731	371,731
Other agencies	-	-	-
Miscellaneous	-	123,135	123,135
Total revenues	<u>-</u>	<u>494,866</u>	<u>494,866</u>
Expenditures			
Current:			
Community enrichment & development	805,000	709,550	95,450
Capital outlay	60,000	60,049	(49)
Capital projects	7,100,000	7,050,302	49,698
Total expenditures	<u>7,965,000</u>	<u>7,819,901</u>	<u>145,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,965,000)</u>	<u>(7,325,035)</u>	<u>349,767</u>
Other financing sources (uses)			
Premium on debt issuance	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (7,965,000)</u>	<u>(7,325,035)</u>	<u>\$ 349,767</u>
Fund balances, beginning of year		<u>47,269,702</u>	
Fund balances, end of year		<u>\$ 39,944,667</u>	

City of Tucson, Arizona
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
 Budget and Actual – Nonmajor Capital Projects Funds (Continued)
 Year Ended June 30, 2022

Total Capital Projects Funds		
Budget	Actual	Variance - Positive (Negative)
\$ 13,113,800	\$ 7,270,867	\$ (5,842,933)
60,000	944,350	884,350
78,156,900	43,564,349	(34,592,551)
-	123,135	123,135
91,330,700	51,902,701	(39,427,999)
1,443,640	1,601,693	(158,053)
1,035,000	60,049	974,951
89,528,790	51,588,610	37,940,180
92,007,430	53,250,352	38,757,078
(676,730)	(1,347,651)	(78,185,077)
510,480	-	(510,480)
510,480	-	(510,480)
\$ (166,250)	(1,347,651)	\$ (78,695,557)
	111,354,437	
	\$ 110,006,786	

City of Tucson, Arizona
Schedule of Revenues, Expenditures and Changes in Fund Net Position Environmental Services Budget and
Actual
Year Ended June 30, 2022

	Environmental Services		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues			
Charges for services	\$ 53,610,400	\$ 55,138,770	\$ 1,528,370
Federal grants and contributions	219,000	-	(219,000)
Miscellaneous	901,900	2,060,346	1,158,446
Total operating revenues	<u>54,731,300</u>	<u>57,199,116</u>	<u>2,467,816</u>
Operating expenses			
Salaries, wages, and benefits	18,605,670	17,636,306	969,364
Contractual services	24,799,450	23,549,965	1,249,485
Commodities	3,579,560	3,299,261	280,299
Depreciation	-	6,548,110	(6,548,110)
Total operating expenses	<u>46,984,680</u>	<u>51,033,642</u>	<u>(4,048,962)</u>
Operating income (loss)	<u>7,746,620</u>	<u>6,165,474</u>	<u>(1,581,146)</u>
Nonoperating revenues (expenses)			
Gain (loss) on sale of property equipment	200,000	(165,927)	(365,927)
Investment income (loss)	400,000	503,058	103,058
Other - grants and contributions	-	16,896	16,896
Interest expense	(374,590)	(379,048)	(4,458)
Other nonoperating revenues (expenses)	(867,140)	-	867,140
Total nonoperating revenues (expenses)	<u>(641,730)</u>	<u>(25,021)</u>	<u>616,709</u>
Other financing sources (uses)			
Transfers out	-	(19,259)	(19,259)
Total other financing sources (uses)	<u>-</u>	<u>(19,259)</u>	<u>(19,259)</u>
Changes in net position	<u>\$ 7,104,890</u>	6,121,194	<u>\$ (983,696)</u>
Net position at beginning of year		<u>21,207,609</u>	
Net position at end of year		<u>\$ 27,328,803</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position Tucson Golf Enterprise Fund Budget and Actual Year Ended June 30, 2022

	Tucson Golf		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues			
Charges for services	\$ 9,292,780	\$ 9,740,748	\$ 447,968
Federal grants and contributions		-	-
Miscellaneous	-	-	-
Total operating revenues	<u>9,292,780</u>	<u>9,740,748</u>	<u>447,968</u>
Operating expenses			
Salaries, wages, and benefits	50,680	55,011	(4,331)
Contractual services	6,597,640	6,601,236	(3,596)
Commodities	1,166,390	1,471,457	(305,067)
Depreciation	599,380	1,088,528	(489,148)
Total operating expenses	<u>8,414,090</u>	<u>9,926,177</u>	<u>(1,512,087)</u>
Operating income (loss)	<u>878,690</u>	<u>(185,429)</u>	<u>(1,064,119)</u>
Nonoperating revenues (expenses)			
Investment income (loss)	<u>20,570</u>	<u>(10,973)</u>	<u>(31,543)</u>
Total nonoperating revenues (expenses)	<u>20,570</u>	<u>(10,973)</u>	<u>(31,543)</u>
Changes in net position	<u>\$ 899,260</u>	<u>(196,402)</u>	<u>\$ (1,095,662)</u>
Net position at beginning of year		<u>11,943,875</u>	
Net position at end of year		<u>\$ 11,747,473</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position Public Housing Fund Budget and Actual Year Ended June 30, 2022

	Public Housing		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues			
Charges for services	\$ 7,298,100	\$ 6,589,156	\$ (708,944)
Federal grants and contributions	8,265,980	11,864,625	3,598,645
Miscellaneous	41,000	1,429,678	1,388,678
Total operating revenues	<u>15,605,080</u>	<u>19,883,459</u>	<u>4,278,379</u>
Operating expenses			
Salaries, wages, and benefits	5,767,257	5,155,762	611,495
Contractual services	12,969,898	11,263,455	1,706,443
Commodities	858,170	1,537,095	(678,925)
Cost of goods sold	-	-	-
Depreciation	-	2,275,067	(2,275,067)
Total operating expenses	<u>19,595,325</u>	<u>20,231,379</u>	<u>(636,054)</u>
Operating income (loss)	<u>(3,990,245)</u>	<u>(347,920)</u>	<u>3,642,325</u>
Nonoperating revenues (expenses)			
Gain (loss) on sale of property equipment	-	24,300	24,300
Investment income (loss)	15,060	14,250	(810)
Changes in net position	<u>\$ (3,975,185)</u>	<u>(309,370)</u>	<u>\$ 3,665,815</u>
Net position at beginning of year		<u>22,245,330</u>	
Net position at end of year		<u>\$ 21,935,960</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position Non-PHA Asset Management Fund Budget and Actual Year Ended June 30, 2022

	Non-PHA Management		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues			
Charges for services	\$ 1,958,200	\$ 1,828,797	\$ (129,403)
Federal grants and contributions		238,261	238,261
Miscellaneous	-	85,205	85,205
Total operating revenues	1,958,200	2,152,263	194,063
Operating expenses			
Salaries, wages, and benefits	844,230	389,642	454,588
Contractual services	1,029,870	2,412,403	(1,382,533)
Commodities	207,400	196,147	11,253
Depreciation	-	450,493	(450,493)
Total operating expenses	2,081,500	3,448,685	(1,367,185)
Operating income (loss)	(123,300)	(1,296,422)	(1,173,122)
Nonoperating revenues (expenses)			
Investment income (loss)	123,300	139,924	16,624
Total nonoperating revenues (expenses)	123,300	139,924	16,624
Changes in net position	\$ -	(1,156,498)	\$ (1,156,498)
Net position at beginning of year		11,163,539	
Net position at end of year		\$ 10,007,041	

City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Net Position Water Utility Fund Budget and Actual Year Ended June 30, 2022

	Water Utility		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues			
Charges for services	\$ 238,179,480	\$ 242,992,669	\$ 4,813,189
Federal grants and contributions	-	-	-
Miscellaneous	101,490	3,002,168	2,900,678
Total operating revenues	238,280,970	245,994,837	7,713,867
Operating expenses			
Salaries, wages, and benefits	45,707,948	41,313,604	4,394,344
Contractual services	88,491,806	85,771,018	2,720,788
Commodities	14,598,485	8,655,664	5,942,821
Cost of goods sold	-	-	-
Depreciation	-	41,110,720	(41,110,720)
Total operating expenses	148,798,239	176,851,006	(28,052,767)
Operating income (loss)	89,482,731	69,143,831	(20,338,900)
Nonoperating revenues (expenses)			
Gain (loss) on sale of property equipment	-	2,441,428	2,441,428
Investment income (loss)	953,590	1,754,863	801,273
Other - grants and contributions	865,000	2,040,659	1,175,659
Interest expense	(18,129,680)	(12,393,707)	5,735,973
Debt issuance costs	(354,840)	-	354,840
Total nonoperating revenues (expenses)	(16,665,930)	(6,156,757)	10,509,173
Other financing sources (uses)			
Transfers out	(1,997,320)	(1,997,320)	-
Capital contributions	2,825,000	8,965,294	6,140,294
Total other financing sources (uses)	827,680	6,967,974	6,140,294
Changes in net position	\$ 73,644,481	69,955,048	\$ (3,689,433)
Net position at beginning of year		1,133,710,880	
Net position at end of year		\$ 1,203,665,928	

City of Tucson, Arizona
Water Utility Fund Revenues Expenses and Flows of Funds
Per Ordinance No. 6347 (1)
Year Ended June 30, 2022

Revenues:

Sale of water:	
Potable water sales	\$ 193,288,191
Reclaimed water sales	9,134,696
Central Arizona project charge	26,148,065
Connection fees	2,000,716
Environmental and sewer billings services	5,999,816
TCE clean up reimbursement	478,822
Plan review and inspection fees	1,221,204
Miscellaneous - other	7,723,327

Nonoperating income	
Impact fees	\$ 2,853,717
Investment earnings - operating fund	1,236,341
Investment earnings - debt service	64,891
Federal non-grant contributions (BABS)	373,649
Proceeds from sale of property/equipment	2,444,968
Proceeds from property equipment rental	447,577
Total nonoperating income	<u>7,421,143</u>
Total operating revenues	<u>253,415,980</u>

Operating and maintenance expenses	
Director's office	7,128,782
Business services	11,073,775
Customer services	10,339,640
Water operations	32,660,528
Planning and engineering	6,225,703
Source water	2,432,623
Quality management	11,913,979
Power - potable system	14,508,669
Power - reclaimed system	2,592,956

CAP water purchases:	
Commodity	23,607,450
Capital charges	7,209,550
Total CAP water purchases	<u>30,817,000</u>

General expenses	4,043,734
Capitalized operation and maintenance expense	(7,326,654)
Total operating expenses	<u>126,410,735</u>

Net revenue available after operations (2)	\$ 127,005,245
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City of Tucson, Arizona
Water Utility Fund
Revenues Expenses and Flows of Funds (Continued)
Per Ordinance No. 6347 (1)
Year Ended June 30, 2022

Bond Debt Service:

Senior Liens

Principal	\$ 36,730,000
Interest	<u>15,726,032</u>
Total debt service for water revenue bonds	<u>52,456,032</u>

Junior Liens (Water Infrastructure Finance Authority)

Principal	4,124,105
Interest	<u>429,039</u>
Total debt service for Water Infrastructure Finance Authority	<u>4,553,144</u>

Combined Senior and Junior Liens

Principal	40,854,105
Interest	<u>16,155,071</u>
Total debt service for water revenue bonds	<u>57,009,176</u>

Net revenue available after operations bond debt service for senior liens \$ 74,549,213

Net revenue available after operations bond debt service for combined liens \$ 69,996,069

- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financial statements are presented on a GAAP basis.
- (2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement for senior liens of \$52,756,815. 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, 2022 maximum future annual debt service coverage of senior lien debt is 241%.
- (3) An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2022 the debt coverage on Senior Lien Annual Debt Service Requirement was 242%.
- (4) The Water Utility's Junior Lien Debt has requirements that Net Revenues Available After Operations and Senior Lien debt service payments for any fiscal year must equal or exceed 175% of the Annual Debt Service Requirement for that fiscal year. If this requirement is not met, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2022 the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 1,637%.
- (5) In Comprehensive Annual Financial Reports for prior fiscal years, the debt coverage ratio was calculated on combined Senior and Junior Lien coverage ratio. For comparative purposes, the combined Annual Debt Service coverage ratio for the fiscal year period ended June 30, 2022 is 223%. The maximum future debt service coverage is 222%.

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STATISTICAL
SECTION



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City of Tucson, Arizona
Statistical Section
Year Ended June 30, 2022

This part of the City of Tucson 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

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's ability to generate revenues. Property taxes, sales and use taxes, charges for services and developer fees and contributions are the City's most significant revenue sources.

1. Tax Revenue by Source
2. Assessed/Estimated Value of Taxable Property
3. Direct and Overlapping Sales Tax Rates
4. Taxable Sales by Category
Direct and overlapping Property Tax Rates
5. Principal Property Taxpayers
6. Property Tax Levies and Collections

Debt Capacity

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.

1. Computation of Direct and Overlapping Debt
2. Ratio of Outstanding Debt by Type
3. Computation of Legal Debt Margin

City of Tucson, Arizona

Statistical Section

Year Ended June 30, 2022

Demographic and Economic Information

These schedules provide information on the demographic and economic environment in which the City conducts business.

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules provide information the City's service infrastructure to assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.*

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City of Tucson, Arizona
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net capital assets	\$ 1,450,248,757	\$ 1,499,029,239	\$ 1,539,250,781	\$ 1,570,553,310	\$ 1,609,405,372	\$ 1,626,663,395	\$ 1,721,002,644	\$ 1,766,598,079	\$ 1,809,822,133	\$ 1,812,684,612
Restricted	141,695,269	154,849,334	147,289,613	156,102,271	143,610,042	172,997,495	191,076,782	242,401,001	356,183,789	380,512,390
Unrestricted	(409,624)	(780,353,582)	(833,065,927)	(832,271,564)	(860,819,707)	(1,114,575,394)	(1,126,613,499)	(1,108,812,505)	(1,062,452,174)	(1,036,314,630)
Total governmental activities net position	<u>1,591,534,402</u>	<u>873,524,991</u>	<u>853,474,467</u>	<u>894,384,017</u>	<u>892,195,707</u>	<u>685,085,496</u>	<u>785,465,927</u>	<u>900,186,575</u>	<u>1,103,553,748</u>	<u>1,156,882,372</u>
Business-type activities										
Net capital assets	\$ 788,088,044	\$ 811,642,121	\$ 825,087,980	\$ 850,193,564	\$ 877,797,240	\$ 928,965,511	\$ 973,188,944	\$ 1,049,110,159	\$ 1,092,109,901	\$ 1,188,865,591
Restricted	37,933,738	38,724,476	39,601,012	29,097,188	40,362,311	47,813,477	52,571,867	52,267,229	55,217,127	51,470,581
Unrestricted	(1,669,897)	(89,809,383)	(76,994,286)	(57,984,680)	(26,833,894)	(21,707,273)	(7,865,395)	425,732	55,362,846	35,865,631
Total business-type activities net position	<u>824,351,885</u>	<u>760,557,214</u>	<u>787,694,706</u>	<u>821,306,072</u>	<u>891,325,657</u>	<u>955,071,715</u>	<u>1,017,895,416</u>	<u>1,101,803,120</u>	<u>1,202,689,874</u>	<u>1,276,201,803</u>
Primary government										
Net capital assets	\$ 2,238,336,801	\$ 2,310,671,360	\$ 2,364,338,761	\$ 2,420,746,874	\$ 2,487,202,612	\$ 2,555,628,906	\$ 2,694,191,588	\$ 2,815,708,238	\$ 2,901,932,034	\$ 3,001,550,203
Restricted	179,629,007	193,573,810	186,890,625	185,199,459	183,972,353	220,810,972	243,648,649	294,668,230	411,400,916	431,982,971
Unrestricted	(2,079,521)	(870,162,965)	(910,060,213)	(890,256,244)	(887,653,601)	(1,136,282,667)	(1,134,478,894)	(1,108,386,773)	(1,007,089,328)	(1,000,448,999)
Total primary government net position	<u>\$ 2,415,886,287</u>	<u>\$ 1,634,082,205</u>	<u>\$ 1,641,169,173</u>	<u>\$ 1,715,690,089</u>	<u>\$ 1,783,521,364</u>	<u>\$ 1,640,157,211</u>	<u>\$ 1,803,361,343</u>	<u>\$ 2,001,989,695</u>	<u>\$ 2,306,243,622</u>	<u>\$ 2,433,084,175</u>

City of Tucson, Arizona
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
Elected and Official	\$ 22,380,772	\$ 22,266,302	\$ 20,624,381	\$ 17,193,925	\$ 16,318,010	\$ 16,070,630	\$ 19,700,906	\$ 21,664,620	\$ 26,789,157	\$ 24,279,210
Support Services	39,001,414	48,948,932	50,308,291	44,993,104	62,550,523	82,468,649	91,648,728	97,981,218	101,614,217	116,475,259
Public Safety and Justice Services		260,591,927	323,811,440	310,658,969	363,576,231	343,844,545	362,537,783	358,959,284	347,791,073	361,572,552
Public Safety / Neighborhood Services (4)	373,619,042									
Operations and Development (4)	170,562,802									
Community Enrichment		271,590,886	297,437,927	299,659,039	280,647,041	301,619,258	295,139,603	307,295,707	339,335,698	439,865,252
General Government	45,134,817	28,356,640	25,615,851	28,753,654	33,653,089	32,782,433	31,633,687	49,130,752	49,509,197	44,443,382
Interest on long term debt	30,428,436	24,236,525	25,387,637	23,075,684	22,190,906	21,155,574	18,415,499	14,193,590	26,732,291	32,628,771
Fiscal Agent Fees and Others	2,419,872	1,868,185	1,880,263	1,059,217	459,539	27,100	26,300	-	-	-
Total governmental activities expenses	683,547,155	657,859,397	745,065,790	725,393,592	779,395,339	797,968,189	819,102,506	849,225,171	891,771,633	1,019,264,426
Business-type activities:										
Public Housing (1)	11,866,322	10,257,513	9,974,288	10,112,850	9,681,933	9,342,251	12,776,478	16,304,212	17,147,101	20,231,379
Non-PHA Asset Management (2)	1,409,258	1,383,356	2,267,351	2,765,473	3,009,448	2,620,748	2,822,565	3,376,541	3,922,703	3,448,685
Environmental Services	44,760,999	57,226,295	41,611,732	44,959,464	43,580,825	43,164,262	42,479,357	44,533,604	48,143,365	51,680,364
Tucson Golf Enterprise Fund	6,650,603	6,753,158	8,276,232	8,268,410	7,977,207	7,927,430	8,099,458	8,369,781	10,060,004	9,926,177
Water Utility	138,822,228	151,980,908	167,441,460	170,321,706	156,390,405	170,958,445	181,901,212	183,162,284	171,191,913	190,072,423
Total business-type activities expenses	203,509,410	227,601,230	229,571,063	236,427,903	220,639,818	234,013,136	248,079,070	255,746,422	250,465,086	275,359,028
Total primary government expenses	887,056,565	885,460,627	974,636,853	961,821,495	1,000,035,157	1,031,981,325	1,067,181,576	1,104,971,593	1,142,236,719	1,294,623,454
Program Revenues										
Governmental activities:										
Charges for services										
Permits/Review Services	8,909,982	6,681,559	7,829,176	9,430,958	12,047,270	11,535,549	12,801,745	12,801,745	11,097,518	11,102,500
Recreation Fees	5,631,054	5,569,954	5,634,416	5,196,732	4,825,423	5,109,593	5,201,224	5,201,224	2,948,578	2,124,246
Paramedic Services Fees	12,098,585	10,616,793	11,155,836	14,267,196	12,926,927	11,296,826	12,458,106	12,458,106	9,880,767	11,592,945
Transit Fees	13,940,587	13,689,563	14,650,911	11,807,294	13,275,079	13,572,281	12,998,641	12,998,641	2,153,988	1,631,282
Other Charges for Service	64,077,153	67,855,088	75,410,073	73,630,570	73,801,269	92,562,458	93,302,099	79,431,322	80,641,248	91,843,144
Operating grants and contributions	131,713,221	108,429,579	118,631,887	117,355,150	124,837,969	128,237,145	131,696,352	178,895,360	248,923,126	284,066,629
Capital grants and contributions	153,546,244	123,245,664	81,649,759	93,814,694	70,476,919	62,699,881	85,116,519	92,989,209	104,759,438	70,466,087
Total governmental activities program revenues	389,916,826	336,088,200	314,962,058	325,502,594	312,190,856	325,013,733	353,574,686	394,775,607	460,404,663	472,826,833
Business-type activities:										
Charges for services										
Public Housing (1)	4,006,300	3,881,856	4,382,173	3,720,409	3,802,862	4,026,225	6,816,292	7,309,091	7,928,481	6,589,156
Non-PHA Asset Management (2)	1,093,525	1,008,228	1,084,595	1,627,855	1,789,259	1,841,195	2,035,674	2,033,997	1,831,580	1,828,797
Environmental Services	48,646,855	48,788,808	48,731,484	49,654,020	51,374,445	51,751,334	52,151,243	52,074,082	55,024,236	55,138,770
Tucson Golf Enterprise Fund	6,011,381	6,125,375	7,139,282	7,508,666	7,450,029	7,408,870	7,818,726	8,494,244	9,881,924	9,740,748
Water Utility	158,996,999	171,755,468	181,654,170	187,201,847	205,732,514	228,822,111	223,679,715	244,916,641	255,591,888	242,992,669
Operating grants and contributions	6,511,555	6,077,057	6,110,015	6,295,102	5,882,512	6,629,928	6,344,128	9,057,323	9,619,315	14,353,782
Capital grants and contributions	9,214,121	8,463,198	7,631,102	9,573,927	14,373,302	8,371,840	9,584,432	9,939,050	9,262,234	8,965,294
Total business-type activities program revenues	234,480,736	246,099,990	256,732,821	265,581,826	290,404,923	308,851,503	308,430,210	333,824,428	349,139,658	339,609,216
Total primary government program revenues	624,397,562	582,188,190	571,694,879	591,084,420	602,595,779	633,865,236	662,004,896	728,600,035	809,544,321	812,436,049
Net (expense)/revenue										
Governmental activities	(293,630,329)	(321,771,197)	(430,103,732)	(399,890,998)	(467,204,483)	(472,954,456)	(465,527,820)	(454,449,564)	(431,366,970)	(546,437,593)
Business-type activities	30,971,326	18,498,760	27,161,758	29,153,923	69,765,105	74,838,367	60,351,140	78,078,006	98,674,572	64,250,188
Total primary government net (expense)/revenue	\$ (262,659,003)	\$ (303,272,437)	\$ (402,941,974)	\$ (370,737,075)	\$ (397,439,378)	\$ (398,116,089)	\$ (405,176,680)	\$ (376,371,558)	\$ (332,692,398)	\$ (482,187,405)

City of Tucson, Arizona
Changes in Net Position (Continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 41,787,498	\$ 43,912,695	\$ 44,992,133	\$ 48,798,741	\$ 50,726,533	\$ 46,886,789	\$ 50,075,217	\$ 49,109,409	\$ 50,272,234	\$ 51,780,363
Business Privilege Taxes	189,238,160	193,235,470	194,523,190	200,472,119	208,573,221	280,883,697	301,888,742	310,952,555	347,879,163	382,896,137
Public Utility Taxes	26,717,576	20,886,226	21,791,368	23,031,922	23,786,210	26,220,025	24,929,107	24,215,598	24,150,817	25,256,600
Hotel/Motel Surcharege (6)	12,217,409	12,290,994	13,397,772	14,016,293	18,626,692	19,961,452	20,570,989	17,781,816	15,048,201	25,541,434
Occupational Taxes (5)	102,558	87,846	-	-	-	-	-	-	-	-
Liquor Taxes (5)	749,028	750,481	-	-	-	-	-	-	-	-
Unrestricted Grants and Contributions	115,792,652	124,171,684	131,349,102	133,663,259	135,764,176	142,795,992	146,210,462	154,874,953	172,685,258	180,696,725
Investment Income (Loss)	227,689	1,127,524	988,190	2,088,982	676,098	2,486,914	4,681,992	5,749,436	21,099,397	(80,240,788)
Miscellaneous	5,756,461	14,843,790	1,225,842	21,545,539	25,482,001	7,286,229	15,713,447	7,847,664	1,598,923	11,767,167
Transfers	(1,410,120)	957,697	1,785,611	(2,816,307)	1,381,242	1,891,737	1,838,295	(1,361,223)	2,000,150	2,016,579
Total governmental activities	\$ 391,178,911	\$ 412,264,407	\$ 410,053,208	\$ 440,800,548	\$ 465,016,173	\$ 528,412,835	\$ 565,908,251	\$ 569,170,208	\$ 634,734,143	\$ 599,251,732
Business-type activities:										
Use of money and property	\$ 1,226,119	\$ 2,079,879	\$ 1,761,345	\$ 1,641,136	\$ 1,635,722	\$ 2,402,465	\$ 3,525,040	\$ 4,345,248	\$ 3,236,266	\$ 2,401,122
Miscellaneous	-	-	-	-	-	631,258	785,816	123,227	976,068	8,877,198
Transfers	1,410,120	(957,697)	(1,785,611)	2,816,307	(1,381,242)	(1,891,737)	(1,838,295)	1,361,223	(2,000,150)	(2,016,579)
Total business-type activities	2,636,239	1,122,182	(24,266)	4,457,443	254,480	1,141,986	2,472,561	5,829,698	2,212,184	9,261,741
Total primary government	\$ 393,815,150	\$ 413,386,589	\$ 410,028,942	\$ 445,257,991	\$ 465,270,653	\$ 529,554,821	\$ 568,380,812	\$ 574,999,906	\$ 636,946,327	\$ 608,513,473
Change in Net Position (3)										
Governmental activities	\$ 97,548,582	\$ 90,493,210	\$ (20,050,524)	\$ 40,909,550	\$ (2,188,310)	\$ 55,458,379	\$ 100,380,431	\$ 114,720,648	\$ 203,367,173	\$ 53,328,624
Business-type activities	33,607,565	19,620,942	27,137,492	33,611,366	70,019,585	75,980,353	62,823,701	83,907,704	100,886,754	73,511,929
Total primary government	\$ 131,156,147	\$ 110,114,152	\$ 7,086,968	\$ 74,520,916	\$ 67,831,275	\$ 131,438,732	\$ 163,204,132	\$ 198,628,352	\$ 304,253,927	\$ 126,818,226

Notes:

- (1) Conventional Public Housing accounting moved from governmental funds to enterprise funds.
- (2) This fund is used to manage non-public housing assets that were moved from governmental funds.
- (3) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position.
- (4) Public Safety/Neighborhood Services and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development functions.
- (5) Beginning in fiscal year 2015, liquor and occupational fees are categorized as a charge for service as they are permits, not taxes.
- (6) Beginning in fiscal year 2016, former Hotel/Transient Occupancy Taxes are "Hotel/Motel Surcharege".

City of Tucson, Arizona
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 7,885,432	\$ 10,539,014	\$ 2,014	\$ 4,535,987	\$ 4,546,261	\$ 5,149,702	\$ 5,231,999	\$ 5,877,876	\$ 5,780,294	\$ 6,001,466
Restricted	4,337,530	5,401,397	4,876,013	3,379,729	3,581,948	3,720,621	3,813,568	3,997,182	4,215,998	3,029,094
Committed	27,692,762	28,356,051	29,635,059	31,306,965	33,312,757	33,551,248	35,272,013	62,298,442	68,396,069	73,369,461
Assigned	1,680,900	6,464,860	4,285,870	8,458,874	43,196,713	30,743,763	30,999,957	62,263,485	60,580,010	94,974,771
Unassigned	12,765,747	15,991,136	15,736,784	28,269,669	18,022,572	37,969,704	48,053,627	50,353,043	111,252,988	150,941,577
Total General Fund	<u>\$ 54,362,371</u>	<u>\$ 66,752,458</u>	<u>\$ 54,535,740</u>	<u>\$ 75,951,224</u>	<u>\$ 102,660,251</u>	<u>\$ 111,135,038</u>	<u>\$ 123,371,164</u>	<u>\$ 184,790,028</u>	<u>\$ 250,225,359</u>	<u>\$ 328,316,369</u>
All Other Governmental Funds										
Nonspendable	\$ 4,115,915	\$ 4,505,250	\$ 5,831,208	\$ 3,111,753	\$ 5,382,988	\$ 3,678,236	\$ 5,107,484	\$ 5,314,701	\$ 5,754,443	\$ 5,976,438
Restricted	76,975,091	93,614,555	89,416,493	96,748,168	89,075,997	112,817,768	152,553,505	208,468,603	970,106,171	880,821,532
Committed	5,187,925	1,611,378	104,954	1,628,147	402,142	151,860	100,938	43,670	54,182	86,965
Assigned	9,559,070	15,359,731	4,498,593	7,496,550	2,580,576	4,164,188	4,471,631	3,650,555	2,545,325	1,459,647
Unassigned	(96,591)	-	-	-	-	-	(401,373)	(4,476,461)	(14,305)	(174,387)
Total All Other Governmental Funds	<u>\$ 95,741,410</u>	<u>\$ 115,090,914</u>	<u>\$ 99,851,248</u>	<u>\$ 108,984,618</u>	<u>\$ 97,441,703</u>	<u>\$ 120,812,052</u>	<u>\$ 161,832,185</u>	<u>\$ 213,001,068</u>	<u>\$ 978,445,816</u>	<u>\$ 888,170,195</u>

Source: Annual financial reports

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

City of Tucson, Arizona
Tax and Other Agency Revenues, General Fund
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Tax Revenues										
Property Taxes (2)	\$ 12,467,667	\$ 12,993,033	\$ 13,413,323	\$ 13,985,797	\$ 14,215,063	\$ 14,710,170	\$ 15,430,330	\$ 15,898,663	\$ 16,458,890	\$ 17,141,723
Public Utility Taxes (1)	26,717,576	20,886,226	21,791,368	23,031,922	23,786,210	26,220,025	24,929,107	24,215,598	24,150,817	25,256,600
Local Use Taxes	4,332,206	3,275,783	5,336,256	6,193,640	7,769,947	10,838,598	12,661,617	12,547,773	15,749,993	14,181,630
Business Privilege Taxes	182,861,378	187,178,747	188,784,244	194,093,020	198,629,422	213,375,580	219,326,265	225,912,194	249,931,791	279,331,466
Transient Occupancy Taxes	9,018,728	8,853,403	9,743,022	10,345,642	11,079,644	12,355,878	13,045,172	11,179,433	9,188,108	17,460,256
Other taxes	4,280,298	4,788,139	3,990,156	4,280,368	7,976,651	7,947,324	7,820,193	6,899,737	6,020,150	8,332,489
Total tax revenues	<u>\$ 239,677,853</u>	<u>\$ 237,975,331</u>	<u>\$ 243,058,369</u>	<u>\$ 251,930,389</u>	<u>\$ 263,456,937</u>	<u>\$ 285,447,575</u>	<u>\$ 293,212,684</u>	<u>\$ 296,653,398</u>	<u>\$ 321,499,749</u>	<u>\$ 361,704,164</u>
Other Agency Revenues										
State Auto Lieu Taxes	\$ 19,090,499	\$ 20,030,860	\$ 20,709,722	\$ 21,801,786	\$ 21,754,173	\$ 23,677,715	\$ 25,925,868	\$ 25,874,187	\$ 27,569,510	\$ 26,950,397
State Sales Tax	42,757,073	45,344,556	47,733,015	48,829,221	48,859,397	53,529,411	54,458,475	57,110,824	66,915,754	75,630,230
State Urban Revenue Sharing	53,945,081	58,796,268	62,906,365	63,032,252	65,150,605	65,588,866	65,826,118	71,889,941	77,191,139	76,812,122
Contributions & Agency Billings (2)	4,486,826	4,563,843	5,606,984	6,563,219	8,030,774	6,617,690	5,606,136	5,334,313	5,769,764	5,275,875
Total other agency revenues	<u>\$ 120,279,479</u>	<u>\$ 128,735,527</u>	<u>\$ 136,956,086</u>	<u>\$ 140,226,478</u>	<u>\$ 143,794,949</u>	<u>\$ 149,413,682</u>	<u>\$ 151,816,597</u>	<u>\$ 160,209,265</u>	<u>\$ 177,446,167</u>	<u>\$ 184,668,624</u>

Notes:

- (1) Public Utility Tax rate increased from 2% to 4% effective January 1, 2010
- (2) Property tax is also included in the Risk Management Internal Service Fund

City of Tucson, Arizona
Changes in Fund Balances of Governmental Funds -
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 267,885,494	\$ 265,975,961	\$ 273,206,471	\$ 284,287,630	\$ 297,449,821	\$ 373,467,494	\$ 394,101,602	\$ 400,789,275	\$ 436,158,911	485,474,535
Licenses and Permits	20,660,558	20,271,165	28,604,577	29,907,393	33,006,093	32,362,623	34,594,279	34,632,736	35,027,330	33,125,191
Fines and Forfeitures	12,852,016	15,761,622	16,831,650	13,051,724	9,983,776	9,655,907	9,871,496	8,800,521	7,799,844	6,019,709
Developer Fees	7,865,777	5,198,521	1,522,640	4,352,737	11,442,519	9,291,985	10,582,494	14,668,545	11,526,890	7,270,867
Use of Money and Property	2,475,035	3,185,971	2,248,794	3,420,636	2,020,203	3,761,093	5,668,605	7,449,412	23,882,367	(82,710,077)
Federal Grants and Contributions	147,167,365	81,133,301	89,328,863	82,643,881	75,485,901	78,409,187	84,669,378	132,256,566	206,032,634	228,478,693
Other Agencies	232,434,327	259,994,992	240,999,776	259,636,618	242,806,078	243,265,570	261,534,914	272,143,535	308,212,429	305,163,268
Charges for Services	63,383,040	61,868,702	62,646,317	64,921,055	67,542,851	84,596,382	85,844,924	73,860,585	56,036,350	70,551,334
Special Assessments	390,049	355,263	323,164	270,738	227,596	68,779	12,952	-	-	-
Contributions from Outside Services	-	-	-	-	1,392,085	11,223,594	8,327,145	788,190	204,523	530,740
Miscellaneous	6,856,402	14,916,576	8,083,996	21,002,312	13,389,263	8,476,065	8,368,209	10,659,313	6,463,186	16,494,212
Total revenues	761,970,063	728,662,074	723,796,248	763,494,724	754,746,186	854,578,679	903,575,998	956,048,678	1,091,344,464	1,070,398,472
Expenditures										
Current										
Elected and Official	22,220,220	22,491,683	21,123,774	18,137,378	17,079,371	17,063,660	17,450,540	19,257,420	19,786,657	23,583,019
Public Safety and Justice Services	359,047,300									
Public Safety / Neighborhood Services		255,356,475	261,650,102	276,028,768	271,728,976	305,271,081	293,751,582	272,930,876	306,481,382	340,748,978
Operations and Development	133,123,134									
Community Enrichment and Development		223,217,451	247,138,055	240,994,849	226,207,082	239,509,517	226,518,983	240,810,808	282,357,937	357,859,983
Support Services	33,533,949	44,022,242	45,244,122	43,888,000	61,374,216	78,960,906	82,656,605	111,148,286	98,075,583	102,450,822
General Government	25,093,204	26,787,570	24,012,380	29,828,832	32,484,571	32,739,324	48,971,538	47,896,419	57,197,024	46,732,431
Capital Outlay	31,567,755	25,149,554	27,411,744	15,831,246	7,914,051	16,506,078	24,418,487	27,287,381	48,304,567	23,590,471
Capital Projects	114,500,756	81,701,341	63,066,809	73,713,543	67,664,011	54,839,687	68,779,962	48,091,249	77,532,148	79,072,010
Debt Service										
Principal	27,754,913	33,961,609	49,743,385	54,255,966	54,949,228	62,889,544	66,407,991	59,614,251	59,662,903	77,214,171
Interest	29,846,761	24,241,560	25,539,124	22,609,407	21,704,785	21,172,727	18,604,611	15,963,549	14,819,029	31,341,824
Fiscal Agent Fees	6,138	37,850	23,625	91,914	45,150	27,100	26,300	-	24,655	5,953
Issuance Cost of Debt	643,784	1,276,819	1,197,267	967,303	414,389	-	-	-	14,118,123	-
Total expenditures	777,337,914	738,244,154	766,150,387	776,347,206	761,565,830	828,979,624	847,586,599	843,000,239	978,360,008	1,082,599,662
Excess of revenues over (under) expenditures	(15,367,851)	(9,582,080)	(42,354,139)	(12,852,482)	(6,819,644)	25,599,055	55,989,399	113,048,439	112,984,456	(12,201,190)

City of Tucson, Arizona
Changes in Fund Balances of Governmental Funds (Continued) -
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Other financing sources (uses)										
Bond Issuance	54,500,000	40,000,000	83,950,000	43,020,000	25,875,000	-	-	-	733,105,000	-
Capital Leases	1,150,000	29,505,017	20,659,864	42,095,984	-	-	-	-	-	-
Premium on Issuance of Debt	4,008,299	4,123,622	8,287,282	7,143,323	3,292,450	-	-	-	9,578,969	-
Refunded Bond Escrow Agent	(37,576,983)	(32,257,750)	(88,426,284)	(54,144,197)	(8,830,000)	-	-	-	(26,688,496)	-
Transfers In	45,444,401	58,034,047	71,625,419	60,221,549	61,245,301	63,265,262	56,094,325	32,977,515	44,015,466	28,260,017
Transfers Out	(44,241,334)	(58,083,265)	(70,025,419)	(66,108,430)	(59,326,995)	(61,364,762)	(54,054,976)	(33,408,207)	(42,015,316)	(28,243,438)
Total other financing sources (uses)	<u>23,284,383</u>	<u>41,321,671</u>	<u>26,070,862</u>	<u>32,228,229</u>	<u>22,255,756</u>	<u>1,900,500</u>	<u>2,039,349</u>	<u>(430,692)</u>	<u>717,995,623</u>	<u>16,579</u>
Net change in fund balances before extraordinary/special item	<u>\$ 7,916,532</u>	<u>\$ 31,739,591</u>	<u>\$ (16,283,277)</u>	<u>\$ 19,375,747</u>	<u>\$ 15,436,112</u>	<u>\$ 27,499,555</u>	<u>\$ 58,028,748</u>	<u>\$ 112,617,747</u>	<u>\$ 830,980,079</u>	<u>\$ (12,184,611)</u>
Debt services as a percentage of non-capital expenditures	11.5%	9.1%	9.2%	11.1%	11.2%	11.2%	11.1%	9.8%	8.7%	11.1%

Source: Annual financial reports

Note:

- (1) Noncapital expenditures are total expenditures less capital outlay and capital project expenditures.
- (2) Environment and Development and Neighborhood Services functions were re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.
- (3) Public Safety/Neighborhood Services and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development functions.

City of Tucson, Arizona
Taxable Sales by Category
Last Ten Fiscal Years (Accrual Basis of Accounting)

Activity	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Utility	\$ 753,704,450	\$ 761,478,800	\$ 782,177,122	\$ 827,836,228	\$ 761,882,646	\$ 848,786,259	\$ 840,996,751	\$ 843,608,056	\$ 876,038,973	\$ 920,121,553
Communications	232,882,104	201,169,667	184,659,928	167,040,690	153,860,278	169,803,092	138,859,321	136,933,687	102,895,246	91,153,765
Publishing & Printing	47,314,952	46,030,420	46,225,728	44,861,010	42,694,048	40,173,943	38,752,063	39,304,446	32,397,406	37,995,304
Restaurants	1,031,086,030	1,053,054,171	1,116,095,399	1,174,744,611	1,169,221,596	1,254,106,028	1,327,070,724	1,303,355,406	1,266,329,153	1,624,135,566
Amusements	88,969,460	85,607,140	85,427,724	90,656,814	94,681,152	107,192,937	100,613,398	96,897,128	53,556,262	101,956,726
Rentals	1,015,055,763	998,954,427	972,479,203	1,002,169,113	992,517,487	1,038,329,369	1,119,817,010	1,112,794,934	1,111,618,479	1,231,280,760
Contracting	835,481,024	862,574,090	654,854,410	499,557,358	594,318,178	708,684,759	832,753,858	877,134,904	831,281,178	892,169,482
Retail	5,336,970,626	5,455,905,198	5,804,257,368	6,133,012,334	5,947,723,431	6,351,368,840	6,402,322,534	7,080,998,034	7,988,994,436	8,938,289,189
Use Tax	219,717,771	208,957,129	274,254,592	308,009,316	347,898,340	495,634,302	603,855,245	607,015,660	748,618,417	683,984,816
Other	2,812,713	1,388,506	1,711,651	2,465,771	684,208	3,071,768	215,620	1,529,944	4,826,792	-
Total Business Privilege Activity	\$ 9,563,994,893	\$ 9,675,119,548	\$ 9,922,143,125	\$ 10,250,353,245	\$ 10,105,481,364	\$ 11,017,151,297	\$ 11,405,256,524	\$ 12,099,572,199	\$ 13,016,556,342	\$ 14,521,087,161
City's Tax Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.5% & 2.6%	2.6%	2.6%	2.6%	2.6%

Notes:

(1) Tax rate of 2% increased to 2.5% on July 1, 2017. The 2.5% increased to 2.6% on February 1, 2018.

(2) Starting with January 2017 tax returns, taxpayers filed their City of Tucson taxes with the Arizona Department of Revenue. The peddler food activity was now reported under the restaurant activity and the peddler variety activity was now reported under the retail activity.

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

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

(5) Retail is the combination of reported taxes for retail sales and remote sellers. Remote sellers business activity started on October 1, 2019. Starting in FY22, retail includes remote sellers, the two marijuana business classes, and other activities. The Arizona Department of Revenue created two business classes for marijuana sales when adult use sales started in March 2021. Prior to that date all income made by medical marijuana businesses were reported under the retail business class.

City of Tucson, Arizona
Business Privilege Taxes
Last Ten Fiscal Years

Fiscal Year	City's Rate (1)	State's Rate (2)	County's Rate - RTA (3)
2013	2.0%	6.6%	0.5%
2014	2.0%	5.6%	0.5%
2015	2.0%	5.6%	0.5%
2016	2.0%	5.6%	0.5%
2017	2.0%	5.6%	0.5%
2018	2.5%/2.6%	5.6%	0.5%
2019	2.6%	5.6%	0.5%
2020	2.6%	5.6%	0.5%
2021	2.6%	5.6%	0.5%
2022	2.6%	5.6%	0.5%

Notes:

(1) On May 16, 2017, City voters approved a 0.5% increase for five years, effective July 1, 2017. These revenues are restricted for Public Safety and road improvements. On November 7, 2017, voters approved a 0.1% increase for ten years, effective February 1, 2018. These revenues are restricted for zoo operations and improvements.

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

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

City of Tucson, Arizona
Principal Business Privilege Tax Remitters by Activity
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

Business Section	Tax Paid	% of Total	Tax Paid	% of Total
Utility (5)	\$ 15,074,089	7.1%	\$ 23,923,221	5.9%
Public Utility	21,465,370	10.1%	24,854,247	6.2%
Public Utility (Right of Way - 1.5%)	736,510	0.3%	624,837	0.2%
Communications	4,657,642	2.2%	2,369,751	0.6%
Publishing & Printing	946,299	0.4%	987,829	0.3%
Restaurants	20,621,721	9.7%	42,207,608	10.5%
Amusements	1,779,389	0.8%	2,650,517	0.7%
Rentals	20,301,115	9.5%	32,006,857	7.9%
Contracting	16,709,620	7.8%	23,194,938	5.8%
Retail	106,739,413	50.0%	232,384,331	57.7%
Use Tax	4,394,355	2.1%	17,783,908	4.4%
Other Activities (2)	56,254	0.0%		0.0%
Total (3)	<u>\$ 213,481,777</u>		<u>\$ 402,988,044</u>	

Notes:

- (1) The tax rate for all activities except public utility increased from 2% to 2.5% on July 1, 2017 and increased from 2.5% to 2.6% on February 1, 2018.
- (2) State administration started with the January 2017 tax returns. They are collecting the taxes from the peddlers - food activity under the restaurant activity and from the peddlers - variety activity under the retail activity. For this table, the peddler
- (3) Total does not include refunds and other reductions.
- (4) Tax paid for Fiscal Year 2013 is based on Table VI. For Utility and two Public Utility breakdown, the actual tax collections in the Revenue Division report were used.
- (5) Utility was split into three categories. The tax rate for utilities is 2%, for public utility is 4%, and for public utility right of way is 1.5%. Public utility rate increased from 2% to 4% on July 1, 2009 and from 4% to 4.5% on July 1, 2016. Public Utility (4%/4.5%) is assessed against both the utility and communication activities net of any franchise taxes paid.
- (6) Prior to FY22, retail was the combination of reported taxes for retail sales and remote sellers. Remote sellers business activity started on October 1, 2019. Starting in FY22, retail includes remote sellers, the two marijuana business classes, and other activities. The Arizona Department of Revenue created two business classes for marijuana sales when adult use sales started in March 2021. Prior to that date all income made by medical marijuana businesses were reported under the retail business class.

City of Tucson, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities							
Fiscal Year	General Obligation Bonds	Street & Highway Revenue Bonds	Certificates of Participation	Special Assessment Debt	Financed Purchases and Capital Leases	Clean Renewable Energy Bonds	Total Governmental Activities
2012/13	\$ 220,197,706	\$ 116,685,796	\$ 236,008,762	\$ 2,006,000	\$ 2,340,221	\$ 15,178,700	\$ 592,417,185
2013/14	221,448,585	103,815,714	256,206,057	1,577,000	2,062,612	13,889,400	598,999,368
2014/15	221,866,839	89,760,231	241,337,521	1,139,000	3,073,227	12,580,100	569,756,918
2015/16	218,709,143	74,955,413	226,053,035	692,000	19,272,245	11,260,800	550,942,636
2016/17	211,247,606	59,868,118	210,351,828	293,000	18,789,417	9,926,500	510,476,469
2017/18	183,531,175	44,211,118	189,968,018	36,000	15,268,587	8,577,200	441,592,098
2018/19	150,626,539	31,905,000	161,987,595		13,599,767	7,212,900	365,331,801
2019/20	125,305,391	22,242,108	151,003,590		12,062,482	5,833,600	316,447,171
2020/21	152,248,731	10,986,238	792,604,295		10,427,879	4,434,300	970,701,443
2021/22	110,905,000	-	752,612,864		10,525,502	3,025,000	877,068,366

Business-Type Activities								
Fiscal Year	Water System Revenue Bonds (1)	Water System Loans from Direct Borrowing	Financed Purchases and Capital Leases	Certificates of Participation	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2012/13	\$ 469,896,680	\$ 73,342,120	\$ -	\$ 10,714,000	\$ 553,952,800	\$ 1,146,369,985	3.11 %	1,150
2013/14	485,724,905	68,438,472	-	10,753,136	564,916,513	1,163,915,881	3.16 %	1,169
2014/15	490,073,868	63,397,111	-	10,617,119	564,088,098	1,133,845,016	3.16 %	1,126
2015/16	478,868,393	58,220,269	273,463	11,753,754	549,115,879	1,100,058,515	2.87 %	1,092
2016/17	483,064,507	52,476,965	189,437	11,444,063	547,174,972	1,057,651,441	2.74 %	1,048
2017/18	479,422,767	41,845,141	103,865	11,089,386	532,461,159	974,053,257	2.29 %	949
2018/19	455,358,446	36,531,199	206,966	10,731,165	502,827,776	868,159,577	1.93 %	849
2019/20	419,791,246	31,046,187	149,471	9,961,740	460,948,644	777,395,815	1.63 %	742
2020/21	439,448,858	26,406,165	105,394	8,061,676	474,022,093	1,444,723,536	2.81 %	1,362
2021/22	359,110,000	22,282,060	605,797	7,052,138	389,049,995	1,266,118,361	2.47 %	1,193

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

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

(2) Population and personal income information that determine Percentages of Personal Income and Per Capita can be found on Table XIV - Demogr

City of Tucson, Arizona
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Estimated Net Full Cash Value	Percentage of Actual Property Value	Per Capita
2012/13	\$ 220,197,706	\$ -	\$ 220,197,706	\$ 25,277,236,323	0.87%	220.90
2013/14	221,448,585	-	221,448,585	23,573,852,432	0.94%	222.33
2014/15	221,866,839	-	221,866,839	23,621,125,299	0.94%	220.28
2015/16	218,709,143	2,205,248	216,503,895	24,914,786,731	0.87%	214.96
2016/17	211,585,375	2,554,745	209,030,630	26,918,515,852	0.79%	212.66
2017/18	183,531,175	2,199,040	181,332,135	28,316,305,308	0.65%	224.55
2018/19	150,626,539	982,650	149,643,889	30,525,729,250	0.49%	244.21
2019/20	125,305,391	87,182	125,218,209	34,988,121,143	0.36%	283.40
2020/21	152,248,731	87,182	152,161,549	45,821,165,937	0.33%	453.63
2021/22	121,339,927	139,368	121,200,559	41,653,997,874	0.29%	416.54

Source: Estimated net full cash value from Arizona Department of Revenue

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

City of Tucson, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022

<u>Overlapping Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping of Debt</u>
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 95,961,000	40.980%	\$ 39,324,818
Tucson Unified School District No. 1	100,605,000	73.590%	74,035,220
Flowing Wells Unified School District No. 8	29,755,000	1.830%	544,517
Amphitheater Unified School District No. 10	80,510,000	7.920%	6,376,392
Sunnyside Unified School District No. 12	56,325,000	10.360%	5,835,270
Tanque Verde Unified School District No. 13	13,780,000	0.130%	17,914
Vail Unified School District No. 20	99,640,000	6.760%	6,735,664
Sahuarita Unified School District No. 30	39,425,000	0.01%	3,943
Drexel Heights Fire District	6,565,000	6.140%	403,091
Other Debt (1)			
Pima County Capital Leases	\$ 561,512	40.980%	\$ 230,108
Flowing Wells Unified School District No. 8	7,308,885	1.830%	133,753
Sunnyside Unified School District No. 12 Capital Leases	7,910,411	10.360%	819,519
Tanque Verde Unified School District No. 13	407,115	0.130%	529
Vail Unified School District No. 20	1,963,127	6.760%	132,707
Sahuarita Unified School District No. 30	16,290,385	0.010%	1,629
Tucson Unified School District No. 1 Capital Leases	19,440,366	73.590%	14,306,165
			148,901,239
City of Tucson, Arizona Direct Debt			890,446,137
Total Direct and Overlapping Debt			\$ 1,039,347,376

City of Tucson, Arizona
Legal Bonded Debt Margin
Last 10 Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Primary Tax Rate (1)	0.4125	0.5245	0.4829	0.5326	0.5348	0.4581	0.5311	0.4555	0.4448	0.4254
Secondary Tax Rate	0.8514	0.9059	0.97777	1.0634	1.0634	0.9761	0.9508	0.9255	0.869	0.9048
Total Property Tax Rate (2)	1.2639	1.4304	1.46067	1.596	1.5982	1.4342	1.4819	1.381	1.3138	1.3302
Secondary Assessed Value	\$ 3,377,401,416	\$ 3,151,042,287	\$ 3,131,952,246	\$ 3,248,105,418	\$ 3,403,761,338	\$ 3,824,846,552	\$ 4,104,342,952	\$ 4,331,384,346	\$ 4,620,850,746	\$ 4,873,920,137
6% Limitation (3)	202,644,085	189,062,537	187,917,135	194,886,325	204,225,680	229,490,793	246,260,577	259,883,061	277,251,045	292,435,208
Less: Direct G.O. Bonds Outstanding	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 202,644,085</u>	<u>\$ 189,062,537</u>	<u>\$ 187,917,135</u>	<u>\$ 194,886,325</u>	<u>\$ 204,225,680</u>	<u>\$ 229,490,793</u>	<u>\$ 246,260,577</u>	<u>\$ 259,883,061</u>	<u>\$ 277,251,045</u>	<u>\$ 292,435,208</u>
Legal debt margin as a percentage of the debt limit	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	675,480,283	630,208,457	626,390,449	649,621,084	680,752,268	764,969,310	820,868,590	866,276,869	924,170,149	974,784,027
Less: Direct G.O. Bonds Outstanding	213,450,000	214,760,000	213,495,000	208,860,000	200,270,000	174,640,000	148,145,000	167,960,000	139,940,000	110,905,000
Legal Debt Margin	<u>\$ 462,030,283</u>	<u>\$ 415,448,457</u>	<u>\$ 412,895,449</u>	<u>\$ 440,761,084</u>	<u>\$ 480,482,268</u>	<u>\$ 590,329,310</u>	<u>\$ 672,723,590</u>	<u>\$ 698,316,869</u>	<u>\$ 784,230,149</u>	<u>\$ 863,879,027</u>
Legal debt margin as a percentage of the debt limit	68.40%	65.92%	65.83%	67.85%	70.58%	77.17%	81.95%	80.61%	84.86%	88.62%

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

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

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

City of Tucson, Arizona
Pledged Revenue Coverage
As of June 30, 2022

Water System Revenue Bonds

Fiscal Year ⁽¹⁾	Utility Service Charges	Less: Operating Expenses	Net Available Revenues	Combined Debt Service				Senior Lien Debt Service Coverage Ratio	Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio (1)
				Combined Debt Service		Senior Lien Debt Service				
				Principal	Interest	Principal	Interest			
2012/13	\$ 163,836,521	\$ 84,757,495	\$ 79,079,026	\$ 24,503,570	\$ 21,875,823	\$ 19,595,000	\$ 20,729,587	1.71	1.96	
2013/14	176,411,669	91,766,938	84,644,731	22,543,481	19,291,096	19,345,000	18,170,704	2.02	2.26	
2014/15	186,136,837	96,997,979	89,138,858	28,201,640	21,117,117	24,900,000	20,073,447	1.81	1.98	
2015/16	192,222,574	112,336,250	79,886,324	30,538,155	20,378,867	27,130,000	19,395,157	1.57	1.82	
2016/17	210,873,823	100,943,373	109,930,450	28,615,133	21,207,005	25,100,000	20,316,300	2.21	2.42	
2017/18	234,878,094	107,676,138	127,201,956	33,526,690	21,098,202	28,360,000	20,303,593	2.33	2.61	
2018/19	231,108,859	115,926,957	115,181,902	39,453,943	20,591,751	35,705,000	19,961,759	1.92	2.07	
2019/20	252,402,811	116,302,883	136,099,928	34,680,012	19,655,493	29,195,000	19,047,396	2.50	2.82	
2020/21	263,088,114	115,338,115	147,749,999	40,400,023	18,360,073	35,760,000	17,849,622	2.51	2.76	
2021/22	253,415,980	126,410,735	127,005,245	40,854,105	16,155,071	36,730,000	15,726,032	2.16	2.37	

Highway User Fees

Fiscal Year ⁽¹⁾	HURF Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
2012/13	\$ 40,613,665	\$ -	\$ 5,437,808	7.47
2013/14	41,266,976	11,660,000	5,042,561	2.47
2014/15	44,846,287	12,965,000	4,544,350	2.56
2015/16	46,779,437	13,185,000	3,855,618	2.75
2016/17	48,218,829	13,610,000	3,408,559	2.83
2017/18	49,000,113	14,145,000	2,757,450	2.90
2018/19	54,562,146	10,130,000	2,090,250	4.46
2019/20	55,265,233	10,560,000	1,583,750	4.55
2020/21	53,713,591	10,730,000	1,067,250	4.55
2021/22	57,310,709	10,615,000	530,750	5.14

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

Calendar Year	Population	Personal Income	Median Household Income	Unemployment Rate County
2012	991,000	36,864,000,000	37,199	7.2%
2013	996,800	\$ 37,031,000,000	\$ 37,150	7.0%
2014	996,046	37,587,700,000	37,737	6.6%
2015	1,007,200	38,272,000,000	37,998	5.7%
2016	1,009,400	38,660,600,000	38,246	5.7%
2017	1,013,100	40,182,115,000	39,663	4.9%
2018	1,026,100	42,585,356,000	41,637	4.6%
2019	1,039,073	45,748,033,000	44,028	4.7%
2020	1,047,279	47,604,994,000	45,456	6.5%
2021	1,061,175	51,331,920,000	48,373	7.3%

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

Notes:

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

(2) Data is for the calendar year that ends during that fiscal year. For example, fiscal year 2022 contains data for the calendar year ending December 31, 2021.

City of Tucson, Arizona
Principal Employers
Current and Nine Years Ago

Employer	2013		Employer	2022	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	11,604	3.27%	Raytheon Missile Systems	13,305	2.68%
Raytheon	11,500	3.24%	University of Arizona	12,571	2.53%
U.S. Army Intelligence Center & Ft. Huachuca	9,039	2.55%	Banner Healthcare - UMC	7,703	1.55%
Davis-Monthan Air Force Base	8,215	2.32%	Davis-Monthan Air Force Base	1,648	0.33%
Pima County	8,132	2.29%	Pima County	7,412	1.49%
Wal-Mart Stores, Inc.	7,900	2.23%	Tucson Unified School District	6,532	1.32%
Tucson Unified School District No. 1	6,739	1.90%	State of Arizona	4,817	0.97%
Freeport McMoRan Copper and Gold Inc.	4,800	1.35%	Wal-Mart Stores, Inc.	4,773	0.96%
Tohono O'Odham Nation	4,679	1.32%	Tucson Medical Center	4,453	0.90%
Carondelet Health Services	4,566	1.29%	City of Tucson	4,356	0.88%
	77,174	21.76%		67,570	13.61%

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

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Elected and Official	209.50	223.00	206.50	212.50	183.50	184.50	190.50	192.50	195.00	210.00
Neighborhood Services (1)	-	-	-	-	-	-	-	-	-	-
Public Safety / Neighborhood Services (4)	2,974.75	-	-	-	-	-	-	-	-	-
Public Safety and Justice Services	-	2,239.30	2,237.80	2,254.80	2,126.80	2,116.80	2,102.30	2,168.50	2,160.25	2,179.50
Operations and Development (4)	594.00	-	-	-	-	-	-	-	-	-
Community Enrichment and Development	-	1,090.25	1,052.50	1,027.00	931.00	929.00	884.75	896.25	882.25	885.25
Support Services	301.50	524.00	518.00	522.50	489.50	480.00	520.50	539.00	559.00	566.50
General Government	-	-	-	-	-	-	-	-	8.00	14.00
Pension Services (3)	4.00	4.00	4.00	4.00	4.00	4.00	4.50	4.50	4.50	4.50
Utility Services - Environmental Services	237.00	222.00	216.00	214.00	241.00	236.00	224.00	223.50	223.50	224.00
Utility Services - Water	549.00	547.00	547.50	547.50	550.50	554.50	564.50	563.50	563.50	567.50
Golf Courses (4)	68.00	68.00	-	-	-	-	-	-	-	-
Total employees	4,937.75	4,917.55	4,782.30	4,782.30	4,526.30	4,504.80	4,491.05	4,587.75	4,596.00	4,651.25

Source: Adopted Budget - Volume I

Note:

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

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

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police Facilities	13	13	9	9	9	9	9	9	9	10
Fire Stations	21	21	22	22	22	22	22	22	22	22
Parks & Recreation										
Recreation/Regional Centers	18	18	20	20	20	20	20	20	20	30
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	142	142	127	127	127	164	164	164	164	145
Play Fields	231	231	225	225	231	225	225	236	236	236
Swimming Pools (2)	27	27	27	27	27	27	27	27	27	27
Pickle Ball Courts	-	-	-	-	-	-	-	-	12	12
Tennis Courts	-	-	-	-	-	-	-	15	58	58
Transportation (1)										
Residential (Miles)	1,604	1,629	1,645	1,328	1,328	1,347	1,353	1,358	1,364	1,367
Collectors (Miles)	101	101	101	85	85	85	85	85	88	87
Arterials (miles)	316	371	381	310	310	310	317	323	323	323
Interstate (Miles)	80	80	80	-	-	-	-	-	-	-
Buses (Active Fleet)	252	240	252	252	246	246	237	237	237	185
Water										
Operable Wells	206	230	225	221	202	216	201	211	210	185
Miles of Water Mains	4,793	4,606	4,623	4,579	4,596	4,650	4,611	4,616	4,629	4,835

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

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

City of Tucson, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Number of Construction Permits (Residential and Commercial)	2,295	1,932	2,094	2,164	2,532	2,558	2,492	2,242	2,752	2,334
Permit Revenue	\$ 8,909,982	\$ 6,870,350	\$ 8,644,604	\$ 12,784,997	\$ 24,091,020	\$ 17,959,189	\$ 19,384,909	\$ 23,405,114	\$ 23,142,298	\$ 17,812,867
Police										
Calls for Service	328,015	346,817	326,900	286,811	288,755	310,396	328,336	374,496	361,711	370,935
Calls for Service per Capita	0.62	0.66	0.62	0.54	0.54	0.58	0.6	0.69	0.67	0.68
Part I Crimes (% Cleared)	11.52%	14.73%	14.80%	12.34%	12.88%	15.21%	16.30%	18.64%	16.19%	10.41%
Part II Crimes (% Cleared) (1)	83.61%	79.22%	37.94%	65.51%	64.12%	76.65%	89.10%	86.71%	38.41%	17.71%
Fire										
Emergency Responses	81,941	79,704	85,594	91,272	92,009	90,966	878,041	90,393	94,463	102,279
Inspections	6,293	7,199	5,471	5,140	5,810	5,368	9,246	10,516	10,909	9,034
Parks & Recreation										
KIDCO Registration	3,407	3,209	3,195	3,285	2,978	2,785	2,826	956	1,057	2,181
Class Enrollment-Other than KIDCO	17,607	16,949	16,724	16,248	15,615	15,427	15,302	8,724	1,460	8,724
Facility Rental	9,325	9,231	10,688	108,110	8,882	10,544	10,066	7,003	3,444	9,852
Zoo Visitors	549,959	568,028	618,357	519,829	485,074	505,238	512,396	336,020	381,640	568,987
Environmental Services										
Landfill Tons of Waste Collected (3)	471,400	517,564	560,938	575,469	582,181	948,481	717,062	747,028	726,912	739,262
Tons of Material Recycled (3)	38,000	38,623	39,506	39,792	39,344	29,247	26,187	33,000	29,615	26,285
Water										
Average Total Monthly Connections										
Potable	224,284	225,791	227,052	228,450	230,030	231,927	233,031	234,657	237,793	238,178
Reclaimed	1,082	1,086	1,076	1,056	1,047	1,043	1,042	1,040	1,040	1,024
New Connections										
Potable	1,459	1,186	1,258	1,398	1,580	1,897	1,474	1,626	2,330	1,585
Reclaimed	9	-	(10)	(20)	(9)	(4)	(8)	(2)	-	(17)
Water Sales (1000 ccf)										
Potable	41,109	41,266	39,876	39,500	39,546	39,700	38,160	37,240	41,854	39,166
Reclaimed	6,483	7,154	6,188	5,981	6,269	6,694	5,347	5,905	7,198	5,985
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	16	2 to 3 weeks	18	14	4	9	18	22	12	16
The % of Lane Miles Assessed as Satisfactory or Better (2)	46%	23%	28%	26%	27%	30%	32%	30%	32%	34%
Traffic Signal Expenditure per Repair	\$ 746.00	\$ 831.00	\$ 593.00	\$ 510.00	\$ 503.00	\$ 649.00	\$ 655.00	\$ 655.00	\$ 421.24	\$ 861.21
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$ 6.20	\$ 7.11	\$ 7.08	\$ 7.47	\$ 7.36	\$ 7.07	\$ 7.01	\$ 7.35	\$ 7.91	\$ 8.63
Sun Tran's Operating Expenses per Passenger Mile	\$ 0.64	\$ 0.73	\$ 0.68	\$ 0.94	\$ 0.73	\$ 0.80	\$ 0.75	\$ 0.74	\$ 0.74	\$ 0.80

Source: Various City Departments

Note:

(1) Part I crimes include Homicides, Sexual Assaults, Robberies, Burglaries, Larceny, Motor Vehicle Thefts, and TPD Arson. Part II crimes include Narcotic Violations, DUI, and Juvenile Violations. Percentage of cases cleared is computed by dividing cases cleared by cases reported.

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

(3) For 2017, 20% of the 39,344 was determined "contaminated/waste materials", this is also included in the waste collected for FY17.



GLOSSARY
SECTION



Glossary

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

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

Assigned fund balance. The portion of fund balance that reflects the City's intended use of resources. This intent would have to be established by either the Mayor and Council or their designee, which is the Chief Financial Officer or Business Services Director.

Basic financial statements. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

Basis of accounting. The timing of recognition, that is, when the effects of transactions or events should be recognized for *financial reporting purposes*. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus. [SGAS 11]

Budgetary basis of accounting. The method used to determine when revenues and expenditures are recognized for budgetary purposes.

Capital and related financing activities. Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. [SGAS 9]

Capital projects fund. Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capitalization threshold . The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. For the City, the capitalization threshold is \$5,000.

Cash. The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. [SGAS 9]

Cash equivalent. Term used in connection with cash flows reporting. Short- term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose "original maturity" means the original maturity to the entity holding the investment. [SGAS 9]

Collateral. Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

Combining financial statements. Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in an annual financial report to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

Committed fund balance. The portion of fund balance that represents resources whose use is constrained by limitations that the City imposes upon itself at its highest level of decision making (ordinance) and that remain binding unless removed in the same manner.

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

Annual Comprehensive Financial Report (ACFR). A financial report that encompasses all funds and component units of the government. The ACFR 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 ACFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

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

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

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

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

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

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

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

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management.

Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available financial resources in governmental funds. After fiscal year 2010, this terminology is no longer used. See Assigned Fund Balance.

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

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

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

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

Fiduciary funds. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial 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 an annual comprehensive financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

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

Fund balance. The difference between assets and liabilities reported in a governmental fund. Fund balance can be divided into the following components: nonspendable, restricted, committed, assigned and unassigned.

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

Fund type. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and

permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds.

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

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

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

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

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

HURF. Highway User Revenue Fund.

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

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

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

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

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

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

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

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

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

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

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

Nonspendable fund balance. The portion of fund balance that have practical constraints that represent assets that will never convert to cash (inventory), assets that will not convert to cash in the current period (long term portion of a loan receivable), and resources that must be maintained intact pursuant to legal or contractual requirements (principal of an endowment).

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

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

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

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

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

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

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

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

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

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

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

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

Restricted fund balance. The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions. Such restrictions are imposed by parties altogether outside the City, such as creditors, grantors (federal/state), laws and regulations of other governments.

Special revenue fund. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for a specified purpose.

Statistical section. The third of three essential components of any annual comprehensive financial report. The statistical section provides a broad range of trend data covering key financial indicators from

the past 10 fiscal years (e.g., general government revenues and expenditures, property tax collections, debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.

Unassigned fund balance. The surplus in the general fund that is left over if resources are not constrained by nonspendable, committed, restricted, and assigned. Only the general fund can have unassigned fund balance. The other governmental funds, special revenue, debt service, and capital project funds, due to the constraints on these resources can not have a positive unassigned, but can have a negative unassigned balance.



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