



A PICTORIAL TRIBUTE
IN CELEBRATION OF REID PARK ZOO'S
30TH ANNIVERSARY

ANNUAL COMPREHENSIVE FINANCIAL REPORT



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**FISCAL YEAR
JULY 1, 2022-JUNE 30, 2023**

City of Tucson, Arizona

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023



Prepared by: Accounting Operations,
Business Services Department

CITY OF TUCSON, ARIZONA
Annual Comprehensive Financial Report
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INTRODUCTORY SECTION



CITY OF
TUCSON



January 16, 2024

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

The Annual Comprehensive Financial Report (ACFR) of the City of Tucson, Arizona, (City) for the fiscal year ended June 30, 2023, 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 Post employment 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.

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, 2023, our unassigned fund balance represents 15.4% 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 continued positive growth with gains in jobs, income, and population.

The City's revenue performance, particularly business privilege and transient occupancy taxes, were increasing at a more significant percentage than any other year. With sales tax revenues comprising approximately 52.9% of the City's General Fund, and retail and

restaurant sales being major components, the City experienced strong sales tax growth from fiscal year 2022 amount of \$279.3 million to the fiscal year 2023 amount of \$299.7 million; a 7.3% increase. University of Arizona's Eller College of Management projects increasing growth of personal income of 5.8% and 6.3% for 2024 and 2025 respectively.

The City is watching the national economic picture and predictions of a possible mild 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 2024. 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 the City will embark on several key initiatives related to government operations. These initiatives will include completing the launch of 311; 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 is to continue implementing policy direction from Mayor and Council including the resources to address this challenge. City resources have been committed to the 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 have 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, 2022, ACFR for the 41st consecutive year (fiscal years ended 1982 through 2022). 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 staff including Marcela Ceballos, Finance Administrator, Emilia Eveningred, Finance Manager and Rafael Rodriguez, Principal Accountant, and the many City employees of other departments who responded timely to the requests for detailed information that accompanies each annual audit. Special thanks to Mayor and Council and City Manager's Office for the continued support.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Angèle Ozoemelum', with a stylized flourish at the end.

Angèle Ozoemelum
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

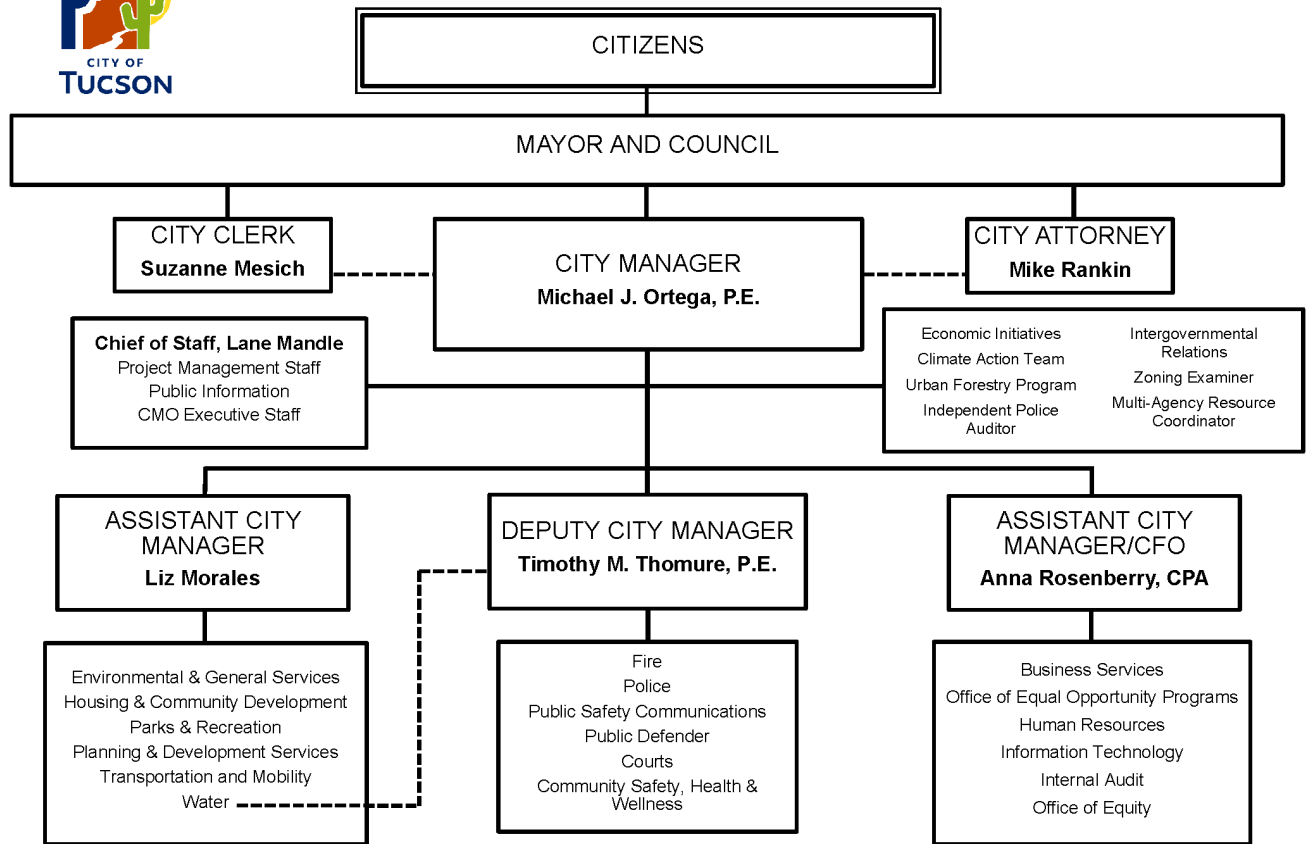
ANGELE OZOEMELAM
Director
Business Services Department

MARCELA CEBALLOS
Finance Administrator
Business Services Department





CITY OF TUCSON ORGANIZATIONAL CHART



Updated: May 25, 2023



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, 2022

Christopher P. Morrell

Executive Director/CEO





FINANCIAL SECTION



CITY OF
TUCSON

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, 2023, 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, 2023 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 GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, 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 post employment 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 Statements and Individual Fund Statements and Schedules 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 Combining Statements and Individual Fund Statements and Schedules 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 16, 2024, 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 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 16, 2024





MANAGEMENT DISCUSSION & ANALYSIS



CITY OF
TUCSON

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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, 2023 and 2022. 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.

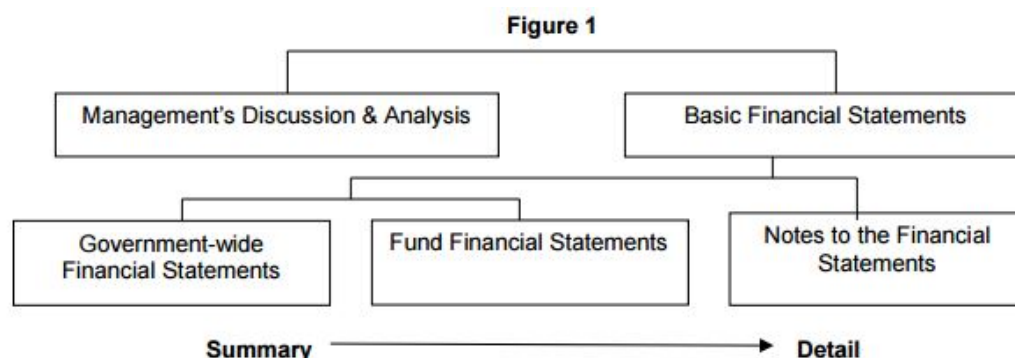
FINANCIAL HIGHLIGHTS

- Total fund balance for the General Fund was \$343.7 million, which represents an increase of \$15.4 million from prior year. The increase is a combination of an increase in sales taxes and revenues from other agencies. 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.
- As part of good fiscal practice, the City aims to maintain unrestricted fund balances with sufficient working capital and a comfortable margin of safety to address unexpected emergencies and unexpected declines in revenue without borrowing. This is needed to maintain its creditworthiness and to adequately provide for economic and legislative uncertainties, cash flow needs, and contingencies. To that end, the city established fund balance policy levels to maintain a 10% stabilization or "rainy day fund" and 7% "unassigned/contingency" of General Fund revenues. For the fourth consecutive fiscal year, the city reached these levels. At the end of FY 2023, the unaudited committed fund balance stabilization fund amount is \$72.4 million and unassigned is \$111.4 million.
- The Section 115 Pension Trust fund balance increased \$15.8 million from the prior year amount of \$536.7 million. The increased fund balance can be attributed to recent market conditions and rising interest rates impacting the funds investment activity. The public safety pension obligation partial payment of \$36.2 million was paid out of the trust. The other portion of the obligation was paid from the General Fund.
- The City implemented GASB statement No. 96 Subscription-Based Information Technology Arrangements, requiring recognition of right-to-use subscription assets and liabilities and capitalization criteria. The city's SBITA-related assets represent \$25.8 million of reported assets. The city also early implemented GASB statement 101 on Compensated absences which will result in a liability that appropriately reflects when the obligation is incurred.
- The City received a total of \$135.8 million of American Rescue Plan Act (ARPA) funding for which spending has increased this fiscal year through distributions to the business community and other programs approved under a strategic plan approved by Mayor and Council last fiscal. The spending plan for the remaining balance of the funds is to continue executing the procurement and expenditure goals for each project allocation that has been made to city departments and outside agencies that support their proposed project and program objectives and deliverables. Contractual agreements are in place for the outside agency's allocations through December 2024 and the city departments are working on their procurement plans to obligate their allocations by December 2024 and their spending of the funding by December 2026.
- 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 \$8.6 million from differential revenues on potable sales, CAP surcharge, and conservation fees this year.
- In Fiscal Year 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. In Fiscal Year 2023, the City collected \$72.8 million from the newly approved proposition, along with \$3.9 million from the ending proposition totaling \$76.8 million in revenues reported in the Better Streets & Prop 411 Fund.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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.

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.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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 leases.

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

Fiduciary fund statements represent funds for which the City acts as a trustee. Like the proprietary funds, they follow the standards for full accrual basis of accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

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

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

The **Statistical Section** provides information regarding a government's economic condition. All 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.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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 10.9% or \$264.3 million over the course of the year to \$2.697 billion from \$2.433 billion. Governmental activities net position increased \$214.7 million, and Business-type net position increased by \$49.7 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 2022 amount of \$1.276 billion to the fiscal year 2023 amount of \$1.326 billion is an increased of \$49.7 million. The unrestricted net position decreased by \$25.9 million; net investment in capital assets increased by \$79.7 million; and restricted net position decreased by \$4.06 million. The Water Utility net investment in capital assets increased by \$74.6 million from the fiscal year 2022 amount of \$1.1 billion to the fiscal year 2023 amount of \$1.2 billion. The Utility Fund's unrestricted net position decreased by \$17.9 million from \$53.0 million in fiscal year 2022 to \$35.1 million in fiscal year 2023.

In the Environmental Services Fund, net investment in capital assets increased by \$7.1 million and unrestricted deficit increased by \$3.2 million. The Public Housing Fund's net position decreased \$5.6 million from the fiscal year 2022 amount of \$21.9 million to the fiscal year 2023 amount of \$16.4 million.

Figure 2 is a comparative summary of the City's net position for fiscal years 2023 and 2022:

Net Position		Figure 2				
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 1,702,130,573	\$1,593,211,829	\$ 358,909,468	\$ 397,900,828	\$ 2,061,040,041	\$1,991,112,657
Capital Assets	2,197,203,206	2,135,160,352	1,685,234,516	1,639,446,474	3,882,437,722	3,774,606,826
Total Assets	3,899,333,779	3,728,372,181	2,044,143,984	2,037,347,302	5,943,477,763	5,765,719,483
Deferred Outflows	364,431,825	317,379,776	62,494,384	65,328,766	426,926,209	382,708,542
Current and Other Liabilities	323,234,173	333,586,049	119,692,523	117,675,442	442,926,696	451,261,491
Long-term Liabilities	2,453,358,642	2,346,590,194	515,485,921	563,998,296	2,968,844,563	2,910,588,490
Total Liabilities	2,776,592,815	2,680,176,243	635,178,444	681,673,738	3,411,771,259	3,361,849,981
Deferred Inflows	115,616,794	208,693,342	145,604,616	144,800,527	261,221,410	353,493,869
Net Position:						
Net Investment in Capital Assets	1,923,389,438	1,812,684,612	1,268,516,463	1,188,865,591	3,191,905,901	3,001,550,203
Restricted	457,892,819	380,512,390	47,414,843	51,470,581	505,307,662	431,982,971
Unrestricted (Deficit)	(1,009,726,262)	(1,036,314,630)	9,924,002	35,865,631	(999,802,260)	(1,000,448,999)
Total net position	\$ 1,371,555,995	\$1,156,882,372	\$1,325,855,308	\$1,276,201,803	\$ 2,697,411,303	\$2,433,084,175

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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:

Changes in Net Position						Figure 3
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 140,809,953	\$ 118,294,117	\$318,182,153	\$ 316,290,140	\$ 458,992,106	\$ 434,584,257
Operating grants and contributions	197,094,129	284,066,629	9,992,282	14,353,782	207,086,411	298,420,411
Capital grants and contributions	53,898,220	70,466,087	2,347,100	8,965,294	56,245,320	79,431,381
Total program revenues	391,802,302	472,826,833	330,521,535	339,609,216	722,323,837	812,436,049
General revenues:						
Taxes:						
Property	58,849,956	51,780,363			58,849,956	51,780,363
Business privilege	411,190,473	382,896,137			411,190,473	382,896,137
Public utility	27,189,785	25,256,600			27,189,785	25,256,600
Hotel/Motel surcharge	22,692,767	25,541,434			22,692,767	25,541,434
Unrestricted grants and contributions	219,098,472	180,696,725			219,098,472	180,696,725
Investment income (loss)	63,805,541	(80,188,788)	4,098,313	2,401,122	67,903,854	(77,787,666)
Miscellaneous	10,214,495	11,767,167	7,164,865	8,877,198	17,379,360	20,644,365
Total general revenues	813,041,489	597,749,638	11,263,178	11,278,320	824,304,667	609,027,958
Total revenues	1,204,843,791	1,070,576,471	341,784,713	350,887,536	1,546,628,504	1,421,464,007
Expenses:						
Elected and official	31,268,809	24,279,210			31,268,809	24,279,210
Support services	117,702,706	116,475,259			117,702,706	116,475,259
Public safety and justice services	409,692,709	361,572,552			409,692,709	361,572,552
Community enrichment and development	365,769,344	439,865,252			365,769,344	439,865,252
General government	48,777,319	44,443,382			48,777,319	44,443,382
Interest on long-term debt	23,028,238	32,628,771			23,028,238	32,628,771
Public housing			21,147,023	20,231,379	21,147,023	20,231,379
Non-PHA asset management			3,481,832	3,448,685	3,481,832	3,448,685
Environmental services			56,679,994	51,680,364	56,679,994	51,680,364
Tucson Golf Enterprise Fund			10,667,808	9,926,177	10,667,808	9,926,177
Water utility			194,085,594	190,072,423	194,085,594	190,072,423
Total expenses	996,239,125	1,019,264,426	286,062,251	275,359,028	1,282,301,376	1,294,623,454
Changes in net position before transfers	208,604,666	51,312,045	55,722,462	75,528,508	264,327,128	126,840,553
Transfers	6,068,957	2,016,579	(6,068,957)	(2,016,579)		
Changes in net position	214,673,623	53,328,624	49,653,505	73,511,929	264,327,128	126,840,553
Net position, beginning 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
Net position, end of year	\$1,371,555,995	\$1,156,882,372	\$1,325,855,308	\$1,276,201,803	\$2,697,411,303	\$ 2,433,084,175

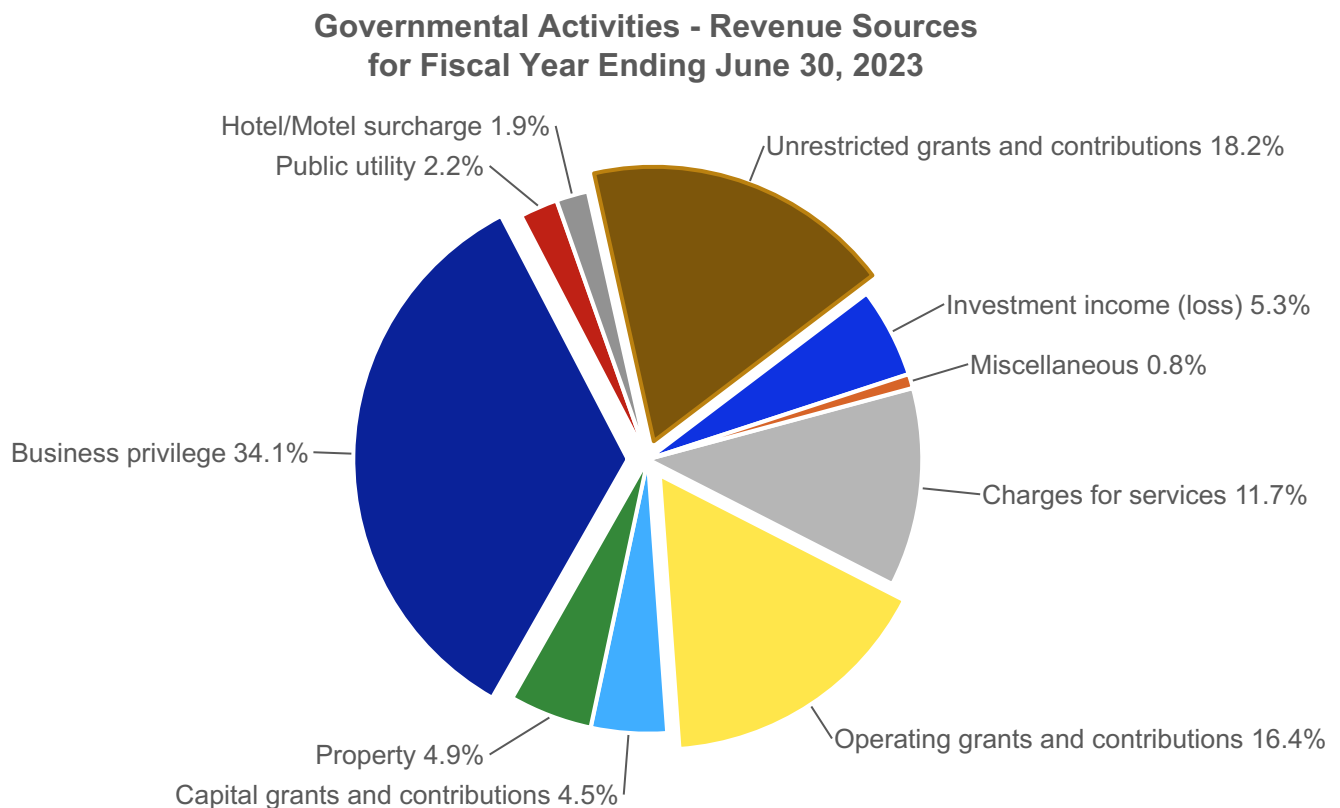
CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

For Governmental Activities, total revenues increased \$134.3 million, and expenses decreased by \$23.0 million from fiscal year 2022. General revenue components include taxes, unrestricted grants and contributions, investment income (loss), and miscellaneous revenues. Total General revenues increased \$215.3 million primarily generated from an increase in investment gains of \$144.0 million, combined with continued strong growth in Business Privilege Taxes of \$28.3 million or 7.4% and an increase from Unrestricted Grants and Contributions of \$38.4 million or 21.3% from the prior fiscal year. General revenues cover 81.6% of governmental costs.

Program revenues, including charges for services and operating/capital grants or contributions, covered 39.3% of governmental costs although program revenues decreased \$81.0 million in total. Charges for Services increased by \$22.5 million spread across most governmental activities. Operating Grants and Contributions decreased by \$87.0 million and Capital Grants and Contributions also decreased by \$16.6 million.

Expenses decreased by \$23.0 million from fiscal year's 2022 amount of \$1,019.3 million to fiscal year's 2023 amount of \$996.2 million. The decreased expenses can be attributed to Community Enrichment and Development decreases and a reduction in interest expense on long-term debt.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2023



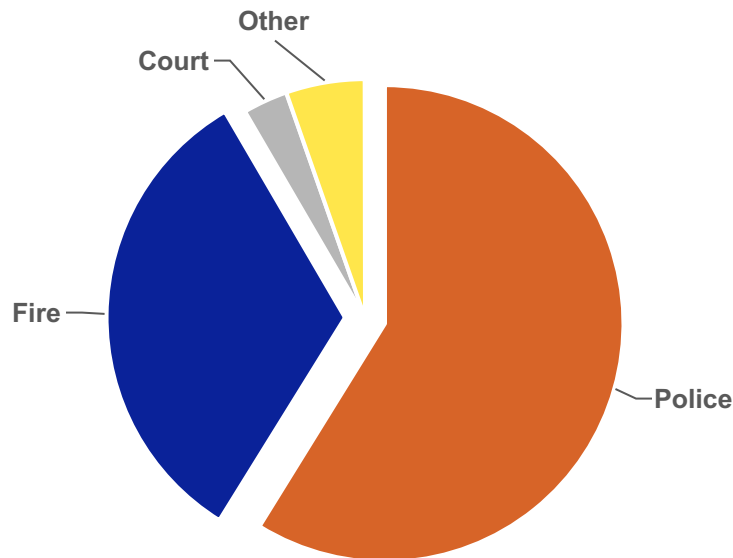
CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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	2023		2022		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and official	\$ (27,092,639)	4%	\$ (23,161,943)	4%	
Support services	(85,899,068)	14%	(95,817,291)	18%	
Public safety and justice services	(359,699,260)	60%	(321,328,953)	59%	
Community enrichment and development	(96,413,748)	16%	(90,978,525)	17%	
General government	(12,303,870)	2%	17,477,890	-3%	
Interest on long-term debt	(23,028,238)	4%	(32,628,771)	5%	
Total Net Expense	\$ (604,436,823)	100%	\$ (546,437,593)	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, 2023



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

For Business-type Activities, net position increased \$49.7 million or 3.9% from the fiscal year 2022 amount of \$1.276 billion to \$1.326 billion for fiscal year 2023. Net investment in capital assets increased \$79.7 million, restricted net position decreased slightly by \$4.056 million and the unrestricted net position decreased by \$25.9 million. The major change was an increased amount in the Water Utility Fund's net investment in capital assets for \$74.6 million from fiscal year 2022 amount of \$1.100 million to the fiscal year 2023 amount of \$1.174 billion. The Environmental Services Fund's negative unrestricted net position increased by \$3.2 million from the fiscal year 2022 amount of \$17.3 million to the fiscal year 2023 amount of \$20.5 million.

The Water Utility total operating revenues present a slight decrease of \$0.7 million to \$245.3 million from the fiscal year 2022 amount of \$246.0 million. Total operating expenses were \$181.6 million, an increase of 2.7% or \$4.7 million from the fiscal year 2022 amount of \$176.9 million due to increases in contractual services.

Environmental Services total operating revenues remain stable with an increase of \$2.7 million from the fiscal year 2022 amount of \$57.2 million to the fiscal year 2023 amount of \$59.9 million and continue to support operating expenses of \$56.1 million.

Public Housing Asset Management Properties total operating revenues decreased by \$4.1 million from the fiscal year 2022 amount of \$19.9 million to the fiscal year 2023 amount of \$15.8 million. Total operating expenses increased by \$0.9 million from the fiscal year 2022 amount of \$20.2 million to the fiscal year 2023 amount of \$21.1 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 \$1.306 billion, an increase of \$89.5 million in comparison to the balance on June 30, 2022, of \$1.216 billion. The increase is mainly generated from the Section 115 Pension Trust Fund gain in investments of \$52.0 million as well as an increase to the General fund net change in fund balance of \$15.4 million. Section 115 Pension Trust fund balance of \$552.5 million is restricted for public safety pension obligations. At year-end, City's governmental fund balance consists of \$111.1 million of unassigned fund balance with \$140.4 million assigned for a specific purpose. The remainder of fund balance is either non-spendable, restricted, or committed to indicate that it is not available for new spending including the above-mentioned Pension Obligations.

Revenues for governmental functions totaled \$1.203 billion in fiscal year 2023, an increase of approximately \$132.1 million from the previous year total of \$1.070 billion. The increase is in use of property and money in the Section 115 Pension Trust which yielded an investment gain of \$52.0 million and due to the increase of \$73.8 million in revenues in the General Fund. The Disaster Relief, Mass Transit Fund and the combined Non-major Governmental Funds yielded decreases in revenues of \$7.0, \$46.5, \$30.2 million respectively.

Expenditures for governmental functions totaled \$1.103 billion, a slight increase of 1.9% or \$20.5 million from the fiscal year 2022 total of \$1.083 billion. For the current fiscal year, expenditures were less than revenues for governmental functions by \$99.4 million mainly due to the Section 115 Pension Trust Fund investment gains.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

The City has four major governmental funds: the General Fund, the Mass Transit Fund, the Disaster Relief Fund (includes remaining Coronavirus 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 \$111.4 million, while the total fund balance was \$343.7 million; the unassigned and total fund balance at the end of fiscal year 2022 were \$150.9 million and \$328.3 million, respectively. The assigned fund balance increased \$42.8 million to \$137.7 million from the fiscal year 2022 amount of \$95.0 million.

In total, General Fund revenues increased \$73.8 million to \$723.6 million, or 11.4% from the fiscal year 2022 amount of \$649.8 million. Tax revenues, representing 52.9% of total revenues, increased by \$21.4 million to \$383.1 million from the fiscal year 2022 amount of \$361.7 million. Business privilege tax (sales tax) increased by \$20.4 million from \$299.7 million in 2022 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 21.3% of the General Fund revenues. This revenue category increased by \$39.4 million to \$224.0 million from the fiscal year 2022 amount of \$184.7 million mainly in increased State-shared sales taxes.

General Fund expenditures increased 16.1% to \$636.4 million from the fiscal year 2022 amount of \$548.2 million. The increase is mainly from the phase 2 market wage increases approved by the City in fiscal year 2020 to bring employees to market range.

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 \$5.0 million, reporting a slight change from the fiscal year 2022 balance of \$5.7 million, coming from use of federal grant income derived from bus proceeds. The non-spendable fund balance slightly decreased from the fiscal year 2022 amount of \$3.8 million to \$3.7 million. The assigned fund balance increased by \$0.02 million from fiscal year 2022 amount of \$1.2 million to \$1.22 million.

Total revenues decreased \$46.5 million from the fiscal year 2022 amount of \$84.8 million to the fiscal year 2023 amount of \$38.4 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. This funding did not reoccur in 2023 which is the main cause for the decrease. Aside from Grant Revenue, the fund presents slight increases in other revenue sources. Total expenditures decreased \$5.6 million in fiscal year 2023 to \$94.6 million from the fiscal year 2022 amount of \$100.2 million mainly due to decreased professional services and maintenance costs offset with increases to salaries and capital outlay.

Disaster Relief Fund

The Disaster Relief Fund is comprised of funding from CARES and the American Rescue Plan Fund (ARPA). During the fiscal year, ARPA funding of \$13.0 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 \$104.7 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 \$552.5 million. The City plans to utilize the restricted fund balance and investment earnings for current and future public safety pension obligations.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

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 \$51.0 million more than the final budget. Actual total revenues were \$723.6 million with an original projection of \$672.6 million. The most significant difference between final estimated revenues and actual revenues were in the charges for services in fiscal year 2023, representing an increase of \$17.5 million more than the final estimated. Taxes increased 5.9% or \$21.4 million from fiscal year 2022 of \$361.7 million to \$383.1 million in 2023.

Total expenditures were \$636.4 million, \$30.6 million less than the 2023 original budget of \$667.0 million and \$30.6 million less of the revised budget of \$667.0 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, 2023, totaled \$3.9 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, 2023, and 2022:

Capital Assets (Net of Depreciation)					Figure 5	
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 835,909,966	\$ 833,246,279	\$ 76,213,676	\$ 76,138,317	\$ 912,123,642	\$ 909,384,596
Buildings and improvements	436,085,414	447,505,903	106,800,335	104,903,804	542,885,749	552,409,707
Equipment	124,017,396	107,393,749	22,380,302	20,965,598	146,397,698	128,359,347
Infrastructure / distribution and collections systems	343,977,644	359,802,215	1,015,388,280	1,009,947,461	1,359,365,924	1,369,749,676
Intangible right-to-use - leases	14,422,943	15,610,400	142,626	623,104	14,565,569	16,233,504
Intangible right-to-use - SBITAs	21,731,472	19,631,864	280,629	353,709	22,012,101	19,985,573
Construction in progress	421,058,371	377,494,489	411,681,242	374,520,764	832,739,613	752,015,253
Water rights			52,347,426	52,347,426	52,347,426	52,347,426
Total	\$2,197,203,206	\$ 2,160,684,899	\$1,685,234,516	\$ 1,639,800,183	\$3,882,437,722	\$ 3,800,485,082

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 \$36.5 million from fiscal year 2022.

- Land represents 38.0% of capital assets and had a net increase of \$2.7 million from fiscal year 2022. This increase is due to land additions.
- Buildings and Improvements represent 19.8% of capital assets and had a net decrease of \$11.4 million from fiscal year 2022. The change represents normal depreciation of \$25.8 million netted against additions and sales.
- Construction in Progress represents 19.2% of capital assets, which increased by \$43.6 million. This increase is due to the capitalization of assets in the amount of \$53.5 million offset by new capital project costs of \$97.1 million.
- Intangible right-to-use assets for Leases and SBITAs in the amount of \$36.2 million are included in the City's capital assets. The City adopted Statement No. 96, subscription-based information technology arrangements (SBITAs) as

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

required by GASB. The objective of this statement is to enhance the relevance and consistency of information about the City's technology costs and investment activities.

Business-type activities assets represent 43.4% of the City's capital assets. Business-type activities had a net increase of \$45.4 million in capital assets during the fiscal year.

- Infrastructure represents 61.6% 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 \$5.4 million, with depreciation of \$33.6 million offset by additions to the system of \$39.0 million.
- Construction in Progress represents 24.4% of capital assets, which increased by \$37.2 million. This increase is mainly due to the capitalization of assets in the amount of \$59.7 million offset by new capital projects costs of \$96.8 million.
- Intangible right to use for Leases and SBITAs in the amount of \$0.1 million are included in the City's capital assets. The City adopted Statement No. 96, subscription-based information technology arrangements (SBITAs) as required by GASB. The objective of this statement is to enhance the relevance and consistency of information about the City's technology costs and investment activities.

Long-term Debt and Liabilities. Figure 6 illustrates the City's debt as of June 30, 2023, and 2022. Additional information regarding long-term debt can be found in Note 7.

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation debt	\$81,625,000	\$ 110,905,000	\$	\$	\$ 81,625,000	\$ 110,905,000
Certificates of participation	713,219,430	752,612,864	6,030,571	\$ 7,052,138	719,250,001	759,665,002
Clean renewable energy bonds	2,180,000	3,025,000			2,180,000	3,025,000
Leases	14,552,041	9,842,587	116,030	605,797	14,668,071	10,448,384
SBITAs	16,313,154		176,087		16,489,241	
Water revenue bonds			320,775,000	359,110,000	320,775,000	359,110,000
Unamortized amount on premiums and discounts	12,332,942	15,156,734	34,108,137	39,303,417	46,441,079	54,460,151
Loans from direct borrowings			18,611,382	22,282,060	18,611,382	22,282,060
Landfill closure/post closure			47,670,703	43,407,321	47,670,703	43,407,321
Remediation	1,224,585	1,299,881	3,328,467	8,228,723	4,553,052	9,528,604
Contracts payable	6,889,858	8,692,110	12,155	59,647	6,902,013	8,751,757
Other long-term debt	5,530,000	5,815,000		173,325	5,530,000	5,988,325
Other post-employment benefits	148,886,892	161,074,287	26,720,367	26,862,076	175,607,259	187,936,363
Pension	1,452,758,512	1,281,684,190	93,755,475	95,203,276	1,546,513,987	1,376,887,466
Compensated absences	39,484,720	43,727,099	7,236,951	8,127,079	46,721,671	51,854,178
Claims and judgments	57,599,061	53,603,168			57,599,061	53,603,168
Claims payable - health insurance	5,110,000	5,533,000			5,110,000	5,533,000
Total	\$2,557,706,195	\$2,452,970,920	\$558,541,325	\$610,414,859	\$3,116,247,520	\$3,063,385,779

Outstanding debt for the City totaled \$3.1 billion with 82.1% attributed to governmental activities and the remaining 17.9% attributed to business-type activities

Governmental activities long term-debt and liabilities had a increase of \$104.7 million from fiscal year 2022.

- Pension represents 56.8% of long-term debt and liabilities and had a increase of \$171.1 million from fiscal year 2022. This increase is due to the market wage increase approved by the City in 2020 as well as annual wage increases and other related initiatives.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

- Certificates of Participation represent 27.9% of long-term debt and liabilities and had a decrease of \$39.4 million.
- Leases and SBITAs are new long-term liability category added this fiscal year to the City's outstanding obligations in the amount of \$30.9 million. The City adopted Statement No. 97, SBITAs as required by GASB. The objective of this statement is to recognize the right-to-use subscription assets and liabilities.

Business-type long term-debt and liabilities had a decrease of \$51.9 million from fiscal year 2022.

Bond Ratings

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

Bond Ratings Figure 7						
Type of Bond:	Moody		Standard and Poor's		Fitch	
	2023	2022	2023	2022	2023	2022
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: <https://www.tucsonaz.gov/Departments/Business-Services-Department/Accounting-and-Finance>.



BASIC FINANCIAL STATEMENTS



CITY OF
TUCSON

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City of Tucson, Arizona

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 649,283,794	\$ 138,949,093	\$ 788,232,887
Cash & investments - restricted		16,652,437	16,652,437
Cash & investments with fiscal agent - restricted	690,310,609	47,414,844	737,725,453
Taxes receivable, net	36,205,896		36,205,896
Accounts receivable, net	14,379,710	29,503,233	43,882,943
Lease receivable	5,527,145	1,440,516	6,967,661
Internal balances	4,299,257	(4,299,257)	
Due from other agencies	154,656,930	2,048,495	156,705,425
Interest receivable	72,587	5,895	78,482
Inventories	10,132,651	7,415,605	17,548,256
Other assets	8,638,924	1,216,230	9,855,154
Total current assets	1,573,507,503	240,347,091	1,813,854,594
Noncurrent assets			
Long-term notes receivable	71,204,608	118,562,377	189,766,985
Long-term investments	57,418,462		57,418,462
Land & construction in progress	1,256,968,337	487,894,918	1,744,863,255
Other capital assets, net	940,234,869	1,144,992,172	2,085,227,041
Water rights		52,347,426	52,347,426
Total non-current assets	2,325,826,276	1,803,796,893	4,129,623,169
Total assets	3,899,333,779	2,044,143,984	5,943,477,763
Deferred outflows of resources			
Deferred charges on refunding	4,095,945	7,745,198	11,841,143
Pension & other post-employment benefits plans (OPEB)	360,335,880	54,749,186	415,085,066
Total deferred outflows of resources	364,431,825	62,494,384	426,926,209
Liabilities			
Current liabilities			
Accounts payable	54,122,063	15,988,960	70,111,023
Accrued payroll liabilities	23,327,827	3,123,142	26,450,969
Accrued interest payable	288,989	797	289,786
Due to other agencies	2,584,468	2,840,282	5,424,750
Refundable deposits	2,359,376	1,927,017	4,286,393
Customer advances		160,996	160,996
Advances from grantors	104,699,722		104,699,722
Liabilities payable from restricted assets	31,504,175	52,595,925	84,100,100
Current portion of long-term liabilities	104,347,553	43,055,404	147,402,957
Total current liabilities	323,234,173	119,692,523	442,926,696

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Net Position (Continued)
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Long-term liabilities	2,453,358,642	515,485,921	2,968,844,563
Total non-current liabilities	2,453,358,642	515,485,921	2,968,844,563
Total liabilities	2,776,592,815	635,178,444	3,411,771,259
Deferred inflows of resources			
Deferred revenues	18,213,954	118,576,851	136,790,805
Leases	5,268,267	1,431,484	6,699,751
Pension & other post-employment benefits plans (OPEB)	92,134,573	25,596,281	117,730,854
Total deferred inflows or resources	115,616,794	145,604,616	261,221,410
Net Position			
Net investment in capital assets	1,923,389,438	1,268,516,463	3,191,905,901
Restricted for			
Debt service	4,862,137	47,414,843	52,276,980
Capital projects	180,808,279		180,808,279
Public safety	31,791,046		31,791,046
Transportation	200,322,936		200,322,936
Grants and entitlements	32,627,309		32,627,309
Self-insurance mandates	7,481,112		7,481,112
Unrestricted	(1,009,726,262)	9,924,002	(999,802,260)
Total Net Position	\$ 1,371,555,995	\$1,325,855,308	\$2,697,411,303

See Notes to Financial Statements

City of Tucson, Arizona

Statement of Activities

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			
		Charges for	Operating	Capital	Total
		Services	Grants and	Grants and	Program
			Contributions	Contributions	Revenues
Governmental activities:					
Elected and official	\$ 31,268,809	\$ 277,323	\$ 3,898,847	\$	\$ 4,176,170
Public safety and justice services	409,692,709	23,792,777	26,200,672		49,993,449
Community enrichment and development	365,769,344	56,523,754	158,933,622	53,898,220	269,355,596
Support services	117,702,706	30,452,173	1,351,465		31,803,638
General government	48,777,319	29,763,926	6,709,523		36,473,449
Interest on long-term debt	23,028,238				
Total governmental activities	996,239,125	140,809,953	197,094,129	53,898,220	391,802,302
Business-type activities					
Public housing	21,147,023	6,707,042	8,798,651	31,349	15,537,042
Non-PHA asset management	3,481,832	1,893,789	247,341		2,141,130
Environmental services	56,679,994	59,072,853	198,992	131,036	59,402,881
Tucson golf	10,667,808	10,497,811			10,497,811
Water utility	194,085,594	240,010,658	747,298	2,184,715	242,942,671
Total business-type activities	286,062,251	318,182,153	9,992,282	2,347,100	330,521,535
Total primary government	\$ 1,282,301,376	\$ 458,992,106	\$ 207,086,411	\$ 56,245,320	\$ 722,323,837

General Revenues:

Taxes:

Property taxes

Business privilege

Public utility

Transient occupancy tax

Unrestricted grants and contributions

Investment Income (loss)

Miscellaneous

Transfers

Total general revenues and transfers

Changes in Net Position

Net Position - Beginning

Net Position - End of Year

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Activities (Continued)
Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (27,092,639)	\$	\$ (27,092,639)
(359,699,260)		(359,699,260)
(96,413,748)		(96,413,748)
(85,899,068)		(85,899,068)
(12,303,870)		(12,303,870)
(23,028,238)		(23,028,238)
(604,436,823)		(604,436,823)
	(5,609,981)	(5,609,981)
	(1,340,702)	(1,340,702)
	2,722,887	2,722,887
	(169,997)	(169,997)
	48,857,077	48,857,077
	44,459,284	44,459,284
(604,436,823)	44,459,284	(559,977,539)
58,849,956		58,849,956
411,190,473		411,190,473
27,189,785		27,189,785
22,692,767		22,692,767
219,098,472		219,098,472
63,805,541	4,098,313	67,903,854
10,214,495	7,164,865	17,379,360
6,068,957	(6,068,957)	
819,110,446	5,194,221	824,304,667
214,673,623	49,653,505	264,327,128
1,156,882,372	1,276,201,803	2,433,084,175
\$ 1,371,555,995	\$ 1,325,855,308	\$ 2,697,411,303

See Notes to Financial Statements

City of Tucson, Arizona

Balance Sheet

June 30, 2023

	General Fund	Special Revenue Funds			Total	Total
		Mass	Disaster	Section 115	Non-Major	Total
		Transit	Relief	Pension Trust	Governmental	Governmental
					Funds	Funds
Assets						
Cash and cash equivalents	\$ 89,635,102	\$ 5,487	\$ 106,892,065	\$	\$ 400,929,534	\$ 597,462,188
Cash & investments with fiscal agent - restricted	105,862,323	52,408		552,513,217	31,521,276	689,949,224
Taxes receivable, net	25,186,028				11,019,868	36,205,896
Accounts receivable, net	39,675,010	49,738	137		3,099,673	42,824,558
Notes & loans receivable	1,180,913				41,525,144	42,706,057
Interfund receivables	87,231,651				36,041	87,267,692
Due from other agencies	47,426,464	20,470,456			44,085,682	111,982,602
Grants & entitlements receivable		13,210,289			29,464,040	42,674,329
Interest receivable	33,996		1,267		36,864	72,127
Lease receivable	4,739,568	342,416			445,161	5,527,145
Inventories	4,093,702	3,703,143			2,335,806	10,132,651
Interfund loans receivable	173,325					173,325
Long-term investments	13,698,146					13,698,146
Other assets	1,791,730	11,558			1,918,531	3,721,819
Total assets	\$420,727,958	\$ 37,845,495	\$106,893,469	\$552,513,217	\$566,417,620	\$1,684,397,759
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ 15,001,159	\$ 10,102,927	\$ 958,096	\$	\$ 26,736,773	\$ 52,798,955
Accrued payroll liabilities	20,253,714	868,498	47,372		2,043,517	23,213,101
Interfund payable	2,199,693	21,565,226			58,394,557	82,159,476
Due to other agencies	2,301,813	1,434	1,760		465,489	2,770,496
Refundable deposits	1,970,200	7,744			290,834	2,268,778
Matured bonds & interest payable					31,504,176	31,504,176
Advances from grantors			104,699,722		3,725,025	108,424,747
Total liabilities	41,726,579	32,545,829	105,706,950		123,160,371	303,139,729
Deferred inflows of resources						
Deferred revenues	30,795,624				39,242,003	70,037,627
Unavailable revenue-leases	4,538,215	330,676			399,376	5,268,267
Total deferred inflows of resources	35,333,839	330,676			39,641,379	75,305,894

See Notes to Financial Statements

City of Tucson, Arizona

Balance Sheet (Continued)

June 30, 2023

	Special Revenue Funds				Total	
	General Fund	Mass	Disaster	Section 115	Non-Major	Total
		Transit	Relief	Pension Trust	Governmental	Governmental
					Funds	Funds
Fund balances						
Nonspendable	8,966,255	3,714,701			3,254,337	15,935,293
Restricted	3,897,098			552,513,217	400,295,278	956,705,593
Committed	81,723,026	36,677			76,472	81,836,175
Assigned	137,725,807	1,217,612	1,186,519		227,835	140,357,773
Unassigned	111,355,354				(238,052)	111,117,302
Total fund balances	343,667,540	4,968,990	1,186,519	552,513,217	403,615,870	1,305,952,136
Total liabilities, deferred inflows and fund balances	<u>\$ 420,727,958</u>	<u>\$ 37,845,495</u>	<u>\$ 106,893,469</u>	<u>\$ 552,513,217</u>	<u>\$ 566,417,620</u>	<u>\$ 1,684,397,759</u>

See Notes to Financial Statements

City of Tucson, Arizona
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position
June 30, 2023

Fund balances of governmental funds \$ 1,305,952,136

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 1,256,938,095

Capital Assets, net of depreciation and amortization 940,011,648

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 4,095,944

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 (93,957,942)

Leases and SBITAs (30,682,524)

Clean Energy Bonds (2,180,000)

Contracts payable (COPS) (713,219,430)

Compensated absences (39,484,720)

Other long-term debt (12,419,857)

Some other assets are not financial resources and therefore, are not reported in the governmental funds. 2,103,715

Unavailable revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements. 55,548,698

The internal service fund is used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position. 32,294,330

Pension 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 related items included in governmental activities (excluding internal service funds) consist of:

Total OPEB liability and related deferred inflows and outflows (163,394,692)

Net pension liability and related deferred inflows and outflows (1,170,049,406)

Net Position of Governmental Activities \$ 1,371,555,995

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City of Tucson, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2023

	General Fund	Special Revenue Funds			Non-Major Governmental Funds	Total Governmental Funds
		Mass Transit	Disaster Relief Fund	Section 115 Pension Trust		
Revenues						
Taxes	\$ 383,071,962	\$	\$	\$	\$ 129,999,436	\$ 513,071,398
Licenses and permits	29,639,799				1,464,565	31,104,364
Fines and forfeitures	5,558,673	26			634,530	6,193,229
Developer fees					12,794,087	12,794,087
Use of money and property	3,874,388	392,476	1,186,518	52,014,607	5,731,511	63,199,500
Federal grants and contributions	2,922,219	13,271,143	13,017,475		92,360,375	121,571,212
Other agencies	224,025,111	17,977,851			107,651,903	349,654,865
Charges for services	65,292,729	4,759,112			20,666,435	90,718,276
Contributions from outside sources	2,062,781				1,320,345	3,383,126
Miscellaneous	7,178,598	1,973,832			1,684,646	10,837,076
Total revenues	<u>723,626,260</u>	<u>38,374,440</u>	<u>14,203,993</u>	<u>52,014,607</u>	<u>374,307,833</u>	<u>1,202,527,133</u>
Expenditures						
Current:						
Elected and official	27,032,035		2,148,132		873,987	30,054,154
Public safety and justice services	312,804,924			36,233,638	19,175,638	368,214,200
Community enrichment and development	52,861,449	88,209,990	2,176,075		166,832,247	310,079,761
Support services	108,143,724	87,377	889,657		1,742,865	110,863,623
General government	54,527,671		5,939,537		1,804,890	62,272,098
Capital outlay	16,827,919	6,014,677	1,005,794		18,013,357	41,861,747
Capital projects	2,030,831	262,819	858,279		75,953,194	79,105,123
Debt service:						
Principal	42,928,708				33,068,245	75,996,953
Interest	19,219,408				5,376,852	24,596,260
Fiscal agent fees	29,500				9,200	38,700
Total expenditures	<u>636,406,169</u>	<u>94,574,863</u>	<u>13,017,474</u>	<u>36,233,638</u>	<u>322,850,475</u>	<u>1,103,082,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,220,091</u>	<u>(56,200,423)</u>	<u>1,186,519</u>	<u>15,780,969</u>	<u>51,457,358</u>	<u>99,444,514</u>
Other financing sources (uses):						
Transfers in	2,060,680	55,424,411			9,094,710	66,579,801
Transfers out	(73,929,600)	(4,050)			(2,625,093)	(76,558,743)
Total other financing sources (uses)	<u>(71,868,920)</u>	<u>55,420,361</u>			<u>6,469,617</u>	<u>(9,978,942)</u>
Net change in fund balances	15,351,171	(780,062)	1,186,519	15,780,969	57,926,975	89,465,572
Fund balances, beginning of year	<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>
Fund balances, end of year	<u>\$ 343,667,540</u>	<u>\$ 4,968,990</u>	<u>\$ 1,186,519</u>	<u>\$552,513,217</u>	<u>\$ 403,615,870</u>	<u>\$ 1,305,952,136</u>

See Notes to Financial Statements

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 89,465,572
Governmental funds include capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
Capital outlay reported as expenditures	\$ 120,966,868
Depreciation Expense	<u>(84,323,243)</u>
	36,643,625
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.	(1,839,386)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments:	
	75,996,952
Expense in the statement of activities that do not use current financial resources are not reported as expenditures in the funds.	
Changes in compensated absences liability	4,242,379
Change in OPEB liability and related deferred inflows and outflows	5,405,808
Change in pension liability and related deferred inflows and outflows	(11,199,381)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported within governmental activities.	
	<u>15,958,054</u>
Change in Net Position of Governmental Activities	<u><u>\$ 214,673,623</u></u>

City of Tucson, Arizona

Statement of Net Position

June 30, 2023

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets						
Cash and cash equivalents	\$ 56,267,210	\$ 79,779,912	\$ 2,895,008	\$ 6,963	\$ 138,949,093	\$ 51,821,595
Cash & investments - restricted		16,652,437			16,652,437	
Cash & investments with fiscal agent - restricted		47,414,844			47,414,844	361,384
Accounts receivable, net	3,609,225	23,941,167	641,006	1,311,835	29,503,233	53,702
Interfund receivable			35,298	18,755	54,053	
Due from other agencies	105,314		1,943,181		2,048,495	
Interest receivable	750	5,145			5,895	460
Lease receivable		1,440,516			1,440,516	
Inventories	11,382	7,034,155		370,068	7,415,605	
Other assets		1,163,486		52,744	1,216,230	2,710,437
Total current assets	59,993,881	177,431,662	5,514,493	1,760,365	244,700,401	54,947,578
Noncurrent assets						
Long-term investments						43,720,316
Long-term notes receivable			118,144,615	417,762	118,562,377	
Land & construction in progress	21,518,467	451,186,613	8,395,006	6,794,832	487,894,918	30,242
Other capital assets, net	36,373,799	1,081,288,450	11,661,351	15,668,572	1,144,992,172	223,221
Water rights		52,347,426			52,347,426	
Total noncurrent assets	57,892,266	1,584,822,489	138,200,972	22,881,166	1,803,796,893	43,973,779
Total assets	117,886,147	1,762,254,151	143,715,465	24,641,531	2,048,497,294	98,921,357
Deferred outflows or resources						
Deferred charges on refunding	576,717	7,168,481			7,745,198	
Related to OPEB	178,013	530,083			708,096	
Related to pension	12,911,749	36,627,624	3,969,696	532,021	54,041,090	
Total deferred outflows of resources	13,666,479	44,326,188	3,969,696	532,021	62,494,384	
Current liabilities						
Accounts payable	4,203,493	11,019,730	575,533	190,204	15,988,960	1,330,726
Accrued payroll liabilities	857,207	2,042,373	188,189	35,373	3,123,142	114,712
Accrued interest payable			313	484	797	
Interfund payables			2,767,937	2,394,332	5,162,269	
Interfund loan payable				173,325	173,325	
Due to other agencies	114	2,596,932	151,007	92,229	2,840,282	
Refundable deposits	172,038	999,636	453,454	301,889	1,927,017	82,988
Liabilities payable from restricted assets		52,595,925			52,595,925	
Customer advances				160,996	160,996	
Current portion of bonds payable		38,585,566			38,585,566	
Current portion of contracts payable	984,617			12,155	996,772	
Current portion of claims payable						22,261,717
Current portion of remediation obligations						263,600
Current portion of compensated absences	618,112	1,490,809	60,888	13,233	2,183,042	
Current portion of lease and SBITAs	57,100		176,087	58,930	292,117	91,539
Current portion of landfill liabilities	997,907				997,907	
Total current liabilities	7,890,588	109,330,971	4,373,408	3,433,150	125,028,117	24,145,282

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Net Position (Continued)
June 30, 2023

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
Noncurrent liabilities						
Bonds payable, net of current portion		334,212,866			334,212,866	
Contracts payable, net of current portion	5,742,041				5,742,041	
Claims payable, net of current portion						40,447,344
Remediation obligations, net of current portion	3,328,467				3,328,467	960,985
Compensated absences, net of current portion	1,430,977	3,451,338	140,959	30,635	5,053,909	
Leases and SBITAs, net of current portion						91,132
Landfill closure and post closure liabilities, net of current portion	46,672,796				46,672,796	
Net pension liability	22,400,494	63,544,982	6,886,999	923,000	93,755,475	
Net OPEB liability	6,717,411	20,002,956			26,720,367	
Total non-current liabilities	86,292,186	421,212,142	7,027,958	953,635	515,485,921	41,499,461
Total liabilities	94,182,774	530,543,113	11,401,366	4,386,785	640,514,038	65,644,743
Deferred inflows of resources						
Deferred revenues		119,504	118,273,474	183,873	118,576,851	
Leases		1,431,484			1,431,484	
Related to pensions	5,331,894	15,125,342	1,639,282	219,698	22,316,216	
Related to OPEB	824,597	2,455,468			3,280,065	
Total inflows outflows of resources	6,156,491	19,131,798	119,912,756	403,571	145,604,616	
Net Position						
Net investment in capital assets	51,685,225	1,174,382,562	20,056,357	22,392,319	1,268,516,463	253,463
Restricted for debt service		47,414,843			47,414,843	
Restricted for self insurance mandates						8,463,396
Unrestricted	(20,471,864)	35,108,023	(3,685,318)	(2,009,123)	8,941,718	24,559,755
Total net position	31,213,361	1,256,905,428	16,371,039	20,383,196	1,324,873,024	\$ 33,276,614
Reconciliation to government-wide statement of Net Position. Adjustment to consolidate internal service activities	28,357	953,927			982,284	
Total net position - business type	\$ 31,241,718	\$ 1,257,859,355	\$ 16,371,039	\$ 20,383,196	\$ 1,325,855,308	

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 59,072,853	\$ 240,010,658	\$ 6,707,042	\$ 12,391,600	\$ 318,182,153	\$ 88,499,746
Federal grants and contributions			8,798,651	247,341	9,045,992	
Other agencies						3,920,401
Miscellaneous	813,725	5,290,061	264,422	199,515	6,567,723	925,994
Total operating revenues	59,886,578	245,300,719	15,770,115	12,838,456	333,795,868	93,346,141
Operating expenses						
Salaries, wages, and benefits	16,957,215	39,706,558	6,037,935	901,803	63,603,511	3,484,914
Contractual services	27,051,946	90,830,872	12,051,848	9,410,955	139,345,621	20,259,441
Commodities	4,584,770	10,075,353	1,607,032	1,573,040	17,840,195	52,990
Cost of goods sold				873,742	873,742	
Benefits and claims						74,875,599
Depreciation	7,534,623	40,960,732	1,449,887	1,387,358	51,332,600	99,757
Total operating expenses	56,128,554	181,573,515	21,146,702	14,146,898	272,995,669	98,772,701
Operating income (loss)	3,758,024	63,727,204	(5,376,587)	(1,308,442)	60,800,199	(5,426,560)
Non-operating revenues (expenses)						
Property taxes						3,972,721
Investment income (loss)	768,200	3,303,495	43,732	(17,114)	4,098,313	606,036
Gain (loss) on sale of property equipment	604,845	24,671	(32,374)		597,142	
Other - grants and contributions	198,992	747,298			946,290	
Interest expense	(288,149)	(11,680,581)	(321)	(2,742)	(11,971,793)	
Fiscal agent fees		(336,831)			(336,831)	
Total non-operating revenues (expenses)	1,283,888	(7,941,948)	11,037	(19,856)	(6,666,879)	4,578,757
Income before transfers and capital contributions	5,041,912	55,785,256	(5,365,550)	(1,328,298)	54,133,320	(847,803)
Other financing sources (uses)						
Transfers in			5,248		5,248	16,058,739
Transfers out	(1,288,390)	(4,506,827)	(235,968)	(43,020)	(6,074,205)	(10,840)
Capital contributions	131,036	2,184,715	31,349		2,347,100	
Total other financing sources (uses)	(1,157,354)	(2,322,112)	(199,371)	(43,020)	(3,721,857)	16,047,899
Changes in net position	3,884,558	53,463,144	(5,564,921)	(1,371,318)	50,411,463	15,200,096
Net position at beginning of year	27,328,803	1,203,442,284	21,935,960	21,754,514	1,274,461,561	18,076,518
Net position at end of year	\$ 31,213,361	\$ 1,256,905,428	\$ 16,371,039	\$ 20,383,196	\$ 1,324,873,024	\$ 33,276,614
Reconciliation to government-wide Statement of Activities						
Changes in net position	\$ 3,884,558	\$ 53,463,144	\$ (5,564,921)	\$ (1,371,318)	\$ 50,411,463	
Adjustment to consolidate internal service activities	\$ (263,291)	\$ (494,667)	\$	\$	\$ (757,958)	
Changes in net position - business-type activities	\$ 3,621,267	\$ 52,968,477	\$ (5,564,921)	\$ (1,371,318)	\$ 49,653,505	

See Notes to Financial Statements

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City of Tucson, Arizona
Statement of Cash Flows
For the Year Ended June 30, 2023

	Business-type Activities					Governmental Activities
	Environmental		Public		Non-Major	Internal Service Funds
	Services	Water Utility	Housing	Enterprise Funds	Total	
Cash flows from operating activities:						
Cash received from customers	\$ 58,584,654	\$251,189,959	\$ 6,762,340	\$ 12,059,717	\$328,596,670	\$ 93,306,617
Cash payments to suppliers for goods and services	(28,929,878)	(100,942,660)	(13,036,213)	(12,161,229)	(155,069,980)	(22,689,753)
Cash payments to employees for services	(18,740,951)	(44,365,398)	(6,441,960)	(468,841)	(70,017,150)	(3,548,788)
Subsidy from federal grant			6,820,172	247,341	7,067,513	
Other operating revenues	757,552	(9,875)			747,677	
Cash payments to claimants						(71,302,705)
Cash flows provided (used) by operating activities	11,671,377	105,872,026	(5,895,661)	(323,012)	111,324,730	(4,234,629)
Cash flows from noncapital financing activities:						
Property taxes						3,972,721
Interfund activity	(1,288,390)	(4,506,827)	(230,720)	1,312,474	(4,713,463)	16,047,899
Subsidy from federal grant	212,116	747,298			959,414	
Cash flows provided (used) by noncapital financing activities	(1,076,274)	(3,759,529)	(230,720)	1,312,474	(3,754,049)	20,020,620
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(13,354,504)	(83,307,494)	(354,030)		(97,016,028)	
Principal paid on capital debt	(1,078,160)	(40,854,105)		(1,000,639)	(42,932,904)	
Interest paid on capital debt	(309,163)	(15,300,558)		(5,849)	(15,615,570)	
Fiscal agent fees paid on capital debt		(336,831)			(336,831)	
Capital contributions - system equity fee		2,184,715			2,184,715	
Proceeds from sale of assets/equipment	604,845	50,173			655,018	
Cash flows used by capital and related financing activities	(14,136,982)	(137,564,100)	(354,030)	(1,006,488)	(153,061,600)	
Cash flows from investing activities:						
Interest on investments	847,338	3,494,883	58,295	22,493	4,423,009	2,607,065
Purchase of investments						(23,168,029)
Cash flows provided by investing activities	847,338	3,494,883	58,295	22,493	4,423,009	(20,560,964)
Net increase in cash and cash equivalents	(2,694,541)	(31,956,720)	(6,422,116)	5,467	(41,067,910)	(4,774,973)
Cash and cash equivalents at beginning of year	58,961,751	175,803,913	9,317,124	1,496	244,084,284	56,957,952
Cash and cash equivalents at end of year	\$ 56,267,210	\$143,847,193	\$ 2,895,008	\$ 6,963	\$203,016,374	\$ 52,182,979

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2023

	Business-type Activities					Governmental Activities
	Non-Major				Internal	
	Environmental	Public	Enterprise		Service	
	Services	Water Utility	Housing	Funds	Total	Funds
Reconciliation of operating income (loss) to cash flows provided by (used for) operating activities:						
Operating income (loss)	\$ 3,758,024	\$ 63,727,204	\$ (5,376,587)	\$ (1,308,442)	\$ 60,800,199	\$ (5,426,560)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	7,534,623	40,960,732	1,449,887	1,387,358	51,332,600	99,757
Provision for landfill closure	(636,875)				(636,875)	
Other adjustments:						
Decrease (increase) in assets / deferred outflows of resources:						
Accounts receivable	(277,715)	6,165,603	(7,656,813)	(502,823)	(2,271,748)	(332)
Inventory & prepaids	(11,382)	(1,444,056)		(50,866)	(1,506,304)	
Due from other agencies	(105,314)		(1,978,479)		(2,083,793)	
Other assets		1,204,975		(11,216)	1,193,759	(2,523,972)
Deferred outflows related to OPEB	845,985	2,040,400			2,886,385	
Deferred outflows related to pensions	(466,609)	(406,798)	(255,921)	(200,069)	(1,329,397)	
Increase (decrease) in liabilities / deferred inflows of resources:						
Accounts payable	3,185,842	(1,742,715)	67,660	(254,387)	1,256,400	39,212
Accrued payroll liabilities	351,820	316,512	(107)	(80,877)	587,348	(63,874)
Accrued compensated absences	279,293	(862,186)	(311,434)	350,847	(543,480)	
Due to other agencies	114	2,257,108	65,743	12,977	2,335,942	
Customer/refundable deposits	7,835	(397,894)	18,485	(28,575)	(400,149)	(39,129)
Interfund payable			313,177		313,177	
Deferred revenues			7,429,204		7,429,204	
Claims and judgments payable						3,572,894
Remediation obligation						(75,296)
Other operating liabilities		1,128	176,087		177,215	182,671
Net pension liability	(76,836)	(1,873,927)	179,504	323,458	(1,447,801)	
Net OPEB liability	(1,064,014)	922,305			(141,709)	
Deferred inflows related to leases		(200,825)			(200,825)	
Deferred Inflows related to OPEB	(233,414)	(269,902)			(503,316)	
Deferred inflows related to pensions	(1,420,000)	(4,525,638)	(16,067)	39,603	(5,922,102)	
Net cash provided (used) by operating activities	<u>\$ 11,671,377</u>	<u>\$105,872,026</u>	<u>\$ (5,895,661)</u>	<u>\$ (323,012)</u>	<u>\$111,324,730</u>	<u>\$ (4,234,629)</u>
Non-cash investing, capital, and financing activities:						
Contributions of capital assets	\$	\$ 40,360	\$	\$	\$ 40,360	\$
Total non-cash investing, capital, and financing activities	<u>\$</u>	<u>\$ 40,360</u>	<u>\$</u>	<u>\$</u>	<u>\$ 40,360</u>	<u>\$</u>

See Notes to Financial Statements

City of Tucson, Arizona
Statement of Fiduciary Net Position
June 30, 2023

	Pension Trust	Custodial Funds
Assets		
Cash and cash equivalents	\$ 1,116,422	\$ 3,771,534
Accounts receivable, net	1,837	9,857,236
Short-term investments	44,540,618	
Securities lending cash collateral	3,878,049	
U.S. treasuries, agencies & other governmental bonds	22,047,772	
US corporate bonds and other fixed income instruments	167,902,677	
U.S. equity & comingled equity funds	304,767,129	
International equity & comingled equity funds	207,614,868	
Real estate & comingled real estate funds	111,241,002	
Infrastructure investment funds	47,628,643	
Prepaid expenses	33,086	
Total assets	910,772,103	13,628,770
Liabilities		
Accounts payable	460,759	27,669
Accrued payroll liability	22,004	
Due to other agencies		11,283,957
Other liabilities		64,099
Due to securities borrowers	3,878,049	
Total liabilities	4,360,812	11,375,725
Fiduciary net position		
Restricted for:		
Pensions	906,411,291	
Other agencies		2,253,045
Total fiduciary net position	\$ 906,411,291	\$ 2,253,045

City of Tucson, Arizona
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Pension Trust	Custodial Funds
Additions		
Employer contributions	\$ 42,973,836	\$
Employee contributions	9,226,746	
Cash collected for other governments		118,174,966
Collections from IGAs		1,168,705
Fees billed for other governments		146,401,998
Investment earnings:		
Net increase (decrease) in fair value of investments	67,298,677	
Interest, dividends and other income	12,207,394	4,778
Securities lending income, net	71,368	
Less: Investment activity expense	(4,403,380)	
Net investment earnings	75,174,059	4,778
Miscellaneous		2,455
Total additions	127,374,641	265,752,902
Deductions		
Cash distributions to other governments		145,590,303
Fees paid for by customers for other governments		118,174,966
Payments to participants	81,559,407	
Refunds and transfers to other plans	1,721,339	
Assets distributed to other agencies		204,190
Administrative expense	746,642	1,197,230
Total deductions	84,027,388	265,166,689
Changes in net position	43,347,253	586,213
Net position		
Beginning Fiduciary Net Position	863,064,038	1,666,832
Ending Fiduciary Net Position	\$ 906,411,291	\$ 2,253,045

Notes to Basic
Financial Statements
June 30, 2023
City of Tucson, Arizona

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, 2023, the City implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The objective of this statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITA; (b) improving the comparability of financial statements among governments that have entered into SBITA; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard.

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.

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, Other Agencies such as other cities and Pima County, Charges for Services from customers, and an investment from the General Fund for fiscal year 2023 of \$55,424,411.

Disaster Relief Fund - This fund includes federal funds from the Coronavirus Aid Relief "Cares Act" and the American Rescue Plan Act "ARPA" provided to City as a recipient of the economic relief. The Coronavirus Relief Fund was established, and the City received \$97 million to assist with its response to the COVID-19 virus. During FY 2023, City received a second tranche of \$67.9 million from the ARPA to continue the effort in response to pandemic impact. As of June 30, 2023, these funds report eligible expenses of \$13.0 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 \$552.5 million. The City plans to utilize the restricted fund balance and investment earnings for the PSPRS pension obligations.

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 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, 2012 General Obligation Streets Improvement, Capital Improvement, Development Fee, and the Regional Transportation Authority Funds.

2. Enterprise Funds

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

Major Funds:

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

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

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

Non-major Funds:

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

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

3. Internal Service 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 Medical Self-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). Unrestricted federal grants and contributions are reported as operating revenues in the Public Housing Fund as the revenues support the contractual services and principal ongoing operations of the fund. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. Water connection fees for

the Water Utility are established at an amount necessary to recover related costs and are recorded as capital contributions.

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

E. Reserve for Loss and Loss Adjustment Expenses

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

F. Budgetary Information

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

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

G. Cash and Cash Equivalents

For purposes of the statements of cash flows, which are prepared for the enterprise and internal service funds, the City considers all highly-liquid investments (including the funds' participation in the investment pool account and appropriate restricted assets) to be cash equivalents. Individual fund investments with an initial maturity of 12 months or less when purchased are considered to be cash equivalents.

H. Method used to Value Investments

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

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

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

I. Accounts/Notes Receivable

The Water Utility Funds' assets and revenues include \$13,258,135 for water sales delivered, but unbilled at June 30, 2023.

General Fund accounts receivables of \$39,675,010 are net of allowance for doubtful accounts of \$41,030. The Water Utility and Environmental Services accounts receivable of \$23,941,167 and \$3,609,225, respectively, are net of allowance for doubtful accounts of \$696,878 and \$242,248, 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, 2023, these loans, called forgivable loans, totaled \$4,804,102. Due to the infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

J. Inventories/Prepays

Inventories and prepaid items are reported using the consumption method. Inventories of the governmental and enterprise funds consist primarily of expendable supplies held for consumption. These inventories are maintained on a perpetual system and are primarily valued using the weighted-average cost method, which is not in excess of market. At the time inventories/prepays are consumed, expenditures are recorded in the governmental funds and expenses are recorded in the enterprise funds. In the governmental funds, a non-spendable fund balance account is established for

the inventory amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. A non-spendable fund balance account is established for prepaid items that are material.

K. Restricted Assets/Liabilities

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

L. Capital Assets

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

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimated useful lives for City assets are determined on a variety of methods that include engineering estimates, industry standards, 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.

	Estimated Useful Life (Years)
Buildings and Building Improvements	20 – 40
Improvements Other Than Buildings	10 – 40
Wells, Tanks and Improvements	40 – 100
Machinery and Equipment	3 – 20
Intangible Right-to-use 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, 2023.

N. Compensated Absences

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is probable that the City will compensate the

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

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

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 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 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 and Subscription-based information technology arrangements ("SBITAs")

Leases

As lessee, the City recognizes lease liabilities with an initial, individual value of \$100,000 or more. The City uses its own 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 to measure lease receivables.

Subscription-based information technology arrangements

The City recognizes subscription liabilities with an initial, individual value of \$100,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can

readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

Q. Deferred Outflows/Inflows of Resources

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

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

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

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

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, 2023, this fund is at ten percent (10%) of General Fund revenues, as strived in the City's comprehensive financial policies (Resolution No. 22319). These policies were first adopted in January 2011, by Mayor and Council, post the 2008-2009 Great Recession, with the goal to restore fund balance within five years of revenue stabilization. The Stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned fund balance is depleted.

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

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

Mayor and Council established a Community Banking Program on May 29, 2013. The City participates in a Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the country up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to the Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01 and allowed in the City's investment policy. The City now holds \$10.8 million of the Stabilization Fund in a two-year CDARS investment with Western Alliance Bank of Arizona.

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2023

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, 2023, the fund balance details by classification are as follows:

Fund Balance Classifications	General Fund	Mass Transit	Disaster Relief	Section 115 Pension Trust	Non-Major Governmental Funds	Total
Nonspendables:						
Items not in spendable form						
Inventory	\$ 4,093,702	\$ 3,703,143	\$	\$	\$ 2,335,806	\$ 10,132,651
Long-term investment	2,907,498					2,907,498
Interfund loan	173,325					173,325
Prepaid expenditures	1,791,730	11,558			918,531	2,721,819
Subtotal	8,966,255	3,714,701			3,254,337	15,935,293
Restricted:						
Crime prevention - investigation & education	3,603,036					3,603,036
Street, sidewalks, drainage & signage					134,969,152	134,969,152
Transportation/mass transit					64,059,721	64,059,721
Parks & recreation improvements					44,506,520	44,506,520
Zoo improvements & operations					39,086,413	39,086,413
Public safety pension obligations				552,513,217	170,088	552,683,305
Police/Fire equipment & improvements	294,062				99,317,461	99,611,523
Community enrichment & development					8,322,412	8,322,412
Green stormwater infrastructure					8,757,752	8,757,752
Affordable housing programs					238,395	238,395
Fuel reserves					757,074	757,074
Other contributions					110,290	110,290
Subtotal	3,897,098			552,513,217	400,295,278	956,705,593
Committed:						
Business development loans	646,753					646,753
Land annexation - Raytheon Buffer	2,111,970					2,111,970
Stabilization fund	72,362,626					72,362,626
Parks & recreation projects	830,020					830,020
Crime prevention - investigation & education	669,594					669,594
Litter clean-up	757,450					757,450
Housing trust fund	315,905					315,905
Zoo repairs & expansion	1,889,665					1,889,665
Economic initiatives	418,483					418,483
National service warranty program	836,684					836,684

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2023

Fund Balance Classifications	General Fund	Mass Transit	Disaster Relief	Section 115 Pension Trust	Non-Major Governmental Funds	Total
Energy stabilization fund	806,925					806,925
Miscellaneous commitments	76,951	36,677			76,472	190,100
Subtotal	81,723,026	36,677			76,472	81,836,175
Assigned:						
Management contingency	8,000,000		1,186,519			9,186,519
Parks & recreations	3,090,000					3,090,000
Imprest cash	520,442	1,217,612			227,835	1,965,889
City hall elevator	700,000					700,000
Climate action-investment plan	1,030,000					1,030,000
Records management	250,000					250,000
Operating contingency	2,600,000					2,600,000
VANS program	500,000					500,000
Zoo operating & maintenance	2,066,691					2,066,691
Asphalt repairs	300,000					300,000
Tucson House rehabilitation	5,000,000					5,000,000
Traffic safety programs	250,000					250,000
Case management	280,000					280,000
Election support	1,764,155					1,764,155
Workday support & training	2,000,000					2,000,000
Collector street program	8,000,000					8,000,000
Public safety (equipment, vehicles & apparatus)	35,355,149					35,355,149
Facilities maintenance program	2,060,000					2,060,000
Information technology	5,150,000					5,150,000
Plan Tucson	100,000					100,000
Transit capital	5,150,000					5,150,000
Code enforcement, abatement & demolition	381,300					381,300
Community safety, beautification & entryways	2,575,000					2,575,000
Art, history, heritage & culture	1,545,000					1,545,000
Non-public safety vehicle replacement	2,575,000					2,575,000
Proposition 407 support	22,431,610					22,431,610
Affordable housing	13,000,000					13,000,000
Business incentives	6,539,000					6,539,000
One-time supplemental budget	2,188,820					2,188,820
TCC - Rio Nuevo	888,640					888,640
Public safety, health & wellness	200,000					200,000
Pima County early education program	750,000					750,000
Depot plaza garage	285,000					285,000
Community outreach	200,000					200,000
Subtotal	137,725,807	1,217,612	1,186,519		227,835	140,357,773
Unassigned	111,355,354				(238,052)	111,117,302
Total Fund Balances	<u>\$ 343,667,540</u>	<u>\$ 4,968,990</u>	<u>\$ 1,186,519</u>	<u>\$ 552,513,217</u>	<u>\$ 403,615,870</u>	<u>\$ 1,305,952,136</u>

R. Interfund Transactions

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

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

S. Donor-Restricted Endowments

The City receives gifts and donations from individuals and/or organizations to support various City functions. The net appreciation of investments was \$20 and is included in the restricted net position. There are no state laws governing the expenditure of investment income for City donations.

T. Use of Estimates

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

Note 2 - PROPERTY TAX

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

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

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, 2023, the following funds had deficit fund balance:

Fund	Amount
Park Tucson	\$ (168,617)
Miscellaneous Housing Grants	(69,435)

The deficit in the Park Tucson Fund is due to continuing impact of the pandemic to the revenue collections. This deficit will be mitigated during fiscal year 2023/2024. The deficit in the Miscellaneous Housing Grants Fund is due to a slightly lower revenues than anticipated and will be mitigated during the next fiscal year.

Note 4 - DEPOSITS AND INVESTMENTS

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

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

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2023:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank deposits	\$ 826,714,011	\$ (33,593,168)	\$ 793,120,843
Investments	1,624,264,423	97,152,687	1,721,417,110
	<u>\$ 2,450,978,434</u>	<u>\$ 63,559,519</u>	<u>\$ 2,514,537,953</u>

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and cash equivalents	\$ 788,232,887	\$ 4,887,956	\$ 793,120,843
Noncurrent investments	57,418,462	909,620,758	967,039,220
Cash & investments with fiscal agent *	552,513,219		552,513,219
Cash & investments restricted	201,864,671		201,864,671
Total Investments	<u>\$ 1,600,029,239</u>	<u>\$ 914,508,714</u>	<u>\$ 2,514,537,953</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 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, 2023:

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	\$ 507,831,320	\$ 319,392,710	\$ 166,390,838	\$ 22,047,772
Corporate bonds & other fixed income instruments	384,172,961	87,162,306	276,972,635	20,038,020
U.S. equity & commingled equity funds	304,347,661	200,230,598	669,916	103,447,147
Non-U.S. issues not on securities loan:				
International equity & commingled equity funds	205,439,851	81,554,079		123,885,772
Subtotal	1,401,791,793	688,339,693	444,033,389	269,418,711
Investments held by broker-dealers under				
securities loans with cash collateral:				
U.S. Corporate bonds & other fixed income instruments	1,119,207		1,119,207	

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Investments	Fair Value	Level 1	Level 2	Level 3
U.S. equity	419,468	419,468		
International equity	2,175,017	2,175,017		
Subtotal	3,713,692	2,594,485	1,119,207	
Securities lending short-term collateral investment pool	3,878,049	2,716,209	1,161,840	
Money market funds/short-term investments	858,064,215	802,769,514	14,006,083	41,288,618
Real estate & commingled real estate funds	111,241,002			111,241,002
Infrastructure investment funds	47,628,643			47,628,643
Subtotal	1,020,811,909	805,485,723	15,167,923	200,158,263
Total deposits and investments	\$2,426,317,394	\$1,496,419,901	\$ 460,320,519	\$ 469,576,974

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

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

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

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

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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, 2023:

Investment Type	Holdings	Average Credit Rating ⁽¹⁾	Fair Value	Percent of Total
Cash & cash equivalents				
Wells Fargo large balance public institutional bank deposit account, S/T govt bonds, money market account	1	Aaa	\$ 81,973,216	11.11%
U.S. treasury notes	23	Aaa	275,311,010	37.30%
U.S. agency & municipal bonds	94	Aaa	163,483,340	22.15%
Negotiable certificates of deposit	15	Aa3	21,069,444	2.85%
U.S. corporate bonds	125	A1	196,320,046	26.60%
Total	258		\$ 738,157,056	100.01%

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

The City also maintains investments and cash funds in specific accounts outside of the investment pool account to meet certain operational and legal requirements which are reported as follows, at fair value net of accruals. As of June 30, 2023, these funds consisted of an investment account at Wells Fargo invested in overnight repurchases with a fair market value of \$53,293,895 and various other operational accounts totaling \$92,648,255. 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 \$10,754,083 in a two-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product during 2023.

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, 2023 of \$552,513,217. 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

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current market value; 2) The portfolio should maintain an average quality of a least Ba1/BB+; 3) Money market instruments must be rated in one of the two highest categories by a NRSRO; 4) The minimum rating of individual issues should be Caa2/CCC as rated by Moody's, Standard & Poors or Fitch; 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken. The passive fund is expected to replicate, as close as possible, the characteristics, quality and performance of its underlying index, the BC aggregate Bond Index.

The TSRS pension fund had the following credit risk structure as of June 30, 2023:

Investment Type	Holdings	Average Credit Rating ⁽¹⁾	Fair Value	Percent of Total
Cash				
Collective US Gov't STIF 15	1	NR	\$ 44,540,618	18.99%
U.S. agency & other governmental obligations				
BlackRock US Debt Fund	4	NR	22,047,772	9.40%
Corporate bonds & other fixed income				
		NR	121,174,717	51.68%
	2	C	680,965	0.29%
	37	B3-Ba1	20,392,075	8.70%
		Baa3-A1	21,613,692	9.22%
	4	Aa3-Aaa	4,041,228	1.72%
			<u>167,902,677</u>	<u>71.602%</u>
		Total	<u>\$234,491,067</u>	<u>100.00%</u>

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.

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The City's investment pool account had the following maturity structure as of June 30, 2023:

Investment Type	Fair Value	Percent of Total
<u>Cash & cash equivalents</u>		
Wells Fargo large balance public institutional bank deposit account, S/T gov't bonds, money market account	\$ 81,973,216	
	81,973,216	11.11%
<u>Less Than 1 Year</u>		
U.S. treasury notes	44,642,516	
U.S. agencies	6,718,392	
U.S. corporate bonds	10,891,431	
	62,252,339	8.43%
<u>Between 1 to 3 Years</u>		
U.S. treasury notes	230,668,494	
Negotiable certificates of deposit	21,069,444	
U.S. agencies	53,900,246	
U.S. corporate bonds	179,549,106	
	485,187,290	65.73%
<u>Between 3 to 5 Years</u>		
U.S. agencies	102,864,702	
U.S. corporate bonds	5,879,509	
	108,744,211	14.73%
Total	\$ 738,157,056	100.00%
Effective Duration: 1.81 Years		

The TSRS pension fund's investment policy regarding interest rate risk for the actively managed fixed income account, is to limit duration to within 30% of the custom benchmark which is defined as 25% BC Mortgage Index, 25% BC Credit index, 25% BC High Yield Index and 25% JPM EMBI Global Index. The passive fund should match, as close as possible, the maturity structure and duration of the BC Aggregate Bond Index. The TSRS fund had the following maturity structure as of June 30, 2023:

Investment Type	Investment Maturities (in Years)				Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Cash & short term investments	\$ 44,540,618	\$	\$	\$	\$ 44,540,618
BlackRock U.S. Debt Fund			22,047,772		22,047,772
U.S. corporate & other fixed income instruments	119,741,455	19,229,188	14,577,885	14,354,149	167,902,677
Total rated	\$ 164,282,073	\$ 19,229,188	\$ 36,625,657	\$ 14,354,149	\$ 234,491,067
Effective duration:					
Active account	4.42				
Passive account	8.63 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

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

The TSRS fund had the following foreign currency risk exposure as of June 30, 2023:

Currency Type	Cash and Cash Equivalents	Fixed Income	Equity	Real Estate	Infrastructure	Fair Value	Percent of Total
Argentina Peso	\$ 272	\$	\$	\$	\$	\$ 272	0.00%
Australian Dollar	(30,541)					(30,541)	0.00%
Brazil Real	20,894					20,894	0.00%
Canadian Dollar	90,096		1,708,857			1,798,953	0.20%
Chinese Yuan Renminbi	(3,073)					(3,073)	0.00%
Danish Krone	29,474					29,474	0.00%
Euro Currency Unit	(6,517,448)	6,938,224	29,546,032		110,951	30,077,759	3.32%
Japanese Yen	166,896	43,935	5,146,213			5,357,044	0.59%
Mexican Peso	12,215					12,215	0.00%
Norwegian Krone	3,647					3,647	0.00%
Polish Zloty	246					246	0.00%
Pound Sterling	(3,223,891)	3,246,994	19,397,224			19,420,327	2.14%
Singapore Dollar	1,641		513,097			514,738	0.06%
S. African Rand	8,985					8,985	0.00%
Sweden Krona	38,154		476,087			514,241	0.06%
Swiss Franc	295,579		4,321,645			4,617,224	0.51%
Turkey Lira	5					5	0.00%
Currency subtotals	(9,106,849)	10,229,153	61,109,155		110,951	62,342,410	6.88%
U.S. Dollar	53,646,998	179,721,296	451,272,842	111,241,002	47,517,692	843,399,830	93.12%
Total rated	<u>\$44,540,149</u>	<u>\$189,950,449</u>	<u>\$512,381,997</u>	<u>\$111,241,002</u>	<u>\$47,628,643</u>	<u>\$ 905,742,240</u>	<u>100.00%</u>

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 City receives collateral in the form of both cash and non-cash collateral. (i.e. short-term investment pool securities) 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, 2023, the carrying amount and fair value of securities on loan was \$13,020,645. 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, 2023 the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

G. Derivatives

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

The following table is a summary of the various derivative instruments utilized by the System's actively managed external fixed income manager as of June 30, 2023. 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				Principal Risk
	Notional Amount	Change in Fair Value	Fair Value		
Foreign exchange	\$ (3,970,338)	\$ (180,701)	\$ (180,701)		Foreign Currency
Options	\$ 12,474,936	\$ (68,974)	\$ 12,474,936		Credit Risk
Interest rate swaps	\$ 5,538,554	\$ 564,808	\$ (778,408)		Interest Rate Risk
Forward transactions	\$ (85,176)	\$ (76,840)	\$ (76,840)		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.

H. Fund and Restricted Fund Balance

Government-wide statement of net assets reported \$457.9 million of restricted net assets, of which \$299.6 was restricted by enabling legislation.

Fund	Restricted Fund Balances
General	\$ 3,897,098
Tucson Convention Center	644,052
H.U.R.F	18,429,990
Civic contributions	1,803,372
Community development block grant	3,548,503
Public housing section 8	1,014,543
Home affordable housing	238,395
Better streets improvement	134,969,152
Safer city improvement fund	87,207,414
Gene Reid Park Zoo	39,086,413
Green stormwater infrastructure	8,757,752
Total	\$ 299,596,684

Note 5 - INTERFUND BALANCES AND TRANSFERS:

Interfund receivables/payables represent cash transfers between funds as of June 30, 2023. 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.

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 87,404,976	\$ 2,199,693
Mass transit fund		21,565,226
Other non-major governmental funds	36,041	58,394,557
Total governmental funds	87,441,017	82,159,476
Enterprise funds:		
Public housing	35,298	2,767,937
Other non-major enterprise funds	18,755	2,567,657
Total enterprise funds	54,053	5,335,594
Total all funds	\$ 87,495,070	\$ 87,495,070

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The Due from/to Other Agencies balances at June 30, 2023 represent receivables/payables to federal, state, or local governmental agencies. Fiduciary Fund due from/to are not shown on the government-wide financial Statement of Net Position.

Fund	Due from other agencies	Due to other agencies
Governmental funds:		
General Fund	\$ 47,426,464	\$ 2,301,813
Mass transit fund	20,470,456	1,434
Disaster relief		1,760
Other non-major governmental funds	44,085,682	465,489
Total governmental funds	<u>111,982,602</u>	<u>2,770,496</u>
Enterprise funds:		
Environmental services	105,314	114
Water utility		2,596,932
Public housing	1,943,181	151,007
Other nonmajor enterprise funds		92,229
Total enterprise funds	<u>2,048,495</u>	<u>2,840,282</u>
Total all funds	<u>\$ 114,031,097</u>	<u>\$ 5,610,778</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, 2023, were as follows:

Fund	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ 2,060,680	\$ (73,929,600)
Mass transit fund	55,424,411	(4,050)
Other non-major governmental funds	9,094,710	(2,625,093)
Total governmental funds	<u>66,579,801</u>	<u>(76,558,743)</u>
Internal service funds:		
Health insurance fund		(10,840)
Risk management fund	16,058,739	
Total internal service funds	<u>16,058,739</u>	<u>(10,840)</u>
Enterprise funds:		
Water utility		(4,506,827)
Environmental services		(1,288,390)
Public housing	5,248	(235,968)
Other non-major enterprise funds		(43,020)
Total enterprise funds	<u>5,248</u>	<u>(6,074,205)</u>
Total all funds	<u>\$ 82,643,788</u>	<u>\$ (82,643,788)</u>

City of Tucson, Arizona
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Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2023:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Governmental activities				
Nondepreciable assets				
Land	\$ 833,246,279	\$ 2,663,687	\$	\$ 835,909,966
Construction-in-progress	377,494,489	97,082,935	(53,519,053)	421,058,371
Total capital assets not being depreciated or amortized	<u>1,210,740,768</u>	<u>99,746,622</u>	<u>(53,519,053)</u>	<u>1,256,968,337</u>
Capital assets being depreciated and amortized				
Buildings and improvements	911,862,164	14,397,794		926,259,958
Equipment	397,849,498	36,879,968	(5,040,327)	429,689,139
Infrastructure	860,029,338	17,608,011		877,637,349
Intangibles:				
Right-to-use subscription assets	19,631,864	5,844,484		25,476,348
Right-to-use lease assets	16,679,455			16,679,455
Totals at historical cost	<u>2,206,052,319</u>	<u>74,730,257</u>	<u>(5,040,327)</u>	<u>2,275,742,249</u>
Less accumulated depreciation and amortization for				
Buildings and improvements	464,356,261	25,818,283		490,174,544
Equipment	290,455,749	20,239,802	(5,023,808)	305,671,743
Infrastructure	500,227,123	33,432,582		533,659,705
Intangibles:				
Right-to-use subscription assets		3,744,876		3,744,876
Right-to-use lease assets	1,069,055	1,187,457		2,256,512
Total accumulated depreciation and amortization	<u>1,256,108,188</u>	<u>84,423,000</u>	<u>(5,023,808)</u>	<u>1,335,507,380</u>
Net capital assets being depreciated and amortization	<u>949,944,131</u>	<u>(9,692,743)</u>	<u>(16,519)</u>	<u>940,234,869</u>
Governmental activities capital assets, net	<u>\$ 2,160,684,899</u>	<u>\$ 90,053,879</u>	<u>\$ (53,535,572)</u>	<u>\$ 2,197,203,206</u>
Depreciation and amortization expense was charged to governmental purposes as follows:				
Elected and official				\$ 55,451
Public safety and justice services				10,018,541
Community enrichment and development				61,324,937
Support services				11,656,589
General government				1,267,725
Total governmental depreciation expense				<u>84,323,243</u>
Internal service funds				99,757
Total depreciation and amortization expense				<u>\$ 84,423,000</u>

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2023

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Business-type activities:				
Non-depreciable assets				
Land	\$ 76,138,317	\$ 75,359	\$	\$ 76,213,676
Construction-in-progress	374,520,764	96,815,880	(59,655,402)	411,681,242
Water rights	52,347,426			52,347,426
Total capital assets not being depreciated or amortized	503,006,507	96,891,239	(59,655,402)	540,242,344
Capital assets being depreciated and amortized:				
Buildings, art and improvements	291,718,678	11,288,095		303,006,773
Equipment	103,729,149	9,263,161	(474,607)	112,517,703
Distribution and collection systems	1,652,870,591	39,035,621		1,691,906,212
Intangibles:				
Right-to-use subscription assets	353,709			353,709
Right-to-use lease assets	1,111,185		(413,446)	697,739
Totals at historical cost	2,049,783,312	59,586,877	(888,053)	2,108,482,136
Less accumulated depreciation and amortization for				
Buildings and improvements	186,814,874	9,391,564		196,206,438
Equipment	82,763,551	7,792,676	(418,826)	90,137,401
Distribution and collective systems	642,923,130	33,594,802		676,517,932
Intangibles:				
Right-to-use subscription assets		73,080		73,080
Right-to-use lease assets	488,081	480,478	(413,446)	555,113
Total accumulated depreciation and amortization	912,989,636	51,332,600	(832,272)	963,489,964
Net capital assets being depreciated and amortized	1,136,793,676	8,254,277	(55,781)	1,144,992,172
Business-type activities capital assets, net	\$ 1,639,800,183	\$ 105,145,516	\$ (59,711,183)	\$ 1,685,234,516

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2023

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

The following is a summary of changes in long-term debt as of June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation debt	\$ 110,905,000	\$	\$ (29,280,000)	\$ 81,625,000	\$ 23,750,000
Clean renewable energy bonds	3,025,000		(845,000)	2,180,000	860,000
Certificates of participation	752,612,864		(39,393,434)	713,219,430	39,545,383
Leases	15,714,340		(1,162,299)	14,552,041	923,553
SBITAs	19,631,864		(3,318,710)	16,313,154	2,939,284
Unamortized amounts:					
Premiums	15,183,949		(2,827,194)	12,356,755	
Discounts	(27,215)		3,402	(23,813)	
Total bonds and notes payable	917,045,802		(76,823,235)	840,222,567	68,018,220
Other Liabilities:					
Contract payables	8,692,110		(1,802,252)	6,889,858	1,608,366
RN settlement - Depot Plaza Garage	5,815,000		(285,000)	5,530,000	285,000
Other post employment benefits	161,074,287	4,686,478	(16,873,873)	148,886,892	
Compensated absences*	43,727,099	1,307,667	(5,550,046)	39,484,720	11,910,650
Pensions	1,281,684,190	171,074,322		1,452,758,512	
Remediation	1,299,881		(75,296)	1,224,585	263,600
Claims and judgments	53,603,168	12,676,334	(8,680,441)	57,599,061	17,151,717
Claims payable - health Insurance	5,533,000		(423,000)	5,110,000	5,110,000
Total other liabilities	1,561,428,735	189,744,801	(33,689,908)	1,717,483,628	36,329,333
Governmental activities - long term liabilities	<u>\$2,478,474,537</u>	<u>\$ 189,744,801</u>	<u>\$ (110,513,143)</u>	<u>\$2,557,706,195</u>	<u>\$ 104,347,553</u>
Business-type activities:					
Bonds and notes payable:					
Enterprise bonds	\$ 359,110,000	\$	\$ (38,335,000)	\$ 320,775,000	\$ 35,200,000
Certificates of participation	7,052,138		(1,021,567)	6,030,571	984,617
Unamortized premiums	39,303,417		(5,195,280)	34,108,137	
Leases	605,797		(489,767)	116,030	116,030
SBITA's	353,709		(177,622)	176,087	176,087
	406,425,061		(45,219,236)	361,205,825	36,476,734
Loans from direct borrowings	22,282,060		(3,670,678)	18,611,382	3,385,566
Total bonds and notes payable	428,707,121		(48,889,914)	379,817,207	39,862,300
Other liabilities:					
Landfill closure / post closure costs	43,407,321	5,632,397	(1,369,015)	47,670,703	997,907
Remediation	8,228,723		(4,900,256)	3,328,467	
Financed purchases	59,647		(47,492)	12,155	12,155
Other post employment benefits	26,862,076		(141,709)	26,720,367	
Compensated absences*	8,127,079	458,764	(1,348,892)	7,236,951	2,183,042
Pensions	95,203,276		(1,447,801)	93,755,475	
Total other liabilities	181,888,122	6,091,161	(9,255,165)	178,724,118	3,193,104
Business-type activities long term liabilities	<u>\$ 610,595,243</u>	<u>\$ 6,091,161</u>	<u>\$ (58,145,079)</u>	<u>\$ 558,541,325</u>	<u>\$ 43,055,404</u>

*Compensated Absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2023, City paid for compensated absences from governmental funds with 94.0% from the General Fund, 5.8% from 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 AND SBITAs

LEASES - The City has obtained the right to use intangible assets under the provisions of various lease agreements. For the year ended June 30, 2023, the total amount of leases are as follows:

a.) Leases Receivable

The City has 18 contracts recorded as lease receivables with a total value of \$6,967,661 as of June 30, 2023. 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 \$6,699,751 at year end and the City recognized lease revenue of \$721,204 during the fiscal year.

b.) Intangible Right-to-Use Lease Assets

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:

Amount of lease assets by major class:	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Land	\$ 8,093,472	\$ 248,921
Buildings	8,585,983	2,007,591
Vehicles	697,739	555,113
Total lease assets	<u>\$ 17,377,194</u>	<u>\$ 2,811,625</u>

c.) Lease Liabilities

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

Governmental Activities			
For the Year Ending June 30,	Principal		Interest
2024	\$	923,553	\$ 234,179
2025		870,798	220,318
2026		899,294	206,105
2027		928,484	191,424
2028		958,385	176,265
2029 - 2033		3,370,544	665,260
2034 - 2038		944,710	530,733
2039 - 2043		1,228,211	441,117
2044 - 2048		1,562,981	325,711
2049 - 2053		1,956,987	179,894
2054 - 2055		908,094	23,318
Total minimum future lease payments	<u>\$</u>	<u>14,552,041</u>	<u>\$ 3,194,324</u>

City of Tucson, Arizona
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June 30, 2023

Business-Type Activities		
For the Year Ending June 30,	Principal	Interest
2024	\$ 116,030	\$ 560
Total payments	<u>\$ 116,030</u>	<u>\$ 560</u>

SBITAs - For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangement (SBITA). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. Under this Statement, the City is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

a.) Intangible Right-to-Use Subscription Assets

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

Amount of leased assets by major class:	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 25,830,057	\$ 3,817,956
Total subscription assets	<u>\$ 25,830,057</u>	<u>\$ 3,817,956</u>

b.) SBITA Liabilities

The City has entered into 11 contracts recorded as subscription payables with a total of \$16,313,154 as of June 30, 2023. These are primarily subscriptions of Enterprise Resource Planning Accounting and Budget software with terms of 12 months to 108 months, including options to renew from 12 to 36 months. The City is required to make either monthly, quarterly, semiannual or annual fixed payments ranging from \$30,710 to \$1,554,145. The subscription have interest rates ranging from 0.49% to 2.36%.

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

Governmental Activities		
For the Year Ending June 30,	Principal	Interest
2024	\$ 2,939,284	\$ 210,922
2025	1,608,816	167,459
2026	1,407,788	146,357
2027	1,425,301	128,844
2028	1,443,031	111,114
2029 - 2033	7,488,934	281,791
Total minimum future lease payments	<u>\$ 16,313,154</u>	<u>\$ 1,046,487</u>

Business-Type Activities		
For the Year Ending June 30,	Principal	Interest
2024	\$ 176,087	\$ 1,543
Total payments	<u>\$ 176,087</u>	<u>\$ 1,543</u>

Note 9 - BOND ISSUES

A. Governmental Funds

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

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

The City has entered into several long-term 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 Environmental Service Funds Certificates of Participation.

At June 30, 2023 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2023
2012-A Series (2013)	3.00% - 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-D Series (2016)	3.00%	2024	20,000,000	5,750,000
2012-E Series (2017)	5.00%	2025	17,265,000	7,165,000
2018-A Series (2020)	4.00% - 5.00%	2033	47,810,000	28,710,000
Total			<u>\$ 125,075,000</u>	<u>\$ 81,625,000</u>

Clean Renewable Energy Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2023
2011 Series	2.03%	2026	\$ 11,235,000	\$ 2,180,000
Total			<u>\$ 11,235,000</u>	<u>\$ 2,180,000</u>

Certificates of Participation

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2022
2010-A Series Taxable	6.30% - 6.75%	2030	\$ 35,050,000	\$ 29,725,000
2011 Series Qualified Energy Conservation	6.05%	2027	705,000	480,000
2012 - C Series Refunding	5.00%	2024	8,965,000	3,125,000
2014 Series Tax Exempt Refunding	4.00% - 5.00%	2026	11,275,000	7,868,150
2014 Series Taxable	3.91% - 4.83%	2034	14,520,000	12,755,000
2015 Series Tax Exempt Refunding	5.00%	2026	13,565,000	6,178,601
2016 Series Tax Exempt Refunding	3.00% - 5.00%	2029	26,650,000	14,453,000
2020 Series Taxable Refunding	0.89% - 2.31%	2031	25,975,000	17,364,679
2021 Series Taxable - Pension Obligation	0.46% - 2.86%	2047	658,055,000	621,270,000
Total			<u>\$ 794,760,000</u>	<u>\$ 713,219,430</u>

City of Tucson, Arizona
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B. Enterprise Funds

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

Water Utility Revenue Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2023
Water System Revenue Obligations 2010A	5.79% - 5.94%	2030	\$ 38,510,000	\$ 38,510,000
2013A Refunding	5.00%	2024	21,065,000	1,755,000
Water System Revenue Obligations Series 2013	5.00%	2024	34,280,000	5,440,000
Water System Revenue Obligations Series 2014	3.00% - 5.00%	2031	35,630,000	16,105,000
2015 Refunding	3.00% - 5.00%	2032	46,640,000	39,475,000
2016 Refunding	4.00% - 5.00%	2028	20,570,000	7,525,000
2017 Refunding	3.00% - 5.00%	2035	17,215,000	15,705,000
Water System Revenue Obligation, Series 2015	5.00%	2024	71,805,000	2,460,000
Water System Revenue Obligation, Series 2016	5.00%	2032	82,410,000	44,620,000
Water System Revenue Obligation, Series 2017	5.00%	2035	24,560,000	23,060,000
Water System Revenue Obligation, Series 2018	3.00% - 5.00%	2036	23,935,000	22,585,000
Water System Revenue Obligation, Series 2019	2.00% - 5.00%	2036	13,195,000	11,770,000
Water System Revenue Obligation, Series 2020	3.00% - 5.00%	2039	45,765,000	41,080,000
2020 Refunding	0.75% - 2.06%	2033	53,985,000	50,685,000
Total Water Utility Revenue Bonds Issued & Outstanding			<u>\$ 529,565,000</u>	<u>\$ 320,775,000</u>

Loans from Direct Borrowing

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2023
2005 Water Infrastructure Finance Authority (WIF7)	3.11%	2024	\$ 2,997,000	\$ 207,942
2006 Water Infrastructure Finance Authority (WIF8)	3.42%	2026	2,500,000	490,144
2006 Water Infrastructure Finance Authority (WIF9)	3.21%	2026	2,000,000	386,115
2007 Water Infrastructure Finance Authority (WIF10)	3.21%	2026	6,500,000	1,255,041
2008 Water Infrastructure Finance Authority (WIF11)	3.55%	2027	17,800,000	4,616,262
2009A Water Infrastructure Finance Authority (WIF13)	3.38%	2028	2,500,000	826,789
2009B Water Infrastructure Finance Authority (WIF12)	3.60%	2028	1,000,000	319,659
2010 Water Infrastructure Finance Authority (WIF14)	2.93%	2030	2,750,000	1,147,084
2011 Water Infrastructure Finance Authority (WIF15)	2.80%	2031	16,000,000	7,288,168
2012 Water Infrastructure Finance Authority (WIF16)	2.80%	2032	4,000,000	2,074,178
Total Loans from Direct Borrowing			<u>\$ 58,047,000</u>	<u>\$ 18,611,382</u>

Certificates of Participation

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2023
Series 2014 Refunding	4.00% - 5.00%	2026	\$ 11,275,000	\$ 41,850
Series 2015 Refunding	5.00%	2026	13,565,000	81,399
Series 2016 Refunding	3.00% - 5.00%	2029	26,650,000	5,792,000
Series 2020 Refunding	0.89% - 2.31%	2031	25,975,000	115,322
Total Certificates of Participation			<u>\$ 77,465,000</u>	<u>\$ 6,030,571</u>

D. Principal and Interest Requirements

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

Governmental Activities						
Years Ending June 30,	General Obligation		Clean Renewable Energy Bonds		Certificate of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 23,750,000	\$ 3,348,100	\$ 860,000	\$ 111,612	\$ 39,545,383	18,609,091
2025	20,265,000	2,345,600	875,000	62,622	36,103,036	17,718,196
2026	16,500,000	1,507,350	445,000	12,638	34,642,803	16,866,119
2027	7,000,000	857,350			34,127,973	15,953,048
2028	2,095,000	607,350			32,963,235	15,121,863
2029-2033	12,015,000	1,503,400			132,552,000	64,507,949
2034-2038					127,715,000	49,566,369
2039-2043					144,445,000	31,333,033
2044-2047					131,125,000	9,494,201
Totals	<u>\$ 81,625,000</u>	<u>\$ 10,169,150</u>	<u>\$ 2,180,000</u>	<u>\$ 186,872</u>	<u>\$ 713,219,430</u>	<u>\$ 239,169,869</u>

Business-type Activities						
Years Ending June 30,	Water Services Revenue Bonds		Water Services Loans from Direct Borrowings		Certificate of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 35,200,000	\$ 13,381,881	\$ 3,385,566	\$ 574,441	\$ 984,617	\$ 234,069
2025	35,685,000	11,640,631	3,279,467	466,126	1,026,964	184,622
2026	31,430,000	10,210,557	3,384,956	360,985	1,022,197	133,776
2027	28,115,000	8,906,014	2,736,083	252,427	1,002,027	83,845
2028	28,975,000	7,597,634	1,565,127	165,030	996,766	44,682
2029-2033	122,475,000	19,773,003	4,260,183	250,179	998,000	14,970
2034-2038	35,445,000	3,476,613				
2039-2043	3,450,000	103,500				
Totals	<u>\$ 320,775,000</u>	<u>\$ 75,089,833</u>	<u>\$ 18,611,382</u>	<u>\$ 2,069,188</u>	<u>\$ 6,030,571</u>	<u>\$ 695,964</u>

Note 10 - ADVANCE REFUNDING/DEFEASANCE OF DEBT

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refunding have been deposited in these trusts and invested in U.S. Governmental Securities that are designed to meet the requirement of the refunded debt. The par amount of debt associated with the refunding issues, as well as defeased debt outstanding, but removed includes Water Utility debt of \$46,340,000 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 2023. The total closure and post-closure cost estimates are

City of Tucson, Arizona
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based on what it would cost to perform those functions in 2023. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

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

	Landfill			
	Capacity Used	Estimated	Liability	Estimated
	as of	Closure/Post-	Recognized at	Remaining Life
Landfill Site	June 30, 2023	Closure Costs	June 30, 2023	in Years
Los Reales	96.29%	\$ 42,516,474	\$ 41,343,089	10
Harrison	100%	2,051,612	2,051,612	
Irvington	100%	2,114,169	2,114,169	
Mullins	100%	2,161,833	2,161,833	
Totals		<u>\$ 48,844,088</u>	<u>\$ 47,670,703</u>	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management accumulates a portion of net position to address the closure/post-closure liability \$15,918,107 and construction of new landfill cells \$19,946,600.

The June 30, 2023, liability for closure and post-closure costs is \$47,670,703 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, 2023, 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	\$ 1,452,758,512	\$ 93,755,475	\$ 1,546,513,987
Deferred outflows of resources	348,620,184	54,041,090	402,661,274
Deferred inflows of resources	65,911,078	22,316,216	88,227,294
Pension expense	168,959,820	15,688,029	184,647,849

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.

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, 2023 is as follows:

Active Employees	2,771
Inactive plan members (or their beneficiaries)	
currently receiving benefits	3,251
Inactive plan members entitled to but not yet	
receiving benefits	633
Total plan participants	<u>6,655</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 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, 2023, allocations were based on rates of return of 3.00% per annum. Any unallocated earnings remain in unreserved net position.

The net position at June 30, 2023, consisted of the following components:

Reserved for employee contributions	\$ 125,059,517
Reserved for retirement benefits	845,676,266
Unreserved net position (deficit)	<u>(64,324,491)</u>
Net position	<u><u>\$ 906,411,292</u></u>

D. Investments

The System is governed by a Board of Trustees. The Board of Trustees is required by City Code in making investment decisions, to exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from, as well as the probable safety of the capital. Investments of the System are held separately from those of other City funds by investment custodians. Quoted market prices have been used to value investments as of June 30, 2023.

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

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

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

E. Liability, Expense and Deferred Outflows/Inflows

The components of the net pension liability at June 30, 2023 are as follows:

Total pension liability	\$ 1,261,411,189
Plan's fiduciary net position	<u>906,411,292</u>
Net pension liability	<u><u>\$ 354,999,897</u></u>
Plan's fiduciary net position as a percentage of total pension liability	71.86 %

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2023, the City recognized pension expense for TSRS of \$59,401,847. At June 30, 2023, the City reported

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deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contribution subsequent to measurement date	\$ 43,724,852	
Changes in assumptions	13,810,140	
Differences between expected and actual experience	28,777,132	\$ 5,788,655
Net difference between projected and actual earnings on plan investments	118,311,472	78,710,463
Total	<u>\$ 204,623,596</u>	<u>\$ 84,499,118</u>

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

Year ended June 30	Annual Amortization
2024	\$ 23,873,208
2025	14,036,404
2026	42,087,791
2027	(3,597,777)
	<u>\$ 76,399,626</u>

F. Change in Net Pension Liability

The City's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2022	\$ 1,214,166,437	\$ 863,064,039	\$ 351,102,398
Service cost	17,728,008		17,728,008
Interest	79,743,830		79,743,830
Differences between expected and actual experience	33,053,661		33,053,661
Contributions - employer		42,973,837	(42,973,837)
Contributions - member		9,226,746	(9,226,746)
Benefit payments, including refunds of employee contributions	(83,280,747)	(83,280,747)	
Net investment income		75,171,635	(75,171,635)
Administrative expense		(744,218)	744,218
Net changes	47,244,752	43,347,253	3,897,499
Balances at June 30, 2023	<u>\$ 1,261,411,189</u>	<u>\$ 906,411,292</u>	<u>\$ 354,999,897</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 Comprehensive Financial Report available online at <https://www.tucsonaz.gov/Departments/Business-Services-Department/Accounting-and-Finance/Tucson-Supplemental-Retirement-System-ACFR>

G. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2023 valuation covering the plan year July 1, 2022 through June 30, 2023 are as follows:

Actuarial cost method	Entry-Age Normal Cost Method
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset calculation 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 of 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 Health 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 projections scale.

H. Rate of Return and Discount Sensitivity

The long-term expected rate of return on pension plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return, (expected returns, net of pension plan investment expense and inflation), are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary. The major asset class allocation is listed below for June 30, 2023:

Asset Class	Target	Expected Return Arithmetic
U.S. Equities	34 %	4.85 %
International Equities	25 %	1.75 %
Fixed Income	24 %	4.95 %
Real Estate	12 %	3.25 %
Infrastructure	5 %	3.65 %
Total	100 %	
Weighted average arithmetic returns, in proportion to asset allocation		3.85 %

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 1.92%; 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:

	Discount rate -1% (5.75 %)	Current Discount Rate (6.75 %)	Discount rate +1% (7.75 %)
Net pension liability	<u>\$ 491,577,362</u>	<u>\$ 354,999,897</u>	<u>\$ 240,844,783</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, 2023.

For the year ended June 30, 2023, the annual money-weighted rate of return on the Plan’s investments, net of pension plan investment expenses, was 8.84%. 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.

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	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, or 15 years of credited service and age 52.5	15 years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Normal retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%

Accidental disability retirement 50% or normal retirement, whichever is greater

Survivor benefit:

Retired members 80% of retired member's pension benefit

Active members 80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

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

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

C. Membership and Contributions

At June 30, 2023, the following employees were covered by the agent pension plan's benefit terms:

Plan Participants	Police Pension	Police Health	Fire Pension	Fire Health
Active Employees	644	644	501	501
Inactive plan members (or their beneficiaries) currently receiving benefits	1,093	1,093	609	609
Inactive plan members entitled to but not yet receiving benefits	255	114	99	76
Total plan participants	1,992	1,851	1,209	1,186

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, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

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	<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	89.04% to 91.32%	68.95% to 71.77%
Health Insurance	0.37% to 0.69%	0.06% to 0.36%

The City's contributions to the pension and OPEB plans for the year ended June 30, 2023, were:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension	\$ 60,223,152	\$ 34,930,177
Health insurance	412,526	124,789
Total	<u>\$ 60,635,678</u>	<u>\$ 35,054,966</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.

D. Pension and OPEB assets and liabilities

At June 30, 2023, the City reported the following net pension liabilities:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension		
Total pension liability	\$ 1,105,129,947	\$ 704,807,258
Plan's fiduciary net position	379,316,783	240,776,879
Net pension liability	<u>\$ 725,813,164</u>	<u>\$ 464,030,379</u>
Health Insurance		
Total OPEB liability	\$ 20,597,101	\$ 12,445,813
Plans fiduciary net position	16,762,654	11,593,782
Net OPEB liability	<u>\$ 3,834,447</u>	<u>\$ 852,031</u>

The net pension and OPEB assets/liability were measured as of June 30, 2022. 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:

	Pension	OPEB (Health Insurance)
Actuarial Valuation Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.20% Tier 1/2 7.00% Tier 3	7.20% 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	0.0185	0.0185

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Mortality rates	Active: PubS-2010 Employee mortality, loaded 103% for males and 108% for females. 100% of active deaths are assumed to be in the line of duty.	Active: PubS-2010 Employee mortality, loaded 103% for males and 108% for females. 100% of active deaths are assumed to be in the line of duty.
	Inactive: PubS-2010 Healthy Retiree mortality, loaded 103% for males and 111% for females.	Inactive: PubS-2010 Healthy Retiree mortality, loaded 103% for males and 111% for females.
	Beneficiaries: PubS-2010 Survivor mortality, loaded 98% for males and 106% for females.	Beneficiaries: PubS-2010 Survivor mortality, loaded 98% for males and 106% for females.
	Disabled: PubS-2010 Disabled mortality, loaded 108% for males and 101% for females.	Disabled: PubS-2010 Disabled mortality, loaded 108% for males and 101% for females.
	All populations are projected with future mortality improvements reflected generationally using 85% of scale MP-2021.	All populations are projected with future mortality improvements reflected generationally using 85% of scale MP-2021.
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 7.20% 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash - Mellon	1%	(0.35)%
Total	100%	

Discount Rate

At June 30, 2022, the discount rate used to measure the total pension and OPEB liability was 7.2%.

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.

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

Tucson Police	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balance at June 30, 2022	\$1,037,057,258	\$ 409,663,089	\$ 627,394,169	\$19,243,020	\$ 18,336,029	\$ 906,991
Service cost	10,799,901		10,799,901	243,921		243,921
Interest	74,121,548		74,121,548	1,371,654		1,371,654
Differences between expected and actual experience	34,959,526		34,959,526	709,888		709,888
Changes of assumptions	13,178,692		13,178,692	422,936		422,936
Contributions--employer		45,581,121	(45,581,121)		517,085	(517,085)
Contributions--employee		5,699,552	(5,699,552)		20,396	(20,396)
Benefit payments, including refunds of employee contributions	(64,986,978)	(64,986,978)		(1,394,318)	(1,394,318)	
Net investment income		(16,347,503)	16,347,503		(704,006)	704,006
Administrative expenses		(294,927)	294,927		(12,532)	12,532
Other		2,429	(2,429)			
Net changes	68,072,689	(30,346,306)	98,418,995	1,354,081	(1,573,375)	2,927,456
Balances at June 30, 2023	\$1,105,129,947	\$ 379,316,783	\$ 725,813,164	\$20,597,101	\$ 16,762,654	\$ 3,834,447

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	Plan Fiduciary	Net Pension	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balance at June 30, 2022	\$649,208,294	\$ 252,521,901	\$396,686,393	\$11,439,065	\$ 12,571,760	\$ (1,132,695)
Service cost	9,619,484		9,619,484	199,276		199,276
Interest	46,660,926		46,660,926	820,223		820,223
Differences between expected and actual experience	29,222,089		29,222,089	531,508		531,508
Changes of assumptions	9,370,499		9,370,499	260,565		260,565
Contributions--employer		33,698,857	(33,698,857)		311,563	(311,563)
Contributions--employee		4,175,759	(4,175,759)		9,412	(9,412)
Benefit payments, including refunds of employee contributions	(39,274,034)	(39,274,034)		(804,824)	(804,824)	
Net investment income		(10,183,444)	10,183,444		(485,487)	485,487
Administrative expenses		(183,613)	183,613		(8,642)	8,642
Other		21,453	(21,453)			
Net changes	55,598,964	(11,745,022)	67,343,986	1,006,748	(977,978)	1,984,726
Balances at June 30, 2023	\$704,807,258	\$ 240,776,879	\$464,030,379	\$12,445,813	\$ 11,593,782	\$ 852,031

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

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
PSPRS - Police:			
Rate	6.20%	7.20%	8.20%
Net pension liability	\$ 862,634,053	\$ 725,813,164	\$ 613,143,343
Net OPEB liability (asset)	5,921,459	3,834,447	2,067,381
PSPRS - Fire:			
Rate	6.20%	7.20%	8.20%
Net pension liability	\$ 553,519,950	\$ 464,030,379	\$ 390,238,549
Net OPEB liability (asset)	2,129,989	852,031	(233,273)

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, 2023, the City recognized the following as pension and OPEB expense:

	<u>Tucson - Police</u>	<u>Tucson - Fire</u>
Pension	\$ 74,390,171	\$ 50,634,912
OPEB	(61,497)	(219,706)

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

	<u>Pension</u>		<u>OPEB (Health Insurance)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Tucson Police				
Contributions made subsequent to measurement date	\$ 60,223,152	\$	\$ 412,526	\$
Changes of assumption or other inputs	14,523,226		392,095	
Differences between actual and expected experience	36,572,233	2,779,755	532,416	1,614,548
Net Difference between projected and actual earnings on plan investments	2,831,428		259,714	
Total	\$ 114,150,039	\$ 2,779,755	\$ 1,596,751	\$ 1,614,548
	<u>Pension</u>		<u>OPEB (Health Insurance)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Tucson Fire				
Contributions made subsequent to measurement date	\$ 34,930,177	\$	\$ 124,789	\$
Changes of assumption or other inputs	12,516,384		254,734	
Differences between actual and expected experience	33,521,247	943,160	425,208	1,598,162
Net Difference between projected and actual earnings on plan investments	2,773,732		183,445	
Total	\$ 83,741,540	\$ 943,160	\$ 988,176	\$ 1,598,162

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 pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year ended June 30,	PSPRS - Police		PSPRS - Fire	
	Annual Amortization	Annual Amortization	Annual Amortization	Annual Amortization
2024	\$ 23,328,611	\$ (292,510)	\$ 15,184,911	\$ (322,116)
2025	12,637,532	(244,406)	12,810,516	(320,931)
2026	6,032,616	(295,568)	5,703,920	(272,926)
2027	9,148,373	402,161	14,168,856	181,198
2028				
Total	<u>\$ 51,147,132</u>	<u>\$ (430,323)</u>	<u>\$ 47,868,203</u>	<u>\$ (734,775)</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

The City contributes to other post employment benefit plans under the Public Safety Personnel Retirement System (PSPRS) as described in Note 13 and the City's own single-employer plan. At June 30, 2023, the City reported the following aggregate amounts related to both of these OPEB plans:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 148,886,892	\$ 26,720,367	\$ 175,607,259
Deferred outflows of resources	11,715,696	708,096	12,423,792
Deferred inflows of resources	26,223,495	3,280,065	29,503,560
OPEB expense	(2,252,669)	(365,229)	(2,617,898)

A. Plan Description

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

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 \$10,079,958 for these benefits, which was net of \$4,770,532 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
Total plan participants	<u>6,700</u>

E. Total OPEB Liability

The City's total OPEB liability of \$170,920,781 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2023

Measurement date	June 30, 2022
Actuarial valuation date	June 30, 2022
Interest rate	3.54%
Inflation rate	2.50%
Projected salary increases	3.00% to 6.00%
Health care cost trend rate	
Medical and Prescription Drug	7.00% graded down to an ultimate rate of 4.50% over 10 years
Retiree contribution increase	Consistent with medical / drug trends
TSRS subsidy increases	None
Cost of living adjustments	N/A

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

General employee mortality rates for active employees were based on the RP-2014 Employee Headcount-Weighted Mortality Table, projected generationally 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 generationally 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 103% for males and 108% for females, projected generationally using 85% of scale MP-2021. Public safety employee mortality rates for retired public safety employees were based on the PubS-2010 Healthy Retiree Headcount-Weighted Mortality Table, loaded 103% for males and 111% for females, projected generationally using 85% of scale MP-2021.

G. Changes in the Total OPEB Liability

At June 30, 2023, the City had the following total liability and associated changes:

Balance at June 30, 2022	\$ 188,162,067
Service cost	7,256,595
Interest	4,087,747
Differences between expected and actual experience	1,383,868
Changes in assumptions or other inputs	(17,560,975)
Benefit payments, including refunds of employee contributions	(12,408,521)
Net changes	(17,241,286)
Balance at June 30, 2023	\$ 170,920,781

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:

	Discount Rate -1% (2.54%)	Current Discount Rate (3.54%)	Discount Rate +1% (4.54%)
Total OPEB liability	\$ 186,500,009	\$ 170,920,781	\$ 157,238,624

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	\$ 160,958,586	\$ 170,920,781	\$ 182,360,008

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$(2,336,245). At June 30, 2023, 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 the measurement date	\$ 5,687,846	
Changes of assumptions	3,191,650	16,928,308
Differences between expected and actual experience	959,369	9,362,542
Total	<u>\$ 9,838,865</u>	<u>\$ 26,290,850</u>

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

Year Ending June 30,	Annual Amortization
2024	\$ (12,891,582)
2025	(7,958,051)
2026	(1,290,198)
	<u>\$ (22,139,831)</u>

Note 16 – SELF-INSURANCE PROGRAM

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

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

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

Changes in the Internal Service Fund's aggregate claims liabilities for the fiscal years ended June 30, 2023 and 2022, are as follows:

	Risk management		Health insurance	
	2023	2022	2023	2022
Beginning of fiscal year liability	\$ 53,603,168	\$ 47,067,099	\$ 5,533,000	\$ 5,632,000
Current year claims and changes in estimates	12,676,334	14,961,918	63,205,509	62,235,881
Claim Payments	(8,680,441)	(8,425,849)	(63,628,509)	(62,334,881)
Balance at fiscal year end	<u>\$ 57,599,061</u>	<u>\$ 53,603,168</u>	<u>\$ 5,110,000</u>	<u>\$ 5,533,000</u>

Note 17 – PLEDGED REVENUES

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$339,386,382 in utility system revenue outstanding bonds and loans from direct borrowings. 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 2043. Annual principal and interest payments on the bonds are expected to require less than 49% of net revenues (iii) available after operations. The total principal and interest remaining to be paid on bonds and loans from direct borrowings is \$416,545,403. Principal and interest paid for the current year and total customer net revenues were \$57,583,174 and \$116,457,001, 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 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 \$7,642,123. 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 \$25,890,060.

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 \$55,408,804 at June 30, 2023.

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 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 \$47,871,021 at June 30, 2023.

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 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 \$5,163,794 at June 30, 2023.

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 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 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, was \$3,151,417 at June 30, 2023.

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 2036, 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 \$6,525,230 at June 30, 2023.

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, 2023.

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, 2023.

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, 2023, no balance due remains and the prepaid balance is \$2,206,667.

L. Encumbrances

The City of Tucson utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. All appropriations lapse on the last day of the fiscal year. Any outstanding commitments that the City intends to honor are re-budgeted in the new fiscal year. At June 30, 2023, the City intended to honor \$39,456,138 of outstanding encumbrances in the new year.

City of Tucson, Arizona
Notes to Financial Statements
June 30, 2023

General Fund	\$ 12,864,055
Mass transit	33,442
Non-major governmental funds	26,558,641
Total	<u>\$ 39,456,138</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 2023 the City received rebate revenues of \$583,211.

Note 21 - CHANGE IN ACCOUNTING PRINCIPLE

Balances as of July 1, 2022, has been restated as follows for the implementation of GASB Statement no. 96, Subscription-Based Information Technology Arrangements (SBITAs) and update to GASB 87, Leases:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position as previously reported at July 1, 2022	\$ 1,156,882,372	\$ 1,273,201,803	\$ 2,430,084,175
Intangible Right to Use Assets:			
SBITAs	19,631,864	353,709	19,985,573
Leases	5,871,753		5,871,753
Lease/SBITA Liabilities	(25,503,617)	(353,709)	(25,857,326)
Net Position as restated, July 1, 2022	<u>\$ 1,156,882,372</u>	<u>\$ 1,273,201,803</u>	<u>\$ 2,430,084,175</u>

Note 22 – SUBSEQUENT EVENTS

A. Long Term Debt

On August 23, 2022 Tucson Water Department received Mayor and Council authorization for up to \$66.95 million in Arizona Water Infrastructure Authority loans. In the period subsequent to this financial statement City expects to receive \$6.95 million in loans, including \$3.475 million of forgivable principal. Annual principal installments are estimated to be \$228,252, paid July 1, 2024 through July 1, 2043 with an estimated combined interest and fee rate of 2.75%.

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REQUIRED SUPPLEMENTARY INFORMATION



CITY OF
TUCSON

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund

Year Ended June 30, 2023

	Budgeted Amounts		Actuals	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 365,708,640	\$ 365,708,640	\$ 383,071,962	\$ 17,363,322
Licenses and permits	32,160,200	32,160,200	29,639,799	(2,520,401)
Fines and forfeitures	7,885,780	7,885,780	5,558,673	(2,327,107)
Use of money and property	1,973,810	1,973,810	3,874,388	1,900,578
Federal grants and contributions	—	—	2,922,219	2,922,219
Other agencies	214,632,630	214,632,630	224,025,111	9,392,481
Charges for services	47,772,130	47,772,130	65,292,729	17,520,599
Contributions from outside sources	1,416,170	1,416,170	2,062,781	646,611
Miscellaneous	1,085,910	1,085,910	7,178,598	6,092,688
Total revenues	<u>672,635,270</u>	<u>672,635,270</u>	<u>723,626,260</u>	<u>50,990,990</u>
Expenditures				
Current:				
Elected and Official	25,585,944	25,585,944	27,032,035	(1,446,091)
Public safety/justice services	287,273,495	287,273,495	312,804,924	(25,531,429)
Community enrichment and development	45,971,842	45,971,842	52,861,449	(6,889,607)
Support services	115,151,374	115,151,374	108,143,724	7,007,650
General government	105,541,901	105,541,901	54,527,671	51,014,230
Capital Outlay	25,551,281	25,551,281	16,827,919	8,723,362
Capital projects	4,988,000	4,988,000	2,030,831	2,957,169
Debt service:				
Principal	38,035,090	38,035,090	42,928,708	(4,893,618)
Interest	18,843,380	18,843,380	19,219,408	(376,028)
Fiscal agent fees	17,500	17,500	29,500	(12,000)
Total expenditures	<u>666,959,807</u>	<u>666,959,807</u>	<u>636,406,169</u>	<u>30,553,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,675,463</u>	<u>5,675,463</u>	<u>87,220,091</u>	<u>81,544,628</u>
Other financing sources (uses)				
Transfers in	4,395,860	4,395,860	2,060,680	(2,335,180)
Transfers out	<u>(81,804,790)</u>	<u>(81,804,790)</u>	<u>(73,929,600)</u>	<u>7,875,190</u>
Total other financing sources (uses)	<u>(77,408,930)</u>	<u>(77,408,930)</u>	<u>(71,868,920)</u>	<u>5,540,010</u>
Net change in fund balances	<u>\$ (71,733,467)</u>	<u>\$ (71,733,467)</u>	<u>15,351,171</u>	<u>\$ 87,084,638</u>
Fund balances, beginning of year			<u>328,316,369</u>	
Fund balances, end of year			<u>\$ 343,667,540</u>	

See note to required supplementary information.

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Mass Transit Fund

Year Ended June 30, 2023

	Budgeted Amounts		Actuals	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$	\$	\$ 26	\$ 26
Use of money and property	720,000	720,000	392,476	(327,524)
Federal grants and contributions	20,137,220	20,137,220	13,271,143	(6,866,077)
Other agencies	18,708,560	18,708,560	17,977,851	(730,709)
Charges for services	9,800,000	9,800,000	4,759,112	(5,040,888)
Miscellaneous	455,000	455,000	1,973,832	1,518,832
Total revenues	49,820,780	49,820,780	38,374,440	(11,446,340)
Expenditures				
Current:				
Community enrichment and development	87,756,490	87,756,490	88,209,990	(453,500)
Support services	196,580	196,580	87,377	109,203
Capital outlay	2,999,760	2,999,760	6,014,677	(3,014,917)
Capital projects	10,067,300	10,067,300	262,819	9,804,481
Total expenditures	101,020,130	101,020,130	94,574,863	6,445,267
Excess (deficiency) of revenues over (under) expenditures	(51,199,350)	(51,199,350)	(56,200,423)	(5,001,073)
Other financing sources (uses):				
Transfers in	48,279,030	48,279,030	55,424,411	7,145,381
Transfers out			(4,050)	(4,050)
Total other financing sources (uses)	48,279,030	48,279,030	55,420,361	7,141,331
Net change in fund balances	<u>\$ (2,920,320)</u>	<u>\$ (2,920,320)</u>	(780,062)	<u>\$ 2,140,258</u>
Fund balances, beginning of year			5,749,052	
Fund balances, end of year			<u>\$ 4,968,990</u>	

See note to required supplementary information.

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Disaster Relief Fund

Year Ended June 30, 2023

	Budgeted Amounts		Actuals	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$	\$	\$ 1,186,518	1,186,518
Federal grants and contributions	67,800,000	67,800,000	13,017,475	(54,782,525)
Total revenues	67,800,000	67,800,000	14,203,993	(53,596,007)
Expenditures				
Current:				
Elected & official	147,280	147,280	2,148,132	(2,000,852)
Community enrichment and development	51,680	51,680	2,176,075	(2,124,395)
Support services			889,657	(889,657)
General government	67,976,330	67,976,330	5,939,537	62,036,793
Capital outlay			1,005,794	(1,005,794)
Capital projects			858,279	(858,279)
Total expenditures	68,175,290	68,175,290	13,017,474	55,157,816
Excess (deficiency) of revenues over (under) expenditures	(375,290)	(375,290)	1,186,519	1,561,809
Net change in fund balances	\$ (375,290)	\$ (375,290)	1,186,519	\$ 1,561,809
Fund balances, beginning of year				
Fund balances, end of year			\$ 1,186,519	

See note to required supplementary information.

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Section 115 Pension Trust Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals	
Revenues:				
Use of money and property	\$ 88,360,110	\$ 88,360,110	\$ 52,014,607	\$ (36,345,503)
Total revenues	88,360,110	88,360,110	52,014,607	(36,345,503)
Expenditures				
Current:				
Public safety and justice services	58,948,000	58,948,000	36,233,638	22,714,362
Total expenditures	58,948,000	58,948,000	36,233,638	22,714,362
Excess (deficiency) of revenues over (under) expenditures	29,412,110	29,412,110	15,780,969	(13,631,141)
Net change in fund balances	\$ 29,412,110	\$ 29,412,110	15,780,969	\$ (13,631,141)
Fund balances, beginning of year			536,732,248	
Fund balances, end of year			\$ 552,513,217	

See note to required supplementary information.

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.

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PENSION PLAN DISCLOSURES



CITY OF
TUCSON

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

	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	\$17,728,008	\$16,270,543	\$14,966,928	\$14,648,214	\$14,130,993
Interest	79,743,830	80,461,062	78,164,082	76,836,667	75,605,853
Differences Between Expected and Actual Experience	33,053,661	(12,186,371)	19,575,935	6,252,324	5,030,045
Changes of Assumptions		29,073,338			57,324,201
Benefits Payments, including Refunds of Members Contributions	(83,280,747)	(81,521,219)	(79,568,289)	(78,298,677)	(76,586,216)
Net Change in Total Pension Liability	47,244,752	32,097,353	33,138,656	19,438,528	75,504,876
Total Pension Liability - Beginning	1,214,166,437	1,182,069,084	1,148,930,428	1,129,491,900	1,053,987,024
Total Pension Liability - Ending	<u>\$1,261,411,189</u>	<u>\$1,214,166,437</u>	<u>\$1,182,069,084</u>	<u>\$1,148,930,428</u>	<u>\$1,129,491,900</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$42,973,837	\$42,789,191	\$34,821,399	\$34,830,264	\$32,589,204
Contributions - Member	9,226,746	8,328,834	7,836,090	7,791,910	7,779,477
Net Investment Income	75,171,635	(119,211,124)	217,804,541	32,909,415	49,819,110
Benefits Payments, including Refunds of Members Contributions	(83,280,747)	(81,521,219)	(79,568,289)	(78,298,677)	(76,586,216)
Pension Plan Administrative Expense	(744,218)	(701,949)	(684,967)	(644,408)	(652,065)
Other (Net Transfer)					
Net Change in Plan Fiduciary Net Position	43,347,253	(150,316,267)	180,208,774	(3,411,496)	12,949,510
Plan Fiduciary Net Position - Beginning	863,064,039	1,013,380,306	833,171,532	836,583,028	823,633,518
Adjustments to Beginning of Year					
Plan Fiduciary Net Position - Ending	<u>\$906,411,292</u>	<u>\$863,064,039</u>	<u>\$1,013,380,306</u>	<u>\$833,171,532</u>	<u>\$836,583,028</u>
Net Pension Liability - Ending	<u>\$354,999,897</u>	<u>\$351,102,398</u>	<u>\$168,688,778</u>	<u>\$315,758,896</u>	<u>\$292,908,872</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.86 %	71.08 %	85.73 %	72.52 %	74.07 %
Covered Payroll	\$156,268,498	\$140,476,216	\$139,661,315	\$127,378,110	\$123,822,602
Net Pension Liability as a Percentage of Covered Payroll	227.17 %	249.94 %	120.78 %	247.89 %	236.56 %

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

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$13,104,720	\$13,130,902	\$14,279,065	\$15,753,944	\$14,825,019
Interest	72,893,717	72,547,402	72,013,831	70,688,775	66,915,612
Differences Between Expected and Actual Experience	6,919,468	(6,472,776)	(6,529,764)	(7,815,270)	325,889
Changes of Assumptions				(31,210,057)	76,945,563
Benefits Payments, including Refunds of Members Contributions	(75,618,198)	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
Net Change in Total Pension Liability	17,299,707	5,992,371	9,317,382	(20,194,959)	93,010,070
Total Pension Liability - Beginning	1,036,687,317	1,030,694,946	1,021,377,564	1,041,572,523	948,562,453
Total Pension Liability - Ending	<u>\$1,053,987,024</u>	<u>\$1,036,687,317</u>	<u>\$1,030,694,946</u>	<u>\$1,021,377,564</u>	<u>\$1,041,572,523</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$31,795,197	\$31,823,694	\$33,175,307	\$33,985,523	\$34,189,288
Contributions - Member	8,561,747	7,439,065	7,083,385	7,531,845	7,338,543
Net Investment Income	69,478,468	97,535,598	17,820,325	30,684,188	119,729,154
Benefits Payments, including Refunds of Members Contributions	(75,618,198)	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
Pension Plan Administrative Expense	(745,754)	(756,268)	(786,028)	(650,405)	(735,739)
Other (Net Transfer)	219,121	331,126	142,093	118,247	171,077
Net Change in Plan Fiduciary Net Position	33,690,581	63,160,058	(13,010,668)	4,057,047	94,690,310
Plan Fiduciary Net Position - Beginning	789,942,937	726,782,879	739,793,547	735,736,500	641,046,190
Adjustments to Beginning of Year					
Plan Fiduciary Net Position - Ending	<u>\$823,633,518</u>	<u>\$789,942,937</u>	<u>\$726,782,879</u>	<u>\$739,793,547</u>	<u>\$735,736,500</u>
Net Pension Liability - Ending	<u>\$230,353,506</u>	<u>\$246,744,380</u>	<u>\$303,912,067</u>	<u>\$281,584,017</u>	<u>\$305,836,023</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.14 %	76.20 %	70.51 %	72.43 %	70.64 %
Covered Payroll	\$115,618,898	\$117,006,431	\$115,183,349	\$123,414,560	\$126,639,423
Net Pension Liability as a Percentage of Covered Payroll	199.24 %	210.88 %	263.85 %	228.16 %	241.50 %

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 a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % Covered Payroll
2023	\$ 1,261,411,189	\$ 906,411,292	\$ 354,999,897	71.86%	\$ 156,268,498	227.17%
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	1,041,572,523	735,736,500	305,836,023	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 Contribution % of Pay	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions in Relation to ADC, Expressed as % of Covered Payroll
2023	21.25%	\$ 33,207,056	27.50%	\$ 42,973,837	\$ (9,766,781)	\$ 156,268,498	106.2%
2022	24.09%	33,854,768	28.77%	42,789,191	(8,934,423)	140,476,216	106.4%
2021	24.71%	31,288,610	27.50%	34,821,399	(3,532,789)	126,655,505	102.8%
2020	21.99%	27,842,681	27.50%	34,821,399	(6,978,718)	126,655,505	105.5%
2019	23.48%	27,825,255	27.50%	32,589,204	(4,763,949)	118,506,196	104.0%
2018	25.78%	29,806,552	27.50%	31,795,197	(1,988,645)	115,618,898	101.7%
2017	25.52%	29,532,388	27.50%	31,823,694	(2,291,306)	115,722,524	102.0%
2016	27.04%	32,608,311	27.50%	33,175,307	(566,996)	120,637,480	100.5%
2015	26.95%	33,305,813	27.50%	33,985,523	(679,710)	123,583,720	100.5%
2014	27.09%	34,189,288	27.09%	34,189,288		126,206,305	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, 2022
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 2023 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	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 of 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: RP2014 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return										
Net Investment Expense	8.84%	(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)			
	2023	2022	2021	2020
	(2022)	(2021)	(2020)	(2019)
Total Pension Liability				
Service Cost	\$ 10,799,901	\$ 11,797,483	\$ 12,409,359	\$ 13,100,961
Interest	74,121,548	72,948,247	70,210,266	65,886,833
Changes of Benefit Terms				
Differences Between Expected and Actual Experience	34,959,526	(4,632,924)	13,559,885	24,643,166
Changes of Assumptions	13,178,692			23,196,034
Benefit Payments, Including Refunds of Member Contributions	(64,986,978)	(61,098,249)	(55,023,833)	(54,403,239)
Net Change in Total Pension Liability	68,072,689	19,014,557	41,155,677	72,423,755
Total Pension Liability - Beginning	1,037,057,258	1,018,042,701	976,887,024	904,463,269
Total Pension Liability - Ending	\$1,105,129,947	\$1,037,057,258	\$1,018,042,701	\$ 976,887,024
Plan Fiduciary Net Position				
Contributions - Employer	\$ 45,581,121	\$ 43,568,407	\$ 42,607,658	\$ 46,215,262
Contributions - Member	5,699,552	5,568,753	5,512,812	5,532,860
Net Investment Income	(16,347,503)	94,572,801	4,404,637	17,761,280
Benefit Payments, Including Refunds of Member Contributions	(64,986,978)	(61,098,249)	(55,023,833)	(54,403,239)
Pension Plan Administrative Expense	(294,927)	(438,286)	(359,415)	(309,463)
Other (Net Transfer)	2,429		(260,752)	(36,932)
Net Change in Plan Fiduciary Net Position	(30,346,306)	82,173,426	(3,118,893)	14,759,768
Plan Fiduciary Net Position - Beginning	409,663,089	327,489,663	331,799,090	317,394,116
Adjustments to Beginning of Year			(1,190,534)	(354,794)
Plan Fiduciary Net Position - Ending	\$ 379,316,783	\$ 409,663,089	\$ 327,489,663	\$ 331,799,090
City's Net Position Liability - Ending	\$ 725,813,164	\$ 627,394,169	\$ 690,553,038	\$ 645,087,934
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	34.32 %	39.50 %	32.17 %	33.96 %
Covered Payroll	\$ 57,562,629	\$ 51,104,811	\$ 57,118,869	\$ 59,733,789
City's Net Position Liability as a Percentage of Covered Payroll	1,260.91 %	1,227.66 %	1,208.98 %	1,079.94 %

FY 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 Position Liability and Related Ratios -

Public Safety Personnel Retirement System (PSPRS) (Police) (Continued)

Last 10 Fiscal Years

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

FY 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 Position Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Fire)
Last 10 Fiscal Years

TUCSON FIRE				
	Reporting Fiscal Year			
	(Measurement Date)			
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
Total Pension Liability				
Service Cost	\$ 9,619,484	\$ 9,112,065	\$ 9,194,877	\$ 9,623,461
Interest	46,660,926	45,129,443	43,096,926	41,395,645
Changes of Benefit Terms				
Differences Between Expected and Actual Experience	29,222,089	4,446,854	11,466,433	5,951,987
Changes of Assumptions	9,370,499			8,947,604
Benefit Payments, Including Refunds of Member Contributions	(39,274,034)	(37,159,111)	(34,506,338)	(34,537,400)
Net Change in Total Pension Liability	55,598,964	21,529,251	29,251,898	31,381,297
Total Pension Liability - Beginning	649,208,294	627,679,043	598,427,145	567,045,848
Total Pension Liability - Ending	\$ 704,807,258	\$ 649,208,294	\$ 627,679,043	\$ 598,427,145
Plan Fiduciary Net Position				
Contributions - Employer	\$ 33,698,857	\$ 31,853,066	\$ 27,950,762	\$ 30,051,636
Contributions - Member	4,175,759	3,704,273	4,028,345	3,802,902
Net Investment Income	(10,183,444)	56,675,780	2,674,001	10,531,681
Benefit Payments, Including Refunds of Member Contributions	(39,274,034)	(37,159,111)	(34,506,338)	(34,537,400)
Pension Plan Administrative Expense	(183,613)	(264,357)	(218,237)	(183,737)
Other (Net Transfer)	21,453			
Net Change in Plan Fiduciary Net Position	(11,745,022)	54,809,651	(71,467)	9,665,082
Plan Fiduciary Net Position - Beginning	252,333,107	197,523,456	197,594,912	188,136,299
Adjustments to Beginning of Year	188,794		11	(206,469)
Plan Fiduciary Net Position - Ending	\$ 240,776,879	\$ 252,333,107	\$ 197,523,456	\$ 197,594,912
City's Net Position Liability - Ending	\$ 464,030,379	\$ 396,875,187	\$ 430,155,587	\$ 400,832,233
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	34.16 %	38.87 %	31.47 %	33.02 %
Covered Payroll	\$ 47,842,210	\$ 43,480,798	\$ 42,176,160	\$ 42,836,283
City's Net Position Liability as a Percentage of Covered Payroll	969.92 %	912.76 %	1,019.90 %	935.73 %

FY 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 Position Liability and Related Ratios -
Public Safety Personnel Retirement System (PSPRS) (Fire) (Continued)
Last 10 Fiscal Years

TUCSON FIRE					
	Reporting Fiscal Year				
	(Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability					
Service Cost	\$ 8,840,096	\$ 9,848,803	\$ 8,490,888	\$ 7,103,326	\$ 7,175,895
Interest	39,511,044	37,603,512	36,150,578	36,501,680	31,594,819
Changes of Benefit Terms		5,007,792	18,630,092		9,902,338
Differences Between Expected and Actual Experience	6,215,137	(11,548,340)	229,638	(8,410,285)	99,733
Changes of Assumptions		24,947,334	17,131,550		44,213,488
Benefit Payments, Including Refunds of Member Contributions	(34,066,814)	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Net Change in Total Pension Liability	20,499,463	34,322,328	31,272,605	3,832,587	63,463,981
Total Pension Liability - Beginning	546,546,385	512,224,147	480,951,542	477,118,955	413,654,974
Total Pension Liability - Ending	<u>\$ 567,045,848</u>	<u>\$ 546,546,475</u>	<u>\$ 512,224,147</u>	<u>\$ 480,951,542</u>	<u>\$ 477,118,955</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 34,070,743	\$ 27,383,515	\$ 22,701,968	\$ 17,186,603	\$ 15,972,870
Contributions - Member	3,712,765	5,103,020	5,209,851	4,092,378	3,849,878
Net Investment Income	12,483,625	18,533,184	978,548	6,307,289	22,057,153
Benefit Payments, Including Refunds of Member Contributions	(34,066,814)	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Pension Plan Administrative Expense	(200,699)	(164,387)	(141,207)	(154,261)	
Other (Net Transfer)	74,358	(210,132)	78,270	(132,475)	(9,649,798)
Net Change in Plan Fiduciary Net Position	16,073,978	19,108,427	(20,532,711)	(4,062,600)	2,707,811
Plan Fiduciary Net Position - Beginning	172,062,321	152,953,894	173,486,605	177,549,205	174,841,394
Adjustments to Beginning of Year					
Plan Fiduciary Net Position - Ending	<u>\$ 188,136,299</u>	<u>\$ 172,062,321</u>	<u>\$ 152,953,894</u>	<u>\$ 173,486,605</u>	<u>\$ 177,549,205</u>
City's Net Position Liability - Ending	<u>\$ 378,909,549</u>	<u>\$ 374,484,154</u>	<u>\$ 359,270,253</u>	<u>\$ 307,464,937</u>	<u>\$ 299,569,750</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.18 %	31.48 %	29.86 %	36.07 %	37.21 %
Covered Payroll	\$ 40,628,506	\$ 40,900,346	\$ 42,306,370	\$ 35,256,315	\$ 35,105,468
City's Net Position Liability as a Percentage of Covered Payroll	932.62 %	915.60 %	849.21 %	872.08 %	853.34 %

FY 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	Fiscal Year	Actuarially		Contribution	Covered	Actual
Date	Ending	Determined	Actual	Deficiency	Payroll	Contribution
	June 30,	Contribution	Contributions	(Excess)	at Val Date	as a % of Covered
						Employee Payroll
2022	2023	\$ 45,388,008	\$ 45,581,121	\$ (193,113)	\$ 57,562,629	79.19%
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	Fiscal Year	Actuarially		Contribution	Covered	Actual
Date	Ending	Determined	Actual	Deficiency	Payroll	Contribution
	June 30,	Contribution	Contributions	(Excess)	at Val Date	as a % of Covered
						Employee Payroll
2022	2023	\$ 33,674,127	\$ 33,698,857	\$ (24,730)	\$ 47,842,210	70.44%
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 2013-2014 - 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, 2022
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 2023 Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Tier 1/2	
Amortization Method	Beginning with 2020 new amounts use Level Dollar, layered Initial 2019 layer remains Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	7-Year smoothed fair value; 20% corridor
Investment Rate of Return	7.2%, net of investment and administrative expenses
Tier 3	
Amortization Method	Level Dollar, Layered
Remaining Amortization Period	10 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Investment Rate of Return	7.00%, net of investment and administrative expenses
Wage Inflation	3.50%
Price Inflation	2.50%
Salary Increases	3.50% to 7.50% including inflation
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition.
Mortality	PubS-2010 Employee mortality, loaded 110% for males and females.

Other Information:

Assumed Future Permanent Benefit Increases	The COLA adjustment will be based on the average annual percentage change in Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
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City of Tucson, Arizona
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)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB Liability						
Service Cost	\$ 243,921	\$ 295,288	\$ 309,856	\$ 202,922	\$ 180,290	\$ 228,828
Interest	1,371,654	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	709,888		(678,808)	(913,929)	(272,424)	(484,718)
Changes of Assumptions	422,936			374,464		(210,460)
Benefit Payments	(1,394,318)	(1,391,677)	(1,482,737)	(1,528,188)	(1,554,072)	(1,563,012)
Net Change in Total OPEB	1,354,081	(1,542,048)	(321,719)	(320,629)	(103,731)	(400,657)
Total OPEB Liability - Beginning	19,243,020	20,785,068	21,106,787	21,427,416	21,531,147	21,931,804
Total OPEB Liability - Ending	\$ 20,597,101	\$ 19,243,020	\$ 20,785,068	\$ 21,106,787	\$ 21,427,416	\$ 21,531,147
Plan Fiduciary Net Position						
Contributions - Employer	\$ 517,085	\$ 441,452	\$ 583,851	\$ 530,629	\$ 182,926	\$ 512,380
Contributions - Member	20,396	42,010	38,526	20,344	1,585	
Net Investment Income	(704,006)	4,047,746	193,772	826,586	1,071,704	1,750,756
Benefit Payments	(1,394,318)	(1,391,677)	(1,482,737)	(1,528,188)	(1,554,072)	(1,563,012)
Administrative Expense	(12,532)	(16,644)	(15,758)	(14,268)	(16,311)	(15,493)
Net Change in Plan Fiduciary Net Position	(1,573,375)	3,122,887	(682,346)	(164,897)	(314,168)	684,631
Plan Fiduciary Net Position - Beginning	18,336,029	15,213,142	15,895,488	15,705,592	16,019,760	15,335,129
Adjustment to Beginning of Year				354,793		
Plan Fiduciary Net Position - Ending	\$ 16,762,654	18,336,029	15,213,142	15,895,488	15,705,592	16,019,760
City's Net OPEB Liability - Ending	\$ 3,834,447	\$ 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	81.38%	95.29%	73.19%	75.31%	73.30%	74.40%
Covered Payroll	\$ 57,562,629	\$ 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	6.66%	1.77%	9.75%	8.72%	10.68%	9.63%

FY 2014-2017 - 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)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB Liability						
Service Cost	\$ 199,276	\$ 204,660	\$ 206,355	\$ 136,905	\$ 132,903	\$ 134,971
Interest	820,223	910,287	925,112	983,785	987,402	997,383
Changes of Benefit Terms						12,995
Differences Between Expected and Actual Experience	531,508	(1,525,600)	(285,763)	(1,141,572)	(282,442)	(277,360)
Changes of Assumptions	260,565			91,238		167,748
Benefit Payments	(804,824)	(830,617)	(921,049)	(944,323)	(970,061)	(1,009,698)
Net Change in Total OPEB	1,006,748	(1,241,270)	(75,345)	(873,967)	(132,198)	26,039
Total OPEB Liability - Beginning	11,439,065	12,680,335	12,755,680	13,629,647	13,761,845	13,735,806
Total OPEB Liability - Ending	\$ 12,445,813	\$ 11,439,065	\$ 12,680,335	\$ 12,755,680	\$ 13,629,647	\$ 13,761,845
Plan Fiduciary Net Position						
Contributions - Employer	\$ 311,563	\$ 276,474	\$ 345,214	\$ 322,665	\$ 86,491	\$ 146,333
Contributions - Member	9,412	13,169	8,187	2,862	544	
Net Investment Income	(485,487)	2,768,301	132,181	562,529	726,450	1,191,166
Benefit Payments	(804,824)	(830,617)	(921,049)	(944,323)	(970,061)	(1,009,698)
Administrative Expense	(8,642)	(11,383)	(10,749)	(9,710)	(11,057)	(10,539)
Other (Net Transfer)					1	
Net Change in Plan Fiduciary Net Position	(977,978)	2,215,944	(446,216)	(65,977)	(167,632)	317,262
Plan Fiduciary Net Position - Beginning	12,571,760	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	\$ 11,593,782	\$ 12,571,760	\$ 10,355,816	\$ 10,802,032	\$ 10,661,541	\$ 10,829,173
City's Net OPEB Liability - Ending	\$ 852,031	\$ (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	93.15%	109.90%	81.67%	84.68%	78.22%	78.69%
Covered Payroll	\$ 47,842,210	\$ 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	1.78%	(2.61)%	5.51%	4.56%	7.31%	7.17%

FY 2014-2017 -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 Retirement System (PSPRS)
Last 10 Fiscal Years

TUCSON POLICE

Valuation	Fiscal Year	Actuarially		Contribution	Covered	Actual
Date	Ending	Determined	Actual	Deficiency	Payroll	Contribution
	June 30,	Contribution	Contributions	(Excess)	at Val Date	as a % of Covered
						Employee Payroll
2022	2023	\$ 517,085	\$ 517,085	\$	\$ 57,562,629	0.90%
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	Fiscal Year	Actuarially		Contribution	Covered	Actual
Date	Ending	Determined	Actual	Deficiency	Payroll	Contribution
	June 30,	Contribution	Contributions	(Excess)	at Val Date	as a % of Covered
						Employee Payroll
2022	2023	\$ 311,563	\$ 311,563	\$	\$ 47,842,210	0.65%
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 2014-2017 -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)			
	2023 2022	2022 (2021)	2021 (2020)	2020 (2019)
Total OPEB Liability				
Service Cost	\$ 7,256,595	\$ 8,242,610	\$ 6,720,818	\$ 6,163,154
Interest	4,087,747	4,570,752	6,868,360	7,270,919
Differences Between Expected and Actual Experience	1,383,868	(6,305,555)	(5,276,328)	(404,867)
Changes of Assumptions	(17,560,975)	(10,516,725)	13,021,354	6,484,817
Benefit Payments	(12,408,521)	(12,745,874)	(11,769,570)	(11,755,359)
Net Change in Total OPEB	(17,241,286)	(16,754,792)	9,564,634	7,758,664
Total OPEB Liability - Beginning	188,162,067	204,916,859	195,352,225	187,593,561
Total OPEB Liability - Ending	<u>\$ 170,920,781</u>	<u>\$ 188,162,067</u>	<u>\$ 204,916,859</u>	<u>\$ 195,352,225</u>
Plan Fiduciary Net Position				
Contributions - Employer	12,408,521	\$ 12,745,874	\$ 11,769,570	\$ 11,755,359
Benefit Payments	(12,408,521)	(12,745,874)	(11,769,570)	(11,755,359)
Net Change in Plan Fiduciary Net Position				
Total OPEB Liability - Beginning				
Total OPEB Liability - Ending				
City's Net OPEB Liability - Ending	<u>\$ 170,920,781</u>	<u>\$ 188,162,067</u>	<u>\$ 204,916,859</u>	<u>\$ 195,352,225</u>
Covered-employee Payroll	\$ 167,517,915	\$ 167,234,321	\$ 188,180,084	\$ 189,145,153
City's Net OPEB Liability as a Percentage of Covered Payroll	102.03%	112.51%	108.89%	103.28%

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.

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

	Reporting Fiscal Year	
	(Measurement Date)	
	2019 (2018)	2018 (2017)
Total OPEB Liability		
Service Cost	\$ 9,475,148	\$ 10,746,774
Interest	8,662,021	7,193,692
Differences Between Expected and Actual Experience	(24,039,470)	(20,411,157)
Changes of Assumptions	(32,541,492)	6,668,600
Benefit Payments	(12,886,797)	(13,874,433)
Net Change in Total OPEB	(51,330,590)	(9,676,524)
Total OPEB Liability - Beginning	238,924,151	248,600,675
Total OPEB Liability - Ending	\$ 187,593,561	\$ 238,924,151
Plan Fiduciary Net Position		
Contributions - Employer	\$ 12,886,797	\$ 13,874,433
Benefit Payments	(12,886,797)	(13,874,433)
Net Change in Plan Fiduciary Net Position		
Total OPEB Liability - Beginning		
Total OPEB Liability - Ending		
City's Net OPEB Liability - Ending	\$ 187,593,561	\$ 238,924,151
Covered-employee Payroll	\$ 191,491,019	\$ 201,408,971
City's Net OPEB Liability as a Percentage of Covered Payroll	97.96%	118.63%

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 & DISCLOSURES



CITY OF
TUCSON

City of Tucson, Arizona
Combining Balance Sheet — All Nonmajor Governmental Funds — By Fund Type
June 30, 2023

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 294,446,025	\$ 3,115,315	\$ 103,368,194	\$ 400,929,534
Cash & investments with fiscal agent - restricted	17,101	31,504,175		31,521,276
Taxes receivable, net	11,019,868			11,019,868
Accounts receivable, net	3,099,673			3,099,673
Notes & loans receivable	41,525,144			41,525,144
Interfund receivable	36,041			36,041
Due from other Agencies	8,542,368		35,543,314	44,085,682
Grants & entitlements receivable	29,464,040			29,464,040
Interest receivable	35,732		1,132	36,864
Lease receivable	445,161			445,161
Inventories	2,335,806			2,335,806
Other assets	1,918,531			1,918,531
Total assets	<u>\$ 392,885,490</u>	<u>\$ 34,619,490</u>	<u>\$ 138,912,640</u>	<u>\$ 566,417,620</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	19,241,332		7,495,441	26,736,773
Accrued payroll liabilities	2,022,521		20,996	2,043,517
Interfund payable	28,831,817		29,562,740	58,394,557
Due to other agencies	116,789		348,700	465,489
Refundable deposits	286,449		4,385	290,834
Matured bonds & interest payable		31,504,176		31,504,176
Advances from grantors	3,725,025			3,725,025
Total liabilities	<u>54,223,933</u>	<u>31,504,176</u>	<u>37,432,262</u>	<u>123,160,371</u>
Deferred inflows of resources				
Deferred revenues	39,242,003			39,242,003
Unavailable revenue - leases	399,376			399,376
Total deferred inflows of resources	<u>39,641,379</u>			<u>39,641,379</u>
Fund balances				
Nonspendable	3,254,337			3,254,337
Restricted	295,699,586	3,115,314	101,480,378	400,295,278
Committed	76,472			76,472
Assigned	227,835			227,835
Unassigned	(238,052)			(238,052)
Total fund balances	<u>299,020,178</u>	<u>3,115,314</u>	<u>101,480,378</u>	<u>403,615,870</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 392,885,490</u>	<u>\$ 34,619,490</u>	<u>\$ 138,912,640</u>	<u>\$ 566,417,620</u>

City of Tucson, Arizona
Combining Balance Sheet — Nonmajor Special Revenue Funds

June 30, 2023

	Park Tucson	Convention Center	HURF	Civic Contributions
Assets				
Cash and cash equivalents	\$ 167,329	\$ 4,771,077	\$ 16,423,600	\$ 1,951,615
Cash & investments with fiscal agent - restricted	17,101			
Taxes receivable, net				
Accounts receivable, net	240	734,818	681,967	188
Notes & loans receivable				
Interfund receivable				
Due from other agencies			5,576,187	
Grants & entitlements receivable				
Interest receivable		18	32,722	20
Lease receivable	445,161			
Inventories		83,694		
Other assets		25,710	865,673	
Total assets	\$ 629,831	\$ 5,615,317	\$ 23,580,149	\$ 1,951,823
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 189,043	\$ 2,373,888	\$ 3,166,048	\$ 71,979
Accrued payroll liabilities	59,400	421,219	1,096,490	
Interfund payable				
Due to other agencies	91,228		12,000	
Refundable deposits	59,401		9,948	
Advances from grantors				
Total liabilities	399,072	2,795,107	4,284,486	71,979
Deferred inflows of resources				
Deferred revenues		2,038,920		
Unavailable revenue - leases	399,376			
Total deferred inflows of resources	399,376	2,038,920		
Fund balances				
Nonspendable		109,404	865,673	
Restricted		644,052	18,429,990	1,803,372
Committed				76,472
Assigned		27,834		
Unassigned	(168,617)			
Total fund balances	(168,617)	781,290	19,295,663	1,879,844
Total liabilities, deferred inflows and fund balances	\$ 629,831	\$ 5,615,317	\$ 23,580,149	\$ 1,951,823

City of Tucson, Arizona

Combining Balance Sheet — Nonmajor Special Revenue Funds

June 30, 2023

Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants
\$	\$	\$ 2,386,086	\$	\$ 2,149
		674,669		1,299
5,972,963			35,552,181	
28,628			7,413	
3,203,640	4,083,579		908,144	21,268,677
	1,000,000			
<u>\$ 9,205,231</u>	<u>\$ 5,083,579</u>	<u>\$ 3,060,755</u>	<u>\$ 36,467,738</u>	<u>\$ 21,272,125</u>
\$ 725,562	\$ 1,330,105	\$ 205,290	\$ 148,104	\$ 300,490
65,087	63,943	127,464	11,715	142,873
3,215,032	3,758,966	1,496,227	517,343	17,844,873
145		138		12,905
		217,093		7
				2,970,977
<u>4,005,826</u>	<u>5,153,014</u>	<u>2,046,212</u>	<u>677,162</u>	<u>21,272,125</u>
1,650,902			35,552,181	
<u>1,650,902</u>			<u>35,552,181</u>	
3,548,503		1,014,543	238,395	
	(69,435)			
<u>3,548,503</u>	<u>(69,435)</u>	<u>1,014,543</u>	<u>238,395</u>	
<u>\$ 9,205,231</u>	<u>\$ 5,083,579</u>	<u>\$ 3,060,755</u>	<u>\$ 36,467,738</u>	<u>\$ 21,272,125</u>

City of Tucson, Arizona
Combining Balance Sheet — Nonmajor Special Revenue Funds (Continued)
June 30, 2023

	Non-Federal Grants	Federal Highway Grant	Sun Link	Better Streets Improvement
Assets				
Cash and cash equivalents	\$ 27,999	\$	\$	\$ 133,765,834
Cash & investments with fiscal agent - restricted				
Taxes receivable, net				8,410,738
Accounts receivable, net		208,885	583,503	
Notes & loans receivable				
Interfund receivable				
Due from other agencies	2,966,181			
Grants & entitlements receivable				
Interest receivable				1,429
Lease receivable				
Inventories			2,252,112	
Other assets			27,148	
Total assets	<u>\$ 2,994,180</u>	<u>\$ 208,885</u>	<u>\$ 2,862,763</u>	<u>\$ 142,178,001</u>
Liabilities, deferred inflows or resources, and fund balances				
Liabilities				
Accounts payable	\$ 539,746	\$ 95,158	\$ 188,941	\$ 7,208,849
Accrued payroll liabilities	9,298			
Interfund payable	1,691,088	113,727	194,561	
Due to other agencies				
Refundable deposits				
Matured bonds & interest payable				
Advances from grantors	754,048			
Total liabilities	<u>2,994,180</u>	<u>208,885</u>	<u>383,502</u>	<u>7,208,849</u>
Deferred inflows of resources				
Deferred revenues				
Unavailable revenue - leases				
Total deferred inflows				
Fund balances				
Nonspendable			2,279,260	
Restricted				134,969,152
Committed				
Assigned			200,001	
Unassigned				
Total fund balances			<u>2,479,261</u>	<u>134,969,152</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,994,180</u>	<u>\$ 208,885</u>	<u>\$ 2,862,763</u>	<u>\$ 142,178,001</u>

City of Tucson, Arizona

Combining Balance Sheet — Nonmajor Special Revenue Funds (Continued)

June 30, 2023

Safer City Improvement	Gene Reid Park Zoo Capital Improvements	Green Stormwater Infrastructure	Total Special Revenue Funds
\$ 88,406,425	\$ 37,908,284	\$ 8,635,627	\$ 294,446,025
			17,101
14,599	2,594,531		11,019,868
		214,104	3,099,673
			41,525,144
			36,041
			8,542,368
			29,464,040
1,033	412	98	35,732
			445,161
			2,335,806
			1,918,531
<u>\$ 88,422,057</u>	<u>\$ 40,503,227</u>	<u>\$ 8,849,829</u>	<u>\$ 392,885,490</u>
\$ 1,214,643	\$ 1,416,814	\$ 66,672	\$ 19,241,332
		25,032	2,022,521
			28,831,817
		373	116,789
			286,449
			3,725,025
<u>1,214,643</u>	<u>1,416,814</u>	<u>92,077</u>	<u>54,223,933</u>
			39,242,003
			399,376
			39,641,379
			3,254,337
87,207,414	39,086,413	8,757,752	295,699,586
			76,472
			227,835
			(238,052)
<u>87,207,414</u>	<u>39,086,413</u>	<u>8,757,752</u>	<u>299,020,178</u>
<u>\$ 88,422,057</u>	<u>\$ 40,503,227</u>	<u>\$ 8,849,829</u>	<u>\$ 392,885,490</u>

City of Tucson, Arizona
Combining Balance Sheet - Nonmajor Debt Service Funds
June 30, 2023

	General Obligation Bond & Interest	Total Non-major Debt Service Totals
Assets		
Cash and cash equivalents	\$ 3,115,315	\$ 3,115,315
Cash & investments with fiscal agent - restricted	31,504,175	31,504,175
Total assets	<u>\$ 34,619,490</u>	<u>\$ 34,619,490</u>
Liabilities and fund balances		
Liabilities		
Matured bonds & interest payable	\$ 31,504,176	\$ 31,504,176
Total liabilities	<u>31,504,176</u>	<u>31,504,176</u>
Fund balances		
Restricted	3,115,314	3,115,314
Total fund balances	<u>3,115,314</u>	<u>3,115,314</u>
Total liabilities and fund balances	<u>\$ 34,619,490</u>	<u>\$ 34,619,490</u>

City of Tucson, Arizona
Combining Balance Sheet — Nonmajor Capital Projects Funds
June 30, 2023

	Capital Improvements	Development Fees	Regional Transportation Authority	2020 General Obligation / Connections Improvement	Total Non-major Capital Projects Funds
Assets					
Cash and cash equivalents	\$	\$ 77,867,297	\$	\$ 25,500,897	\$ 103,368,194
Cash & investments with fiscal agent - restricted					
Taxes receivable, net					
Accounts receivable, net					
Notes & loans receivable					
Interfund receivables					
Due from other agencies	19,996,264		15,547,050		35,543,314
Grants & entitlements receivable					
Interest receivable		816		316	1,132
Lease receivable					
Inventories					
Interfund loans receivable					
Long-term investments					
Other assets					
Total assets	<u>\$ 19,996,264</u>	<u>\$ 77,868,113</u>	<u>\$ 15,547,050</u>	<u>\$ 25,501,213</u>	<u>\$ 138,912,640</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 1,253,154	\$ 38,712	\$ 4,035,074	\$ 2,168,501	\$ 7,495,441
Accrued payroll liabilities	10,442		10,554		20,996
Interfund payable	18,479,002		11,083,738		29,562,740
Due to other agencies	253,651		95,049		348,700
Refundable deposits	15		4,370		4,385
Matured bonds & interest payable					
Advances from grantors					
Total liabilities	<u>19,996,264</u>	<u>38,712</u>	<u>15,228,785</u>	<u>2,168,501</u>	<u>37,432,262</u>
Fund balances					
Restricted		77,829,401	318,265	23,332,712	101,480,378
Unassigned					
Total fund balances	<u></u>	<u>77,829,401</u>	<u>318,265</u>	<u>23,332,712</u>	<u>101,480,378</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 19,996,264</u>	<u>\$ 77,868,113</u>	<u>\$ 15,547,050</u>	<u>\$ 25,501,213</u>	<u>\$ 138,912,640</u>

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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, 2023

	Special Revenue	Debt Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Taxes	\$ 93,287,139	\$ 36,712,297	\$	\$ 129,999,436
Licenses and permits	1,464,565			1,464,565
Fines and forfeitures	634,530			634,530
Developer fees			12,794,087	12,794,087
Use of money and property	4,410,101		1,321,410	5,731,511
Federal grants and contributions	92,360,375			92,360,375
Other agencies	65,034,425		42,617,478	107,651,903
Charges for services	20,666,435			20,666,435
Contributions from outside sources	1,320,345			1,320,345
Miscellaneous	1,584,351		100,295	1,684,646
Total revenues	280,762,266	36,712,297	56,833,270	374,307,833
Expenditures				
Current:				
Elected and official	873,987			873,987
Public safety and justice services	19,175,638			19,175,638
Community enrichment and development	161,398,005		5,434,242	166,832,247
Support services	1,742,865			1,742,865
General government	1,804,890			1,804,890
Capital outlay	13,757,184		4,256,173	18,013,357
Capital projects	20,134,281		55,818,913	75,953,194
Debt service:				
Principal	3,788,245	29,280,000		33,068,245
Interest	928,502	4,448,350		5,376,852
Fiscal agent fees	1,200	8,000		9,200
Total expenditures	223,604,797	33,736,350	65,509,328	322,850,475
Excess (deficiency) of revenues over (under) expenditures	57,157,469	2,975,947	(8,676,058)	51,457,358
Other financing sources (uses)				
Transfers In	8,945,060		149,650	9,094,710
Transfers Out	(2,625,093)			(2,625,093)
Total other financing sources (uses)	6,319,967		149,650	6,469,617
Net change in fund balances	63,477,436	2,975,947	(8,526,408)	57,926,975
Fund balances, beginning of year	235,542,742	139,367	110,006,786	345,688,895
Fund balances, end of year	\$ 299,020,178	\$ 3,115,314	\$ 101,480,378	\$ 403,615,870

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
Year Ended June 30, 2023

	Park Tucson	Convention Center	HURF	Civic Contributions
Revenues				
Taxes	\$	\$	\$	\$
Licenses and permits			1,464,565	
Fines and forfeitures	634,530			
Developer fees				
Use of money and property	98,231	66,950	1,325,367	26,184
Federal grants and contributions			6,259	
Other agencies			58,532,469	
Charges for services	4,138,716	12,515,727	76,716	
Contributions from outside sources				1,320,345
Miscellaneous	81,894	10,380	1,392,484	64,471
Total revenues	4,953,371	12,593,057	62,797,860	1,411,000
Expenditures				
Current:				
Elected and official			139,500	26,731
Public safety and justice services				29,262
Community enrichment and development	2,903,142	16,326,520	49,241,443	232,609
Support services			1,502,018	
General government			100,580	930
Capital outlay	30,412	309,590	2,693,208	
Capital projects			1,840,658	342,590
Debt service:				
Principal	1,504,244		1,384,001	
Interest	175,050		139,688	
Fiscal agent fees			1,200	
Total expenditures	4,612,848	16,636,110	57,042,296	632,122
Excess (deficiency) of revenues over (under) expenditures	340,523	(4,043,053)	5,755,564	778,878
Other financing sources (uses)				
Transfers in		4,046,075		
Transfers out	(334,753)	(3,020)	(1,982,940)	
Total other financing sources (uses)	(334,753)	4,043,055	(1,982,940)	
Net change in fund balances	5,770	2	3,772,624	778,878
Fund balances, beginning of year	(174,387)	781,288	15,523,039	1,100,966
Fund balances, end of year	\$ (168,617)	\$ 781,290	\$ 19,295,663	\$ 1,879,844

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2023

Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	Home Affordable Housing Grants	Other Federal Grants	Non-Federal Grants	Federal Highway Grant
\$	\$	\$	\$	\$	\$	\$
	128	(37,822)				
10,428,577	6,992,199	49,165,469	4,746,711	20,685,346		335,814
		4,670			5,774,956	
	1,000	10,169				
10,428,577	6,993,327	49,142,486	4,746,711	20,685,346	5,774,956	335,814
				318,684	266,698	
				13,532,127	3,475,045	
6,009,602	6,947,006	49,914,483	4,877,929	3,077,995	1,072,902	215,696
188,846	10,969		24,335			16,697
				192		
1,709,724	35,227			3,710,364	432,099	27,472
2,437,415			327	45,984	528,212	75,949
10,345,587	6,993,202	49,914,483	4,902,591	20,685,346	5,774,956	335,814
82,990	125	(771,997)	(155,880)			
(66,540)	(69,560)	(119,700)	(19,790)			
(66,540)	(69,560)	(119,700)	(19,790)			
16,450	(69,435)	(891,697)	(175,670)			
3,532,053		1,906,240	414,065			
\$ 3,548,503	\$ (69,435)	\$ 1,014,543	\$ 238,395	\$	\$	\$

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2023

	Sun Link	Better Streets Improvement	Safer City Improvement	Gene Reid Park Zoo Capital Improvements
Revenues				
Taxes	\$	\$ 76,760,811	\$	\$ 16,526,328
Licenses and permits				
Fines and forfeitures				
Developer fees				
Use of money and property	1,027	1,410,757	1,143,935	268,579
Federal grants and contributions				
Other agencies	727,000			
Charges for services	691,676			
Contributions from outside sources				
Miscellaneous		23,953		
Total revenues	1,419,703	78,195,521	1,143,935	16,794,907
Expenditures				
Current:				
Elected and official				
Public safety and justice services			2,139,204	
Community enrichment and development	4,651,778	10,165,106		4,434,648
Support services				
General government		1,703,188		
Capital outlay	15,538		4,793,550	
Capital projects		1,633,243	7,439,487	5,790,416
Debt service:				
Principal	900,000			
Interest	613,764			
Fiscal agent fees				
Total expenditures	6,181,080	13,501,537	14,372,241	10,225,064
Excess (deficiency) of revenues over (under) expenditures	(4,761,377)	64,693,984	(13,228,306)	6,569,843
Other financing sources (uses)				
Transfers in	4,898,985			
Transfers out				
Total other financing sources (uses)	4,898,985			
Net change in fund balances	137,608	64,693,984	(13,228,306)	6,569,843
Fund balances, beginning of year	2,341,653	70,275,168	100,435,720	32,516,570
Fund balances, end of year	\$ 2,479,261	\$ 134,969,152	\$ 87,207,414	\$ 39,086,413

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds (Continued)
Year Ended June 30, 2023

Green Stormwater Infrastructure	Total Special Revenue Funds
\$	\$ 93,287,139
	1,464,565
	634,530
106,765	4,410,101
	92,360,375
	65,034,425
3,238,930	20,666,435
	1,320,345
	1,584,351
<u>3,345,695</u>	<u>280,762,266</u>
122,374	873,987
	19,175,638
1,327,146	161,398,005
	1,742,865
	1,804,890
	13,757,184
	20,134,281
	3,788,245
	928,502
	1,200
<u>1,449,520</u>	<u>223,604,797</u>
<u>1,896,175</u>	<u>57,157,469</u>
	8,945,060
<u>(28,790)</u>	<u>(2,625,093)</u>
<u>(28,790)</u>	<u>6,319,967</u>
<u>1,867,385</u>	<u>63,477,436</u>
6,890,367	235,542,742
<u>\$ 8,757,752</u>	<u>\$ 299,020,178</u>

City of Tucson, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -

Nonmajor Debt Service Funds

Year Ended June 30, 2023

	General Obligation Bond & Interest	Total Debt Service Funds
Revenues		
Taxes	\$ 36,712,297	\$ 36,712,297
Other agencies		
Total revenues	<u>36,712,297</u>	<u>36,712,297</u>
Expenditures		
Debt service:		
Principal	29,280,000	29,280,000
Interest	4,448,350	4,448,350
Fiscal agent fees	8,000	8,000
Total expenditures	<u>33,736,350</u>	<u>33,736,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,975,947</u>	<u>2,975,947</u>
Net change in fund balances	<u>2,975,947</u>	<u>2,975,947</u>
Fund balances, beginning of year	139,367	139,367
Fund balances, end of year	<u>\$ 3,115,314</u>	<u>\$ 3,115,314</u>

City of Tucson, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Capital Project Funds
Year Ended June 30, 2023

	Capital Improvements	Development Fees	Regional Transportation Authority	2020 General Obligation / Connections Improvement	Total Non-major Capital Projects Funds
Revenues					
Developer fees	\$	\$ 12,794,087	\$	\$	\$ 12,794,087
Use of money and property		924,044	6,387	390,979	1,321,410
Other agencies	15,821,453		26,796,025		42,617,478
Miscellaneous	97,328			2,967	100,295
Total revenues	15,918,781	13,718,131	26,802,412	393,946	56,833,270
Expenditures					
Current:					
Community enrichment & development	3,363,246		937,149	1,133,847	5,434,242
Capital outlay	2,994,967	489,782	686,864	84,560	4,256,173
Capital projects	9,560,568	5,228,054	25,242,797	15,787,494	55,818,913
Total expenditures	15,918,781	5,717,836	26,866,810	17,005,901	65,509,328
Excess (deficiency) of revenues over expenditures		8,000,295	(64,398)	(16,611,955)	(8,676,058)
Other financing sources:					
Transfers In		149,650			149,650
Total other financing sources		149,650			149,650
Net change in fund balances		8,149,945	(64,398)	(16,611,955)	(8,526,408)
Fund balances, beginning of year		69,679,456	382,663	39,944,667	110,006,786
Fund balances, end of year	\$	\$ 77,829,401	\$ 318,265	\$ 23,332,712	\$ 101,480,378

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Nonmajor Enterprise Funds
June 30, 2023
City of Tucson, Arizona

City of Tucson, Arizona
Nonmajor Enterprise Funds
Combining Statement of Net Position
June 30, 2023

	Business-type activities		
	Tucson Golf	Non-PHA Asset Management	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 6,963	\$	\$ 6,963
Accounts receivable, net	14,593	1,297,242	1,311,835
Interfund receivable, net		18,755	18,755
Inventories	370,068		370,068
Other assets	52,744		52,744
Total current assets	444,368	1,315,997	1,760,365
Noncurrent assets			
Long term notes receivable	417,762		417,762
Land & construction in progress	3,536,909	3,257,923	6,794,832
Other capital assets, net	7,757,733	7,910,839	15,668,572
Total noncurrent assets	11,712,404	11,168,762	22,881,166
Total assets	12,156,772	12,484,759	24,641,531
Deferred outflows of resources			
Related to pensions		532,021	532,021
Total deferred outflows of resources		532,021	532,021
Current liabilities			
Accounts payable	90,898	99,306	190,204
Accrued payroll liabilities	10,411	24,962	35,373
Accrued interest payable		484	484
Interfund payable		2,394,332	2,394,332
Interfund loans payable	173,325		173,325
Due to other agencies	52,419	39,810	92,229
Refundable deposits		301,889	301,889
Customer advances	160,996		160,996
Current portion of contracts payable	12,155		12,155
Current portion of compensated absences		13,233	13,233
Current portion of lease liabilities	58,930		58,930
Total current liabilities	559,134	2,874,016	3,433,150
Noncurrent liabilities			
Compensated absences, net of current portion		30,635	30,635
Net pension liability		923,000	923,000
Total non-current liabilities		953,635	953,635
Total liabilities	559,134	3,827,651	4,386,785
Deferred inflows of resources			
Deferred revenues		183,873	183,873
Related to OPEB		219,698	219,698
Total deferred inflows of resources		403,571	403,571
Net Position			
Net investment in capital assets	11,223,557	11,168,762	22,392,319
Unrestricted	374,081	(2,383,204)	(2,009,123)
Total net position	\$ 11,597,638	\$ 8,785,558	\$ 20,383,196

City of Tucson, Arizona
Internal Service Funds
Combining Statement of Net Position
June 30, 2023

	Risk Management	Health Insurance	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 24,638,382	\$ 27,183,213	\$ 51,821,595
Cash & investment with fiscal agent - restricted	361,384		361,384
Accounts receivable, net	53,702		53,702
Interest receivable	243	217	460
Other assets	2,710,437		2,710,437
Total current assets	<u>27,764,148</u>	<u>27,183,430</u>	<u>54,947,578</u>
Noncurrent assets			
Long-term investments	43,720,316		43,720,316
Land & construction in progress	30,242		30,242
Other capital assets, net	223,221		223,221
Total noncurrent assets	<u>43,973,779</u>		<u>43,973,779</u>
Total assets	<u>71,737,927</u>	<u>27,183,430</u>	<u>98,921,357</u>
Current liabilities			
Accounts payable	261,563	1,069,163	1,330,726
Accrued payroll liabilities	88,183	26,529	114,712
Refundable deposits	2,558	80,430	82,988
Current portion of claims payable	17,151,717	5,110,000	22,261,717
Current portion of remediation obligations	263,600		263,600
Current portion of leases and SBITAs	91,539		91,539
Total current liabilities	<u>17,859,160</u>	<u>6,286,122</u>	<u>24,145,282</u>
Noncurrent liabilities			
Claims payable, net of current portion	40,447,344		40,447,344
Remediation obligations, net of current portion	960,985		960,985
Leases and SBITAs, net of current portion	91,132		91,132
Total noncurrent liabilities	<u>41,499,461</u>		<u>41,499,461</u>
Total liabilities	<u>59,358,621</u>	<u>6,286,122</u>	<u>65,644,743</u>
Net Position			
Net investment in capital assets	253,463		253,463
Restricted for self insurance mandates	3,272,966	5,190,430	8,463,396
Unrestricted	8,852,877	15,706,878	24,559,755
Total net position	<u>\$ 12,379,306</u>	<u>\$ 20,897,308</u>	<u>\$ 33,276,614</u>

City of Tucson, Arizona
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenditures and Changes in Net Position
June 30, 2023

	Business-type activities		
	Tucson Golf	Non-PHA Asset Management	Total
Operating revenues			
Charges for services	\$ 10,497,811	\$ 1,893,789	\$ 12,391,600
Federal grants and contributions		247,341	247,341
Miscellaneous	61,398	138,117	199,515
Total operating revenues	10,559,209	2,279,247	12,838,456
Operating expenses			
Salaries, wages, and benefits	56,202	845,601	901,803
Contractual services	7,376,092	2,034,863	9,410,955
Commodities	1,316,121	256,919	1,573,040
Cost of goods sold	873,742		873,742
Depreciation	1,042,909	344,449	1,387,358
Total operating expenses	10,665,066	3,481,832	14,146,898
Operating income (loss)	(105,857)	(1,202,585)	(1,308,442)
Nonoperating revenues (expenses)			
Investment income (loss)	(39,606)	22,492	(17,114)
Interest expense	(2,742)		(2,742)
Total nonoperating revenues (expenses)	(42,348)	22,492	(19,856)
Income before transfers and capital contributions	(148,205)	(1,180,093)	(1,328,298)
Other financing sources (uses)			
Transfers out	(1,630)	(41,390)	(43,020)
Total other financing sources (uses)	(1,630)	(41,390)	(43,020)
Changes in net position	(149,835)	(1,221,483)	(1,371,318)
Net position at beginning of year	11,747,473	10,007,041	21,754,514
Net position at end of year	\$ 11,597,638	\$ 8,785,558	\$ 20,383,196

City of Tucson, Arizona
Internal Service Funds
Combining Statement of Revenues, Expenditures and Changes in Net Position
June 30, 2023

	Risk Management	Health Insurance	Total
Operating revenues			
Charges for services	\$ 13,881,917	\$ 74,617,829	\$ 88,499,746
Other agencies		3,920,401	3,920,401
Miscellaneous	136,182	789,812	925,994
Total operating revenues	14,018,099	79,328,042	93,346,141
Operating expenses			
Salaries, wages and benefits	2,473,832	1,011,082	3,484,914
Contractual services	6,442,878	13,816,563	20,259,441
Commodities	50,024	2,966	52,990
Benefits and claims	11,670,090	63,205,509	74,875,599
Depreciation	99,757		99,757
Total operating expenses	20,736,581	78,036,120	98,772,701
Operating Income (loss)	(6,718,482)	1,291,922	(5,426,560)
Nonoperating revenues (expenses)			
Property taxes	3,972,721		3,972,721
Investment Income (loss)	388,121	217,915	606,036
Total nonoperating revenues (expenses)	4,360,842	217,915	4,578,757
Income before transfers and capital contributions	(2,357,640)	1,509,837	(847,803)
Other financing sources (uses)			
Transfers in	16,058,739		16,058,739
Transfers out		(10,840)	(10,840)
Total other financing sources (uses)	16,058,739	(10,840)	16,047,899
Changes in net position	13,701,099	1,498,997	15,200,096
Net position at beginning of year	(1,321,793)	19,398,311	18,076,518
Net position at end of year	\$ 12,379,306	\$ 20,897,308	\$ 33,276,614

City of Tucson, Arizona
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2023

	Business-type activities		
	Tucson Golf	Non-PHA Asset Management	Total
Cash flows from operating activities:			
Cash received from customers	\$ 10,534,043	\$ 1,525,674	\$ 12,059,717
Cash payments to suppliers for goods and services	(9,855,992)	(2,305,237)	(12,161,229)
Cash payments to employees for services	203,277	(672,118)	(468,841)
Subsidy from federal grant		247,341	247,341
Cash flows provided by (used by) operating activities	881,328	(1,204,340)	(323,012)
Cash flows from noncapital financing activities:			
Interfund activity	132,123	1,180,351	1,312,474
Cash flows provided by noncapital financing activities	132,123	1,180,351	1,312,474
Cash flows from capital and related financing activities:			
Principal paid on capital debt	(1,000,639)		(1,000,639)
Interest paid on capital debt	(5,849)		(5,849)
Cash flows provided (used) by capital and related financing activities	(1,006,488)		(1,006,488)
Cash flows from investing activities:			
Interest on investments		22,493	22,493
Cash flows from investing activities		22,493	22,493
Net increase in cash and cash equivalents	6,963	(1,496)	5,467
Cash and cash equivalents at beginning of year		1,496	1,496
Cash and cash equivalents at end of year	\$ 6,963		\$ 6,963
Reconciliation of operating (loss) to cash flows provided by (used for) operating activities			
Operating income (Loss)	(105,857)	(1,202,585)	\$ (1,308,442)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	1,042,909	344,449	1,387,358
Other adjustments:			
Decrease (increase) in assets / deferred outflows of resources			
Accounts receivable	(7,207)	(495,616)	(502,823)
Inventory & prepaids	(50,866)		(50,866)
Other assets	(11,216)		(11,216)
Deferred outflows related to pensions		(200,069)	(200,069)
Increase (decrease) in liabilities / deferred inflows of resources			
Accounts payable	(233,464)	(20,923)	(254,387)
Accrued payroll liabilities	(87,171)	6,294	(80,877)
Accrued compensated absences	346,650	4,197	350,847
Net pension liability		323,458	323,458
Customer/refundable deposits	(17,959)	(10,616)	(28,575)
Due to other agencies	5,509	7,468	12,977
Deferred inflows related to pensions		39,603	39,603
Net cash provided (used) by operating activities	\$ 881,328	\$ (1,204,340)	\$ (323,012)

City of Tucson, Arizona
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2023

	Risk Management	Health Insurance	Total
Cash flows from operating activities:			
Cash received from customers	\$ 14,017,767	\$ 79,288,850	\$ 93,306,617
Cash payments to suppliers for goods and services	(8,960,926)	(13,728,827)	(22,689,753)
Cash payments to employees for services	(2,549,345)	(999,443)	(3,548,788)
Cash payments to claimants	(7,674,196)	(63,628,509)	(71,302,705)
Cash flows provided by (used by) operating activities	(5,166,700)	932,071	(4,234,629)
Cash flows from noncapital financing activities			
Property taxes	3,972,721		3,972,721
Interfund transfers	16,058,739	(10,840)	16,047,899
Cash flows provided by noncapital financing activities	20,031,460	(10,840)	20,020,620
Cash flows from investing activities:			
Interest on investments	2,359,049	248,016	2,607,065
Purchase of investments	(23,168,029)		(23,168,029)
Cash flows from investing activities	(20,808,980)	248,016	(20,560,964)
Net increase in cash and cash equivalents	(5,944,220)	1,169,247	(4,774,973)
Cash and cash equivalents at beginning of year	30,943,986	26,013,966	56,957,952
Cash and cash equivalents at end of year	\$ 24,999,766	\$ 27,183,213	\$ 52,182,979
Reconciliation of operating (loss) to cash flows provided by (used for) operating activities:			
Operating income (loss)	\$ (6,718,482)	\$ 1,291,922	\$ (5,426,560)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	99,757		99,757
Other adjustments:			
Decrease (increase) in assets / deferred outflows of resources:			
Accounts receivable	(332)		(332)
Other assets	(2,523,972)		(2,523,972)
Increase (decrease) in liabilities / deferred inflows of resources			
Accounts payable	(51,490)	90,702	39,212
Accrued payroll liabilities	(75,513)	11,639	(63,874)
Customer / refundable deposits	63	(39,192)	(39,129)
Claims and judgment payable	3,995,894	(423,000)	3,572,894
Remediation obligation	(75,296)		(75,296)
Other Operating Liabilities	182,671		182,671
Net cash provided (used) operating activities	\$ (5,166,700)	\$ 932,071	\$ (4,234,629)

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Custodial Funds
June 30, 2023
City of Tucson, Arizona

City of Tucson, Arizona
Combining Statement of Fiduciary Net Position — All Custodial Funds
June 30, 2023

	Sewer User Fee	Other Agencies	High-Intensity Drug Trafficking	Total Custodial Funds
Assets				
Cash and cash equivalents	\$ 3,365,279	\$ 205,771	\$ 200,484	\$ 3,771,534
Accounts receivable, net	9,258,348	132,988	465,900	9,857,236
Total assets	<u>12,623,627</u>	<u>338,759</u>	<u>666,384</u>	<u>13,628,770</u>
Liabilities				
Accounts payable		27,669		27,669
Due to other agencies	11,211,669	72,288		11,283,957
Other liabilities		64,099		64,099
Total liabilities	<u>11,211,669</u>	<u>164,056</u>		<u>11,375,725</u>
Fiduciary Net Position				
Restricted for:				
Other agencies	<u>\$ 1,411,958</u>	<u>\$ 174,703</u>	<u>\$ 666,384</u>	<u>\$ 2,253,045</u>

City of Tucson, Arizona

Combining Statement of Changes in Net Position — All Custodial Funds

Year Ended June 30, 2023

	Sewer User Fee	Other Agencies	High-Intensity Drug Trafficking	Total Custodial Funds
Additions				
Cash collected for other governments	\$ 118,174,966	\$	\$	\$ 118,174,966
Collections from IGAs		1,168,705		1,168,705
Fees billed for other governments	137,399,473		9,002,525	146,401,998
Interest, dividends, & other income		4,778		4,778
Miscellaneous		2,455		2,455
Total additions	255,574,439	1,175,938	9,002,525	265,752,902
Deductions				
Cash distributions to other governments	135,987,515		9,602,788	145,590,303
Fees paid for by customers for other governments	118,174,966			118,174,966
Assets distributed to other agencies		204,190		204,190
Administrative expense		1,197,230		1,197,230
Total deductions	254,162,481	1,401,420	9,602,788	265,166,689
Changes in net position	1,411,958	(225,482)	(600,263)	586,213
Net position				
Beginning fiduciary net position		400,185	1,266,647	1,666,832
Ending fiduciary net position	\$ 1,411,958	\$ 174,703	\$ 666,384	\$ 2,253,045

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BUDGET AND ACTUAL
NON-MAJOR
GOVERNMENTAL FUNDS

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, 2023

	Park Tucson		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues			
Taxes	\$	\$	\$
Licenses and permits			
Fines and forfeitures	880,000	634,530	(245,470)
Use of money and property	132,500	98,231	(34,269)
Federal grants and contributions			
Other agencies			
Charges for services	4,962,520	4,138,716	(823,804)
Contributions from outside sources			
Miscellaneous		81,894	81,894
Total revenues	5,975,020	4,953,371	(1,021,649)
Expenditures			
Current:			
Elected and official			
Public safety and justice services			
Community enrichment and development	3,607,280	2,903,142	704,138
Support services			
General government			
Capital outlay	210,000	30,412	179,588
Capital projects			
Debt service:			
Principal	1,508,380	1,504,244	4,136
Interest	173,920	175,050	(1,130)
Fiscal agent fees			
Total expenditures	5,499,580	4,612,848	886,732
Excess (deficiency) of revenues			
over (under) expenditures expenditures	475,440	340,523	(1,908,381)
Other financing sources (uses)			
Transfers in			
Transfers out	(125,000)	(334,753)	(209,753)
Total other financing sources (uses)	(125,000)	(334,753)	(209,753)
Net change in fund balances	\$ 350,440	5,770	\$ (2,118,134)
Fund balances, beginning of year		(174,387)	
Fund balances, end of year		\$ (168,617)	

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, 2023

Convention Center			HURF		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
			1,599,000	1,464,565	(134,435)
	66,950	66,950	730,000	1,325,367	595,367
				6,259	6,259
8,076,050	12,515,727	4,439,677	59,205,100	58,532,469	(672,631)
			31,000	76,716	45,716
	10,380	10,380	2,000,000	1,392,484	(607,516)
8,076,050	12,593,057	4,517,007	63,565,100	62,797,860	(767,240)
				139,500	(139,500)
11,573,480	16,326,520	(4,753,040)	57,099,510	49,241,443	7,858,067
			1,437,890	1,502,018	(64,128)
			100,580	100,580	
466,590	309,590	157,000	1,767,500	2,693,208	(925,708)
			3,411,100	1,840,658	1,570,442
			1,430,830	1,384,001	46,829
			126,580	139,688	(13,108)
				1,200	(1,200)
12,040,070	16,636,110	(4,596,040)	65,373,990	57,042,296	8,331,694
(3,964,020)	(4,043,053)	9,113,047	(1,808,890)	5,755,564	(9,098,934)
3,964,020	4,046,075	82,055			
	(3,020)	(3,020)	(224,410)	(1,982,940)	(1,758,530)
3,964,020	4,043,055	79,035	(224,410)	(1,982,940)	(1,758,530)
\$	2	\$ 9,192,082	\$ (2,033,300)	3,772,624	\$ (10,857,464)
	781,288			15,523,039	
	\$ 781,290			\$ 19,295,663	

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, 2023

	Civic Contributions		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues			
Taxes	\$	\$	\$
Licenses and permits			
Fines and forfeitures			
Use of money and property		26,184	26,184
Federal grants and contributions			
Other agencies			
Charges for services			
Contributions from outside sources	3,127,010	1,320,345	(1,806,665)
Miscellaneous		64,471	64,471
Total revenues	<u>3,127,010</u>	<u>1,411,000</u>	<u>(1,716,010)</u>
Expenditures			
Current:			
Elected and official	47,260	26,731	20,529
Public safety and justice services	163,470	29,262	134,208
Community enrichment and development	855,860	232,609	623,251
Support services			
General government		930	(930)
Capital outlay			
Capital projects		342,590	(342,590)
Debt service:			
Principal			
Interest			
Fiscal agent fees			
Total expenditures	<u>1,066,590</u>	<u>632,122</u>	<u>434,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,060,420</u>	<u>778,878</u>	<u>(2,150,478)</u>
Other financing sources (uses)			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	<u>\$ 2,060,420</u>	<u>778,878</u>	<u>\$ (2,150,478)</u>
Fund balances, beginning of year		<u>1,100,966</u>	
Fund balances, end of year		<u>\$ 1,879,844</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, 2023

Community Development Block Grants			Miscellaneous Housing Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				128	128
13,374,430	10,428,577	(2,945,853)	7,703,180	6,992,199	(710,981)
				1,000	1,000
<u>13,374,430</u>	<u>10,428,577</u>	<u>(2,945,853)</u>	<u>7,703,180</u>	<u>6,993,327</u>	<u>(709,853)</u>
5,111,920	6,009,602	(897,682)	7,673,180	6,947,006	726,174
277,510	188,846	88,664		10,969	(10,969)
	1,709,724	(1,709,724)	30,000	35,227	(5,227)
7,985,000	2,437,415	5,547,585			
<u>13,374,430</u>	<u>10,345,587</u>	<u>3,028,843</u>	<u>7,703,180</u>	<u>6,993,202</u>	<u>709,978</u>
	82,990	(5,974,696)		125	(1,419,831)
—	(66,540)	(66,540)	—	(69,560)	(69,560)
	(66,540)	(66,540)		(69,560)	(69,560)
<u>\$</u>	<u>16,450</u>	<u>\$ (6,041,236)</u>	<u>\$</u>	<u>(69,435)</u>	<u>\$ (1,489,391)</u>
	<u>3,532,053</u>				
	<u>\$ 3,548,503</u>			<u>\$ (69,435)</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, 2023

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$	\$	\$
Licenses and permits			
Fines and forfeitures			
Use of money and property	7,500	(37,822)	(45,322)
Federal grants and contributions	47,215,890	49,165,469	1,949,579
Other agencies			
Charges for services	8,000	4,670	(3,330)
Contributions from outside sources			
Miscellaneous	3,000	10,169	7,169
Total revenues	47,234,390	49,142,486	1,908,096
Expenditures			
Current:			
Elected and official			
Public safety and justice services			
Community enrichment and development	47,234,320	49,914,483	(2,680,163)
Support services			
General government			
Capital outlay			
Capital projects			
Debt service:			
Principal			
Interest			
Fiscal agent fees			
Total expenditures	47,234,320	49,914,483	(2,680,163)
Excess (deficiency) of revenues over (under) expenditures	70	(771,997)	4,588,259
Other financing sources (uses)			
Transfers in			
Transfers out		(119,700)	(119,700)
Total other financing sources (uses)		(119,700)	(119,700)
Net change in fund balances	\$ 70	(891,697)	\$ 4,468,559
Fund balances, beginning of year		1,906,240	
Fund balances, end of year		\$ 1,014,543	

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, 2023

HOME Affordable Housing Grant			Other Federal Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
5,132,240	4,746,711	(385,529)	21,000,000	20,685,346	(314,654)
<u>5,132,240</u>	<u>4,746,711</u>	<u>(385,529)</u>	<u>21,000,000</u>	<u>20,685,346</u>	<u>(314,654)</u>
5,057,450	4,877,929	179,521	156,780	318,684	(161,904)
74,790	24,335	50,455	18,322,470	13,532,127	4,790,343
			3,100,000	3,077,995	22,005
				192	(192)
			631,300	3,710,364	(3,079,064)
	327	(327)	100,000	45,984	54,016
<u>5,132,240</u>	<u>4,902,591</u>	<u>229,649</u>	<u>22,310,550</u>	<u>20,685,346</u>	<u>1,625,204</u>
	(155,880)	(615,178)			(1,939,858)
	(19,790)	(19,790)			
	(19,790)	(19,790)			
<u>\$</u>	<u>(175,670)</u>	<u>\$ (634,968)</u>	<u>\$ (1,310,550)</u>		<u>\$ (1,939,858)</u>
	<u>414,065</u>				
	<u>\$ 238,395</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, 2023

	Non-Federal Grants		Variance -
	Budget	Actual	Positive
			(Negative)
Revenues			
Taxes	\$	\$	\$
Licenses and permits			
Fines and forfeitures			
Use of money and property			
Federal grants and contributions			
Other agencies	5,290,500	5,774,956	484,456
Charges for services			
Contributions from outside sources			
Miscellaneous			
Total revenues	5,290,500	5,774,956	484,456
Expenditures			
Current:			
Elected and official	250,050	266,698	(16,648)
Public safety and justice services	4,664,530	3,475,045	1,189,485
Community enrichment and development	320,390	1,072,902	(752,512)
Support services			
General government			
Capital outlay	55,530	432,099	(376,569)
Capital projects		528,212	(528,212)
Debt service:			
Principal			
Interest			
Fiscal agent fees			
Total expenditures	5,290,500	5,774,956	(484,456)
Excess (deficiency) of revenues over (under) expenditures			968,912
Other financing sources (uses)			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	\$		\$ 968,912
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, 2023

Federal Highway Grant			Sun Link		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				1,027	1,027
4,394,740	335,814	(4,058,926)	700,000	727,000	27,000
			999,700	691,676	(308,024)
<u>4,394,740</u>	<u>335,814</u>	<u>(4,058,926)</u>	<u>1,699,700</u>	<u>1,419,703</u>	<u>(279,997)</u>
362,440	215,696	146,744	4,962,640	4,651,778	310,862
	16,697	(16,697)			
25,000	27,472	(2,472)		15,538	(15,538)
4,007,300	75,949	3,931,351			
			947,290	900,000	47,290
			633,830	613,764	20,066
<u>4,394,740</u>	<u>335,814</u>	<u>4,058,926</u>	<u>6,543,760</u>	<u>6,181,080</u>	<u>362,680</u>
		(8,117,852)	(4,844,060)	(4,761,377)	(642,677)
			4,844,060	4,898,985	54,925
			<u>4,844,060</u>	<u>4,898,985</u>	<u>54,925</u>
<u>\$</u>		<u>\$ (8,117,852)</u>	<u>\$</u>	137,608	<u>\$ (587,752)</u>
				2,341,653	
	<u>\$</u>		<u>\$</u>	<u>2,479,261</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, 2023

	Better Streets Improvement Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ 74,120,000	\$ 76,760,811	\$ 2,640,811
Licenses and permits			
Fines and forfeitures			
Use of money and property		1,410,757	1,410,757
Federal grants and contributions			
Other agencies			
Charges for services			
Contributions from outside sources			
Miscellaneous		23,953	23,953
Total revenues	<u>74,120,000</u>	<u>78,195,521</u>	<u>4,075,521</u>
Expenditures			
Current:			
Elected and official			
Public safety and justice services			
Community enrichment and development	26,492,000	10,165,106	16,326,894
Support services			
General government		1,703,188	(1,703,188)
Capital outlay			
Capital projects	40,000,000	1,633,243	38,366,757
Debt service:			
Principal			
Interest			
Fiscal agent fees			
Total expenditures	<u>66,492,000</u>	<u>13,501,537</u>	<u>52,990,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,628,000</u>	<u>64,693,984</u>	<u>(48,914,942)</u>
Other financing sources (uses)			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	<u>\$ 7,628,000</u>	<u>64,693,984</u>	<u>\$ (48,914,942)</u>
Fund balances, beginning of year		<u>70,275,168</u>	
Fund balances, end of year		<u>\$ 134,969,152</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, 2023

Safer City Improvement Fund			Gene Reid Park Zoo Capital Improvement Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 240,000	\$	\$ (240,000)	\$ 15,649,060	\$ 16,526,328	\$ 877,268
	1,143,935	1,143,935		268,579	268,579
<u>240,000</u>	<u>1,143,935</u>	<u>903,935</u>	<u>15,649,060</u>	<u>16,794,907</u>	<u>1,145,847</u>
1,037,000	2,139,204	(1,102,204)	4,223,000	4,434,648	(211,648)
139,200	4,793,550	(4,654,350)			
31,420,200	7,439,487	23,980,713	12,403,760	5,790,416	6,613,344
<u>32,596,400</u>	<u>14,372,241</u>	<u>18,224,159</u>	<u>16,626,760</u>	<u>10,225,064</u>	<u>6,401,696</u>
<u>(32,356,400)</u>	<u>(13,228,306)</u>	<u>(17,320,224)</u>	<u>(977,700)</u>	<u>6,569,843</u>	<u>(5,255,849)</u>
<u>\$ (32,356,400)</u>	<u>(13,228,306)</u>	<u>\$ (17,320,224)</u>	<u>\$ (977,700)</u>	<u>6,569,843</u>	<u>\$ (5,255,849)</u>
	<u>100,435,720</u>			<u>32,516,570</u>	
	<u>\$ 87,207,414</u>			<u>\$ 39,086,413</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, 2023

	Green Stormwater Infrastructure		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$	\$	\$
Licenses and permits			
Fines and forfeitures			
Use of money and property		106,765	106,765
Federal grants and contributions			
Other agencies			
Charges for services	3,094,300	3,238,930	144,630
Contributions from outside sources			
Miscellaneous			
Total revenues	<u>3,094,300</u>	<u>3,345,695</u>	<u>251,395</u>
Expenditures			
Current:			
Elected and official	110,600	122,374	(11,774)
Public safety and justice services			
Community enrichment and development	983,440	1,327,146	(343,706)
Support services			
General government			
Capital outlay			
Capital projects	2,300,000		2,300,000
Debt service:			
Principal			
Interest			
Fiscal Agent Fees			
Total expenditures	<u>3,394,040</u>	<u>1,449,520</u>	<u>1,944,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(299,740)</u>	<u>1,896,175</u>	<u>(1,693,125)</u>
Other financing sources (uses)			
Transfers in			
Transfers out		(28,790)	(28,790)
Total other financing sources (uses)		<u>(28,790)</u>	<u>(28,790)</u>
Net change in fund balances	<u>\$ (299,740)</u>	<u>1,867,385</u>	<u>\$ (1,721,915)</u>
Fund balances, beginning of year		<u>6,890,367</u>	
Fund balances, end of year		<u>\$ 8,757,752</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, 2023

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ 90,009,060	\$ 93,287,139	\$ 3,278,079
Licenses and permits	1,599,000	1,464,565	(134,435)
Fines and forfeitures	880,000	634,530	(245,470)
Use of money and property	870,000	4,410,101	3,540,101
Federal grants and contributions	98,820,480	92,360,375	(6,460,105)
Other agencies	65,195,600	65,034,425	(161,175)
Charges for services	17,171,570	20,666,435	3,494,865
Contributions from outside sources	3,127,010	1,320,345	(1,806,665)
Miscellaneous	2,003,000	1,584,351	(418,649)
Total revenues	<u>279,675,720</u>	<u>280,762,266</u>	<u>1,086,546</u>
Expenditures			
Current:			
Elected and official	564,690	873,987	(309,297)
Public safety and justice services	24,187,470	19,175,638	5,011,832
Community enrichment and development	178,656,910	161,398,005	17,258,905
Support services	1,790,190	1,742,865	
General government	100,580	1,804,890	(1,704,310)
Capital outlay	3,325,120	13,757,184	(10,432,064)
Capital projects	101,627,360	20,134,281	81,493,079
Debt service:			
Principal	3,886,500	3,788,245	98,255
Interest	934,330	928,502	5,828
Fiscal Agent Fees		1,200	(1,200)
Total expenditures	<u>315,073,150</u>	<u>223,604,797</u>	<u>91,468,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,397,430)</u>	<u>57,157,469</u>	<u>92,554,899</u>
Other financing sources (uses)			
Transfers in	8,808,080	8,945,060	136,980
Transfers out	(349,410)	(2,625,093)	(2,275,683)
Total other financing sources (uses)	<u>8,458,670</u>	<u>6,319,967</u>	<u>(2,138,703)</u>
Net change in fund balances	<u>\$ (26,938,760)</u>	<u>63,477,436</u>	<u>\$ 90,416,196</u>
Fund balances, beginning of year		<u>235,542,742</u>	
Fund balances, end of year		<u>\$ 299,020,178</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, 2023

	General Obligation Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Taxes	\$ 37,589,000	\$ 36,712,297	\$ (876,703)
Other Agencies			
Total revenues	<u>37,589,000</u>	<u>36,712,297</u>	<u>(876,703)</u>
Expenditures			
Debt service:			
Principal	29,280,000	29,280,000	
Interest	4,448,350	4,448,350	
Fiscal agent fees	10,000	8,000	2,000
Total expenditures	<u>33,738,350</u>	<u>33,736,350</u>	<u>2,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,850,650</u>	<u>2,975,947</u>	<u>(878,703)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out	(2,273,540)		2,273,540
Total other financing sources (uses)	<u>(2,273,540)</u>		<u>2,273,540</u>
Net change in fund balances	<u>\$ 1,577,110</u>	2,975,947	<u>\$ 1,394,837</u>
Fund balances, beginning of year		<u>139,367</u>	
Fund balances, end of year		<u>\$ 3,115,314</u>	

City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor

Capital Project Funds

Year Ended June 30, 2023

	Capital Improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Developer fees	\$	\$	\$
Use of money and property			
Other agencies	15,995,300	15,821,453	97,328
Miscellaneous		97,328	97,328
Total revenues	15,995,300	15,918,781	(76,519)
Expenditures			
Current:			
Community enrichment and development	3,450,000	3,363,246	86,754
Support services			
Capital outlay	2,450,000	2,994,967	(544,967)
Capital projects	10,095,300	9,560,568	534,732
Total expenditures	15,995,300	15,918,781	76,519
Excess (deficiency) of revenues over (under) expenditures			(153,038)
Other financing sources (uses)			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	\$		\$ (153,038)
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 Project Funds (Continued)

Year Ended June 30, 2023

Development Fees			Regional Transportation Authority		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 8,137,400	\$ 12,794,087	\$ 4,656,687	\$	\$	\$
60,000	924,044	864,044		6,387	6,387
			27,012,480	26,796,025	(216,455)
<u>8,197,400</u>	<u>13,718,131</u>	<u>5,520,731</u>	<u>27,012,480</u>	<u>26,802,412</u>	<u>(210,068)</u>
			950,000	937,149	12,851
750,000	489,782	260,218	700,000	686,864	13,136
10,002,900	5,228,054	4,774,846	25,417,900	25,242,797	175,103
<u>10,752,900</u>	<u>5,717,836</u>	<u>5,035,064</u>	<u>27,067,900</u>	<u>26,866,810</u>	<u>201,090</u>
<u>(2,555,500)</u>	<u>8,000,295</u>	<u>485,667</u>	<u>(55,420)</u>	<u>(64,398)</u>	<u>(411,158)</u>
510,480	149,650	(360,830)			
<u>510,480</u>	<u>149,650</u>	<u>(360,830)</u>			
<u>\$ (2,045,020)</u>	<u>8,149,945</u>	<u>\$ 124,837</u>	<u>\$ (55,420)</u>	<u>(64,398)</u>	<u>\$ (411,158)</u>
	<u>69,679,456</u>			<u>382,663</u>	
	<u>\$ 77,829,401</u>			<u>\$ 318,265</u>	

City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Nonmajor Capital Project Funds (Continued)

Year Ended June 30, 2023

	2020 General Obligation / Connections Improvement		
			Variance -
	Budget	Actual	Positive (Negative)
Revenues			
Developer fees	\$	\$	\$
Use of money and property		390,979	390,979
Other agencies			
Miscellaneous		2,967	2,967
Total revenues		393,946	393,946
Expenditures			
Current:			
Community enrichment and development	1,200,000	1,133,847	66,153
Support services			
Capital outlay	400,000	84,560	315,440
Capital projects	15,500,000	15,787,494	(287,494)
Total expenditures	17,100,000	17,005,901	94,099
Excess (deficiency) of revenues over (under) expenditures	(17,100,000)	(16,611,955)	299,847
Other financing sources (uses)			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	\$ (17,100,000)	(16,611,955)	\$ 299,847
Fund balances, beginning of year		39,944,667	
Fund balances, end of year		\$ 23,332,712	

City of Tucson, Arizona

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Nonmajor Capital Project Funds (Continued)

Year Ended June 30, 2023

	Total Capital Projects Funds		
	Budget	Actual	Variance - Positive (Negative)
Revenues			
Developer fees	\$ 8,137,400	\$ 12,794,087	\$ 4,656,687
Use of money and property	60,000	1,321,410	1,261,410
Other agencies	43,007,780	42,617,478	(390,302)
Miscellaneous		100,295	100,295
Total revenues	<u>51,205,180</u>	<u>56,833,270</u>	<u>5,628,090</u>
Expenditures			
Current:			
Community enrichment and development	5,600,000	5,434,242	165,758
Support services			
Capital outlay	4,300,000	4,256,173	43,827
Capital projects	<u>61,016,100</u>	<u>55,818,913</u>	<u>5,197,187</u>
Total expenditures	<u>70,916,100</u>	<u>65,509,328</u>	<u>5,406,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,710,920)</u>	<u>(8,676,058)</u>	<u>11,034,862</u>
Other financing sources (uses)			
Transfers in	510,480	149,650	(360,830)
Transfers out			
Total other financing sources (uses)	<u>510,480</u>	<u>149,650</u>	<u>(360,830)</u>
Net change in fund balances	<u>\$ (19,200,440)</u>	<u>(8,526,408)</u>	<u>\$ 10,674,032</u>
Fund balances, beginning of year		<u>110,006,786</u>	
Fund balances, end of year		<u>\$ 101,480,378</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual -

Environmental Services

Year Ended June 30, 2023

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues			
Charges for services	\$ 51,610,400	\$ 59,072,853	\$ 7,462,453
Miscellaneous	101,900	813,725	711,825
Total operating revenues	51,712,300	59,886,578	8,174,278
Operating expenses			
Salaries, wages and benefits	19,660,334	16,957,215	2,703,119
Contractual services	45,662,268	27,051,946	18,610,322
Commodities	3,389,100	4,584,770	(1,195,670)
Depreciation		7,534,623	(7,534,623)
Total operating expenses	68,711,702	56,128,554	12,583,148
Operating income (loss)	(16,999,402)	3,758,024	(4,408,870)
Nonoperating revenues (expenses)			
Investment income (loss)	400,000	768,200	368,200
Gain (loss) on sale of property/equipment	1,000,000	604,845	(395,155)
Other - grants and contributions	219,000	198,992	(20,008)
Other nonoperating revenues (expenses)	1,329,720	(288,149)	(1,617,869)
Total nonoperating revenues (expenses)	2,948,720	1,283,888	(1,664,832)
Other financing sources (uses)			
Transfers out		(1,288,390)	(1,288,390)
Capital contributions		131,036	131,036
Total other financing sources (uses)		(1,157,354)	(1,157,354)
Changes in net position	\$ (14,050,682)	3,884,558	\$ (7,231,056)
Net position at beginning of year		27,328,803	
Net position at end of year		\$ 31,213,361	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual -

Tucson Golf Enterprise

Year Ended June 30, 2023

	Tucson Golf		Variance -
	Budget	Actual	Positive (Negative)
Operating revenues			
Charges for services	\$ 9,562,770	\$ 10,497,811	\$ 935,041
Miscellaneous		61,398	61,398
Total operating revenues	<u>9,562,770</u>	<u>10,559,209</u>	<u>996,439</u>
Operating expenses			
Salaries, wages and benefits	169,650	56,202	113,448
Contractual services	6,789,370	7,376,092	(586,722)
Commodities	1,199,660	1,316,121	(116,461)
Cost of goods sold	599,380	873,742	(274,362)
Depreciation		1,042,909	(1,042,909)
Total operating expenses	<u>8,758,060</u>	<u>10,665,066</u>	<u>(1,907,006)</u>
Operating income (loss)	<u>804,710</u>	<u>(105,857)</u>	<u>2,903,445</u>
Nonoperating revenues (expenses)			
Investment income (loss)		(39,606)	(39,606)
Gain (loss) on sale of property equipment			
Principal - debt	5,400		(5,400)
Interest expense	15,170	(2,742)	(17,912)
Total nonoperating revenues (expenses)	<u>20,570</u>	<u>(42,348)</u>	<u>(62,918)</u>
Other financing sources (uses)			
Transfers in			
Transfers out		(1,630)	(1,630)
Total other financing sources (uses)		<u>(1,630)</u>	<u>(1,630)</u>
Changes in net position	<u>\$ 825,280</u>	<u>(149,835)</u>	<u>\$ 2,838,897</u>
Net position at beginning of year		<u>11,747,473</u>	
Net position at end of year		<u>\$ 11,597,638</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual -

Public Housing Fund

Year Ended June 30, 2023

	Public Housing		Variance -
	Budget	Actual	Positive
			(Negative)
Operating revenues			
Charges for services	\$ 7,568,360	\$ 6,707,042	\$ (861,318)
Federal grants and contributions	9,979,360	8,798,651	(1,180,709)
Miscellaneous	41,000	264,422	223,422
Total operating revenues	17,588,720	15,770,115	(1,818,605)
Operating expenses			
Salaries, wages and benefits	6,100,150	6,037,935	62,215
Contractual services	10,703,200	12,051,848	(1,348,648)
Commodities	812,370	1,607,032	(794,662)
Depreciation		1,449,887	(1,449,887)
Total operating expenses	17,615,720	21,146,702	(3,530,982)
Operating income (loss)	(27,000)	(5,376,587)	1,712,377
Nonoperating revenues (expenses)			
Investment income	22,000	43,732	21,732
Gain (loss) on sale of property equipment	5,000	(32,374)	(37,374)
Interest		(321)	(321)
Total nonoperating revenues (expenses)	27,000	11,037	(15,963)
Other financing sources (uses)			
Transfers in		5,248	5,248
Transfers out		(235,968)	(235,968)
Capital Contributions		31,349	31,349
Total other financing sources (uses)		(199,371)	(199,371)
Changes in net position	\$	(5,564,921)	\$ 1,497,043
Net position at beginning of year		21,935,960	
Net position at end of year	\$	16,371,039	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual -

Non-PHA Asset Management Fund

Year Ended June 30, 2023

	Non-PHA Management		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues			
Charges for services	\$ 1,880,730	\$ 1,893,789	\$ 13,059
Federal grants and contributions	225,000	247,341	22,341
Miscellaneous	143,000	138,117	(4,883)
Total operating revenues	<u>2,248,730</u>	<u>2,279,247</u>	<u>30,517</u>
Operating expenses			
Salaries, wages and benefits	965,620	845,601	120,019
Contractual services	1,073,300	2,034,863	(961,563)
Commodities	190,110	256,919	(66,809)
Benefits and claims	20,000		20,000
Depreciation		344,449	(344,449)
Total operating expenses	<u>2,249,030</u>	<u>3,481,832</u>	<u>(1,232,802)</u>
Operating income (loss)	<u>(300)</u>	<u>(1,202,585)</u>	<u>1,263,319</u>
Nonoperating revenues (expenses)			
Investment income (loss)	300	22,492	22,192
Gain (loss) on sale of property /equipment			
Total nonoperating revenues (expenses)	<u>300</u>	<u>22,492</u>	<u>22,192</u>
Other financing sources (uses)			
Transfers in			
Transfers out		(41,390)	(41,390)
Total other financing sources (uses)		<u>(41,390)</u>	<u>(41,390)</u>
Changes in net position	<u>\$</u>	<u>(1,221,483)</u>	<u>\$ 1,244,121</u>
Net position at beginning of year		<u>10,007,041</u>	
Net position at end of year		<u>\$ 8,785,558</u>	

City of Tucson, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual -

Water Utility Fund

Year Ended June 30, 2023

	Water Utility		Variance -
	Budget	Actual	Positive (Negative)
Operating revenues			
Charges for services	\$ 243,368,980	\$ 240,010,658	\$ (3,358,322)
Miscellaneous	3,754,710	5,290,061	1,535,351
Total operating revenues	<u>247,123,690</u>	<u>245,300,719</u>	<u>(1,822,971)</u>
Operating expenses			
Salaries, wages and benefits	49,772,840	39,706,558	10,066,282
Contractual services	183,005,450	90,830,872	92,174,578
Commodities	9,123,230	10,075,353	(952,123)
Benefits and claims			
Depreciation		40,960,732	(40,960,732)
Total operating expenses	<u>241,901,520</u>	<u>181,573,515</u>	<u>60,328,005</u>
Operating Income (Loss)	<u>5,222,170</u>	<u>63,727,204</u>	<u>(62,150,976)</u>
Nonoperating revenues (expenses)			
Investment income (loss)	953,590	3,303,495	2,349,905
Gain (loss) on sale of property equipment		24,671	24,671
Other - grants and contributions		747,298	747,298
Principal - Debt	42,005,680		(42,005,680)
Interest expense	15,906,120	(11,680,581)	(27,586,701)
Debt issuance costs	354,840	(336,831)	(691,671)
Total nonoperating revenues (expenses)	<u>59,220,230</u>	<u>(7,941,948)</u>	<u>(67,162,178)</u>
Other financing sources (uses)			
Transfers in			
Transfers out	(1,997,320)	(4,506,827)	(2,509,507)
Capital contributions	2,825,000	2,184,715	(640,285)
Total other financing sources (uses)	<u>827,680</u>	<u>(2,322,112)</u>	<u>(3,149,792)</u>
Changes in net position	<u>\$ 65,270,080</u>	<u>53,463,144</u>	<u>\$ (132,462,946)</u>
Net position at beginning of year		<u>1,203,442,284</u>	
Net position at end of year		<u>\$ 1,256,905,428</u>	

City of Tucson, Arizona

Water Utility Fund Revenues Expenses and Flows of Funds

Per Ordinance NO. 6437 (1)

Year Ended June 30, 2023

Revenues:

Sale of water:

Potable water sales	\$ 188,577,284
Reclaimed water sales	8,992,031
Central Arizona project charge	29,219,237
Connection fees	2,056,722
Environmental and sewer billing services	6,474,673
TCE clean up reimbursement	191,005
Plan review and inspection fees	1,074,924
Miscellaneous - other	8,714,843

Nonoperating income

Impact fees	\$ 2,196,422
Investment earnings - operating fund	1,929,764
Investment earnings - debt service	816,633
Federal non-grant contributions (BABS)	747,298
Proceeds from sale of property/equipment	50,173
Proceeds from property equipment rental	557,098
Total non-operating income	<u>6,297,388</u>
Total operating revenues	<u>251,598,107</u>

Operating and maintenance expenses

Director's office	4,190,261
Conservation	5,166,411
Business services	13,645,517
Customer services	11,046,101
Water operations	30,908,744
Planning and engineering	8,084,507
Source water	2,614,864
Quality management	13,939,650
Power - potable system	14,879,213
Power - reclaimed system	2,701,280

CAP water purchases:

Commodity	25,890,060
Capital charges	<u>7,642,123</u>
Total CAP water purchases	33,532,183

General expenses	997,660
Capitalized operation and maintenance expense	<u>(6,565,285)</u>
Total operating expenses	<u>135,141,106</u>

Net revenue available after operations (2) \$ 116,457,001

City of Tucson, Arizona

Water Utility Fund

Revenues Expenses and Flows of Funds (Continued)

Per Ordinance NO. 6437 (1)

Year Ended June 30, 2023

Bond Debt Service:

Senior Liens

Principal	\$	38,335,000
Interest		15,219,883
Total debt service for water revenue bonds		<u>53,554,883</u>

Junior Liens (Water Infrastructure Finance Authority)

Principal		3,670,678
Interest		357,613
Total debt service for Water Infrastructure Finance Authority		<u>4,028,291</u>

Combined Senior and Junior Liens

Principal		42,005,678
Interest		15,577,496
Total debt service for water revenue bonds		<u>57,583,174</u>

Net revenue available after operations bond debt service for senior liens \$ 62,902,118

Net revenue available after operations and bond debt service for combined liens \$ 58,873,827

- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financial statements are presented on a GAAP basis.
- (2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement of \$47,774,187 for senior lien bonds. 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, 2023, maximum future annual debt service coverage of senior lien debt is 244%.
- (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, 2023, the debt coverage on Senior Lien Annual Debt Service Requirement was 217%.
- (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, 2023, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 2891%.
- (5) In Annual Comprehensive 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, 2023, is 251%. The maximum future debt service coverage is 255%.



STATISTICAL SECTION



CITY OF
TUCSON

This part of the City of Tucson's Annual Comprehensive 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.

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III. Fund Balances, Governmental Funds	
IV. Tax and Other Agency Revenues, General Fund	
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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.	
VI. Taxable Sales by Category	
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VII. Principal Business Privilege Tax Remitters By Activity	
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IX. Ratios of Outstanding Debt by Type	
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Operating Information

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These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

- XVI. Adopted Budget Full-time-Equivalent City Employees by Function
- XVII. Capital Asset Statistics by Function
- XVIII. Operating Indicators by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net capital assets	\$ 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	\$ 1,923,389,438
Restricted	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	457,892,819
Unrestricted	(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)	(1,009,726,262)
Total governmental activities net position	\$ 873,524,991	\$ 853,474,467	\$ 894,384,017	\$ 892,195,707	\$ 685,085,496	\$ 785,465,927	\$ 900,186,575	\$ 1,103,553,748	\$ 1,156,882,372	\$ 1,371,555,995
Business-type Activities										
Net capital assets	\$ 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	\$ 1,268,516,463
Restricted	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	47,414,843
Unrestricted	(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	9,924,002
Total business-type activities net position	\$ 760,557,214	\$ 787,694,706	\$ 821,306,072	\$ 891,325,657	\$ 955,071,715	\$ 1,017,895,416	\$ 1,101,803,120	\$ 1,202,689,874	\$ 1,276,201,803	\$ 1,325,855,308
Primary Government										
Net capital assets	\$ 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	\$ 3,191,905,901
Restricted	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	505,307,662
Unrestricted	(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)	(999,802,260)
Total primary government net position	\$ 1,634,082,205	\$ 1,641,169,173	\$ 1,715,690,089	\$ 1,783,521,364	\$ 1,640,157,211	\$ 1,803,361,343	\$ 2,001,989,695	\$ 2,306,243,622	\$ 2,433,084,175	\$ 2,697,411,303

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
Elected and Official	\$ 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	\$ 31,268,809
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	409,692,709
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	365,769,344
Support Services	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	117,702,706
General Government	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	48,777,319
Interest on Long Term Debt	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	23,028,238
Fiscal Agent Fees and Others	1,868,185	1,880,263	1,059,217	459,539	27,100	26,300				
Total governmental activities expenses	\$ 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	\$ 996,239,125
Business-type Activities:										
Public Housing	\$ 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	\$ 21,147,023
Non-PHA Asset Management	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	3,481,832
Environmental Services	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	56,679,994
Tucson Golf Enterprise Fund	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	10,667,808
Water Utility	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	194,085,594
Total business-type activities expenses	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	286,062,251
Total primary government expenses	\$ 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	\$ 1,282,301,376
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 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	\$ 13,876,042
Recreation Fees	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	2,923,223
Paramedic Services Fees	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	11,638,447
Transit Fees	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	5,430,158
Other Charges for Service	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	106,942,083
Operating grants & contributions	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	197,094,129
Capital grants and contributions	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	53,898,220
Total governmental activities program revenues	\$ 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	\$ 391,802,302
Business-type Activities:										
Charges for Services:										
Public Housing	\$ 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	\$ 6,707,042
Non-PHA Asset Management	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	1,893,789
Environmental Services	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	59,072,853
Tucson Golf Enterprise Fund	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	10,497,811
Water Utility	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	240,010,658
Operating grants and contributions	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	9,992,282
Capital grants and contributions	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	2,347,100
Total business-type activities program revenues	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	330,521,535
Total primary government program revenues	\$ 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	\$ 722,323,837

City of Tucson, Arizona

Changes in Net Position (Continued)

Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (expenses)/revenue										
Governmental activities	\$ (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)	\$ (604,436,823)
Business-type activities	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	44,459,284
Total primary government net (expense)/revenue	\$ (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)	\$ (559,977,539)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 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	\$ 58,849,956
Business Privilege Taxes	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	411,190,473
Public Utility Taxes	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	27,189,785
Hotel/Motel Surcharge (1)	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	22,692,767
Occupational Taxes (2)	87,846									
Liquor Taxes (2)	750,481									
Unrestricted Grants and Contributions	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	219,098,472
Investment Income (Loss)	1,127,524	988,190	2,088,982	676,098	2,486,914	4,681,992	5,749,436	21,099,397	(80,188,788)	63,805,541
Miscellaneous	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	10,214,495
Transfers	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	6,068,957
Total governmental activities	\$ 412,264,407	\$ 410,053,208	\$ 440,800,548	\$ 465,016,173	\$ 528,412,835	\$ 565,908,251	\$ 569,170,208	\$ 634,734,143	\$ 599,766,217	\$ 819,110,446
Business-type activities:										
Use of money and property	\$ 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	\$ 4,098,313
Miscellaneous					631,258	785,816	123,227	976,068	8,877,198	7,164,865
Transfers	(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)	(6,068,957)
Total business-type activities	\$ 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	\$ 5,194,221
Total primary government	\$ 413,386,589	\$ 410,028,942	\$ 445,257,991	\$ 465,270,653	\$ 529,554,821	\$ 568,380,812	\$ 574,999,906	\$ 636,946,327	\$ 609,027,958	\$ 824,304,667
Change in Net Position (3)										
Governmental activities	\$ 90,493,210	\$ (20,050,524)	\$ 40,909,550	\$ (2,188,310)	\$ 55,458,379	\$ 100,380,431	\$ 114,720,644	\$ 203,367,173	\$ 53,328,624	\$ 214,673,623
Business-type activities	19,620,942	27,137,492	33,611,366	70,019,585	75,980,353	62,823,701	83,907,704	100,886,756	73,511,929	49,653,505
Total primary government	\$ 110,114,152	\$ 7,086,968	\$ 74,520,916	\$ 67,831,275	\$ 131,438,732	\$ 163,204,132	\$ 198,628,348	\$ 304,253,929	\$ 126,840,553	\$ 264,327,128

Notes:

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

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

(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.

TABLE III

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 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	8,966,255
Restricted	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	3,897,098
Committed	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	81,723,026
Assigned	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	137,725,807
Unassigned	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	111,355,354
Total General Fund	<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>	<u>\$343,667,540</u>
All Other Governmental Funds										
Nonspendable	\$ 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	6,969,038
Restricted	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	952,808,495
Committed	1,611,378	104,954	1,628,147	402,142	151,860	100,938	43,670	54,182	86,965	113,149
Assigned	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	2,631,966
Unassigned						(401,373)	(4,476,461)	(14,305)	(174,387)	(238,052)
Total All Other Governmental Funds	<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>	<u>\$962,284,596</u>

Source: Annual financial reports

TABLE IV

City of Tucson, Arizona

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tax Revenues										
Property Taxes (1)	\$ 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	\$ 18,114,547
Public Utility Taxes	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	27,189,785
Local Use Taxes	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	15,074,223
Business Privilege Taxes	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	299,727,643
Transient Occupancy Taxes	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	14,325,066
Other Taxes	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	8,640,698
Total tax revenues	<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>	<u>\$ 383,071,962</u>
Other Agency Revenues										
State Auto Lieu Taxes	\$ 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	\$ 27,615,557
State Sales Tax	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	81,465,122
State Urban Revenue Sharing	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	110,017,793
Contributions & Agency Billings (1)	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	4,926,639
Total other agency revenues	<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>	<u>\$ 224,025,111</u>

Notes:

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

TABLE V

City of Tucson, Arizona

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 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	\$ 513,071,398
Licenses and Permits	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	31,104,364
Fines and Forfeitures	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	6,193,229
Developer Fees	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	12,794,087
Use of Money and Property	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)	63,199,500
Federal Grants and Contributions	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	121,571,212
Other Agencies	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	349,654,865
Charges for Services	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	90,718,276
Special Assessments	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	3,383,126
Miscellaneous	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	10,837,076
Total revenues	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	1,202,527,133
Expenditures										
Current										
Elected and Official	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	30,054,154
Public Safety and Justice Services	255,356,475	261,650,102	276,028,768	271,728,976	305,271,081	293,751,582	272,930,876	306,481,382	340,748,978	368,214,200
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	310,079,761
Support Services	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	110,863,623
General Government	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	62,272,098
Capital Outlay	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	41,861,747
Capital Projects	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	79,105,123
Debt Service										
Principal	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	75,996,953
Interest	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	24,596,260
Fiscal Agent Fees	37,850	23,625	91,914	45,150	27,100	26,300		24,655	5,953	38,700
Issuance Cost of Debt	1,276,819	1,197,267	967,303	414,389				14,118,123		
Total expenditures	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	1,103,082,619
Excess of revenues over (under) expenditures	\$ (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)	\$ 99,444,514

TABLE V (continued)

City of Tucson, Arizona

Changes in Fund Balances of Governmental Funds (Continued)

Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Other financing sources (uses)										
Bond Issuance (1)	40,000,000	83,950,000	43,020,000	25,875,000				733,105,000		
Financed Purchases	29,505,017	20,659,864	42,095,984							
Premium on Issuance of Debt	4,123,622	8,287,282	7,143,323	3,292,450				9,578,969		
Refunded Bond Escrow Agent	(32,257,750)	(88,426,284)	(54,144,197)	(8,830,000)				(26,688,496)		
Transfers In	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	66,579,801
Transfers Out	(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)	(76,558,743)
Total other financing sources (uses)	41,321,671	26,070,862	32,228,229	22,255,756	1,900,500	2,039,349	(430,692)	717,995,623	16,579	(9,978,942)
Net change in fund balances extraordinary/special item	\$ 31,739,591	\$ (16,283,277)	\$ 19,375,747	\$ 15,436,112	\$ 27,499,555	\$ 58,028,748	\$ 112,617,747	\$ 830,980,079	\$ (12,184,611)	\$ 89,465,572
Debt Service as a percentage of non-capital expenditures (2)	9.2%	11.1%	11.2%	11.2%	11.1%	11.3%	9.8%	8.7%	11.1%	10.2%

Source: Annual financial reports

Note:

(1) The City established a Section 115 Trust Fund to set aside and accumulate resources for public safety pension obligations of the PSPRS. Certificates of Participation were issued, which places \$645M net of fees in an irrevocable trust.

(2) Noncapital expenditures are total expenditures less capital outlay and capital project expenditures.

TABLE VI

City of Tucson, Arizona

Taxable Sales by Category

Last Ten Fiscal Years (Accrual Basis of Accounting)

Activity	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Utility	\$ 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	\$ 977,328,519
Communications	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	87,929,828
Publishing & Printing	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	39,525,552
Restaurants (2)	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	1,775,434,318
Amusements	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	116,207,427
Rentals	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	1,287,434,977
Contracting	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	977,220,684
Retail (4)	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	9,360,212,060
Use Tax	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	760,425,088
Other	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	\$ 9,675,119,548	\$ 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	\$15,381,718,453
City's Tax Rate (1) (3)	2.0%	2.0%	2.0%	2.0%	2.5% & 2.6%	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 is now reported under the restaurant activity and the peddler variety activity is reported under the retail activity. For the fiscal years prior to FY17, the peddler activities are included under the Other Activities.

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

(4) 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.

TABLE VII

City of Tucson, Arizona

Business Privilege Taxes

Last Ten Fiscal Years

Fiscal Year	City's Rate (1)	State's Rate	County's Rate - RTA (2)
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%
2023	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) On May 16, 2006 voters in Pima County approved a 20-year Regional Transportation Plan and a regional half-cent sales tax to pay for roadway, transit, bike and pedestrian improvements.

TABLE VIII

City of Tucson, Arizona

Principal Business Privilege Tax Remitters by Activity

Current and Nine Years Ago (Modified Accrual Basis of Accounting)

Business Section	2014		2023	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility (1)	\$ 15,074,089	7.1%	\$ 25,410,887	6.5%
Public Utility	21,465,370	10.1%	24,468,483	6.2%
Public Utility (Right of Way-1.5%)	736,510	0.3%	1,566,695	0.4%
Communications	4,657,642	2.2%	2,286,205	0.6%
Publishing & Printing	946,299	0.4%	1,027,616	0.3%
Restaurants	20,621,721	9.7%	46,166,236	11.7%
Amusements	1,779,389	0.8%	3,019,792	0.8%
Rentals	20,301,115	9.5%	1,027,616	0.3%
Contracting	16,709,620	7.8%	25,409,177	6.5%
Retail (2)	106,739,413	50.0%	243,369,308	61.8%
Use Tax	4,394,355	2.1%	19,775,355	5.0%
Other Activities	56,254	0.0%		0.0%
Total (3)	<u>\$ 213,481,777</u>		<u>\$ 393,527,370</u>	

Notes:

(1) 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.

(2) 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.

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

TABLE IX

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

Fiscal Year	Governmental Activities								
	General	Street &	Certificates	Special	Financed		Clean	Total	
	Obligation	Highway	of	Assessment	Purchases		Renewable	Governmental	
	Bonds	Revenue	Participation	Debt	and Leases	SBITAs	Energy Bonds	Activities	
2014	\$ 221,448,585	\$ 103,815,714	\$ 256,206,057	\$ 1,577,000	\$ 2,062,612	\$	\$ 13,889,400	\$ 598,999,368	
2015	221,866,839	89,760,231	241,337,521	1,139,000	3,073,227		12,580,100	569,756,918	
2016	218,709,143	74,955,413	226,053,035	692,000	19,272,245		11,260,800	550,942,636	
2016	211,247,606	59,868,118	210,351,828	293,000	18,789,417		9,926,500	510,476,469	
2018	183,531,175	44,211,118	189,968,018	36,000	15,268,587		8,577,200	441,592,098	
2019	150,626,539	31,905,000	161,987,595		13,599,767		7,212,900	365,331,801	
2020	125,305,391	22,242,108	151,003,590		12,062,482		5,833,600	316,447,171	
2021	152,248,731	10,986,238	792,604,295		10,427,879		4,434,300	970,701,443	
2022	121,399,927		757,329,101		18,534,697		3,025,000	900,288,725	
2023	90,306,121		716,871,251		21,441,899	16,313,154	2,180,000	847,112,425	
Business-type Activities									
Fiscal Year	Water System	Water System	Certificates	Financed		Total		Percentage	Per
	Revenue	Loans from	of	Purchases		Business-type	Total	of Personal	Capita
	Bonds (1)	Direct Borrowing	Participation (1)	and Leases	SBITAs	Activities	Primary Government	Income (2)	(2)
2014	\$ 485,724,905	\$ 68,438,472	\$ 10,753,136	\$	\$	\$ 564,916,513	\$ 1,163,915,881	3.16%	1,169
2015	490,073,868	63,397,111	10,617,119			564,088,098	1,133,845,016	3.16%	1,126
2016	478,868,393	58,220,269	11,753,754	273,463		549,115,879	1,100,058,515	2.87%	1,092
2016	483,064,507	52,476,965	11,444,063	189,437		547,174,972	1,057,651,441	2.74%	1,048
2018	479,422,767	41,845,141	11,089,386	103,865		532,461,159	974,053,257	2.29%	949
2019	455,358,446	36,531,199	10,731,165	206,966		502,827,776	868,159,577	1.93%	849
2020	419,791,246	31,046,187	9,961,740	149,471		460,948,644	777,395,815	1.63%	742
2021	439,448,858	26,406,165	8,061,676	105,394		474,022,093	1,444,723,536	2.81%	1,362
2022	419,882,300	22,282,060	7,865,315	665,444		450,695,119	1,350,983,844	2.61%	1,265
2023	354,187,050	18,611,382	6,726,658	128,185	176,087	379,829,362	1,226,941,787	2.20%	1,166

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 - Demographics and Economic Statistics

TABLE X

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
2014	\$ 221,448,585	\$	\$ 221,448,585	\$ 23,573,852,432	0.94%	222.16
2015	221,866,839		221,866,839	23,621,125,299	0.94%	222.75
2016	218,709,143	2,205,248	216,503,895	24,914,786,731	0.87%	214.96
2016	211,585,375	2,554,745	209,030,630	26,918,515,852	0.78%	207.08
2018	183,531,175	2,199,040	181,332,135	28,316,305,308	0.64%	178.99
2019	150,626,539	982,650	149,643,889	30,525,729,250	0.49%	145.84
2020	125,305,391	87,182	125,218,209	34,988,121,143	0.36%	120.51
2021	152,248,731	87,182	152,161,549	45,821,165,937	0.33%	145.29
2022	121,339,927	139,368	121,200,559	41,653,997,874	0.29%	114.21
2023	90,306,123	3,115,316	87,190,807	43,971,953,878	0.20%	82.88

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.

TABLE XI

City of Tucson, Arizona

Direct and Overlapping Governmental Activities Debt

As of June 30, 2023

Overlapping Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 67,655,000	40.98 %	\$ 27,725,019
Tucson Unified School District No. 1	88,340,000	73.59 %	65,009,406
Flowing Wells Unified School District No. 8	28,040,000	1.83 %	513,132
Amphitheater Unified School District No. 10	70,800,000	7.92 %	5,607,360
Sunnyside Unified School District No. 12	53,325,000	10.36 %	5,524,470
Tanque Verde Unified School District No. 13	12,845,000	0.13 %	16,699
Vail Unified School District No. 20	89,495,000	6.76 %	6,049,862
Sahuarita Unified School District No. 30	34,580,000	0.01 %	3,458
Drexel Heights Fire District	6,015,000	6.14 %	369,321
Other Debt (1)			
Pima County Leases	383,820	40.98 %	157,289
Flowing Wells Unified School District No. 8	6,580,739	1.83 %	120,428
Sunnyside Unified School District No. 12 Leases	7,196,000	10.36 %	745,506
Tanque Verde Unified School District No. 13	759,736	0.13 %	988
Vail Unified School District No. 20	1,519,725	6.76 %	102,733
Sahuarita Unified School District No. 30	15,144,722	0.01 %	1,514
Tucson Unified School District No. 1 Leases	16,700,542	73.59 %	12,289,929
			124,237,114
City of Tucson, Arizona Direct Debt			847,112,425
Total Direct and Overlapping Debt			\$ 971,349,539

TABLE XII

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Primary Tax Rate	0.5245	0.4829	0.5326	0.5348	0.4581	0.5311	0.4555	0.4448	0.4254	0.4207
Secondary Tax Rate	0.9059	0.9777	1.0634	1.0634	0.9761	0.9508	0.9255	0.8690	0.9048	0.6040
Total Property Tax Rate (1)	1.4304	1.4606	1.5960	1.5982	1.4342	1.4819	1.3810	1.3138	1.3302	1.0247
Secondary Assessed Value	\$ 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	\$ 5,511,811,776
6% Limitation (2)	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	330,708,707
Less: Direct G.O. Bonds Outstanding										
Legal Debt Margin	\$ 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	\$ 330,708,707
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 (2)	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	1,102,362,355
Less: Direct G.O. Bonds Outstanding	214,760,000	213,495,000	208,860,000	200,270,000	174,640,000	145,145,000	167,960,000	139,940,000	110,905,000	81,625,000
Legal Debt Margin	\$ 415,448,457	\$ 412,895,449	\$ 440,761,084	\$ 480,482,268	\$ 590,329,310	\$ 675,723,590	\$ 698,316,869	\$ 784,230,149	\$ 863,879,027	\$ 1,020,737,355
Legal debt margin as a percentage of the debt limit	65.92%	65.92%	67.85%	70.58%	77.17%	82.32%	80.61%	84.86%	88.62%	92.60%

Notes:

- (1) The City's ability to issue debt is, in part, limited by the City Charter which precludes the total property tax rate to exceed 1.75 per \$100 assessed value. The secondary property tax rate is levied annually to pay general obligation debt service.
- (2) The Arizona Constitution and Arizona Revised Statutes limit the City's general obligation bonded debt capacity to certain percentages of the City's secondary assessed valuation and by the type of project to be constructed. For projects involving water, sewer, artificial lighting, parks, open space and recreational facility improvements, the City can issue general obligation bonds up to 20% of its secondary assessed valuation. For any other general purpose improvements, the City may issue bonds up to 6% of its secondary assessed valuation.

TABLE XIII

City of Tucson, Arizona
Pledged Revenue Coverage
As of June 30, 2023

Water System Revenue Bonds									
Fiscal Year (1)	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Combined Debt Service		Senior Lien Debt Service		Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio (1)
				Principal	Interest	Principal	Interest		
2014	\$ 176,411,669	\$ 91,766,938	\$ 84,644,731	\$ 22,543,481	\$ 19,291,096	\$19,345,000	\$ 18,170,704	2.02	2.26
2015	186,136,837	96,997,979	89,138,858	28,201,640	21,117,117	24,900,000	20,073,447	1.81	1.98
2016	192,222,574	112,336,250	79,886,324	30,538,155	20,378,867	27,130,000	19,395,157	1.57	1.82
2016	210,873,823	100,943,373	109,930,450	28,615,133	21,207,005	25,100,000	20,316,300	2.21	2.42
2018	234,878,094	107,676,138	127,201,956	33,526,690	21,098,202	28,360,000	20,303,593	2.33	2.61
2019	231,108,859	115,926,957	115,181,902	39,453,943	20,591,751	35,705,000	19,961,759	1.92	2.07
2020	252,402,811	116,302,883	136,099,928	34,680,012	19,655,493	29,195,000	19,047,396	2.50	2.82
2021	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
2022	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
2023	251,598,107	135,141,106	116,457,001	42,005,678	15,577,496	38,335,000	15,219,883	2.02	2.17

Highway User Fees (HURF)

Fiscal Year (1)	HURF Revenues	Debt Service		Coverage
		Principal	Interest	
2014	\$ 41,266,976	\$ 11,660,000	\$ 5,042,561	2.47
2015	44,846,287	12,965,000	4,544,350	2.56
2016	46,779,437	13,185,000	3,855,618	2.75
2016	48,218,829	13,610,000	3,408,559	2.83
2018	49,000,113	14,145,000	2,757,450	2.90
2019	54,562,146	10,130,000	2,090,250	4.46
2020	55,265,233	10,560,000	1,583,750	4.55
2021	53,713,591	10,730,000	1,067,250	4.55
2022	57,310,709	10,615,000	530,750	5.14
2023				

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

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

TABLE XIV

City of Tucson, Arizona
Demographic and Economic Statistics (1)
Last Ten Fiscal Years

Calendar Year	Population (2)	Personal Income (2)	Median Household Income	Unemployment Rate
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%
2022	1,052,030	55,696,681,000	52,942	4.4%

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

Notes:

(1) Data is for the calendar year that ends during that fiscal year. For example, fiscal year 2023 contains data for the calendar year ending December 31, 2022.

(2) Population and Personal Income are for the Tucson Metropolitan Statistical Area.

TABLE XV

City of Tucson, Arizona

Principal Employers

Current and Nine Years Ago

Employer	2014		Employer	2023	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	12,053	3.37%	University of Arizona	10,846	2.71%
Raytheon Missile Systems	11,370	3.18%	Raytheon Missile Systems	9,600	2.40%
Davis-Monthan Air Force Base	10,869	3.04%	Davis-Monthan Air Force Base	8,580	2.15%
Pima County	7,100	1.99%	State of Arizona	8,500	2.13%
U. S. Customs and Border Patrol	6,800	1.90%	Tucson Unified School District No. 1	7,700	1.93%
Tucson Unified School District No. 1	6,467	1.81%	Pima County	7,060	1.77%
University of Arizona Health Network	6,462	1.81%	Banner - University Medical Center	6,272	1.57%
Freeport-McMoran Copper & Gold Inc.	5,819	1.63%	U. S. Customs and Border Protection	5,739	1.44%
U.S. Army Intelligence Center & Fort Huachuca	5,096	1.43%	Freeport-McMoran Copper & Gold Inc.	5,530	1.38%
State of Arizona	4,986	1.39%	Walmart Stores, Inc.	5,500	1.38%
Total	77,022	21.55%		75,327	18.86%

Source: <https://tucsonrelocationguide.com/2018/12/17/10-largest-tucson-employers/>

TABLE XVI

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Elected and Official	223.00	206.50	212.50	183.50	184.50	190.50	192.50	195.00	210.00	216.50
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	2,198.50
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	920.75
Support Services	524.00	518.00	522.50	489.50	480.00	520.50	539.00	559.00	566.50	590.50
General Government (1)								8.00	14.00	13.00
Pension Services	4.00	4.00	4.00	4.00	4.00	4.50	4.50	4.50	4.50	4.50
Utility Services-Environmental Services	222.00	216.00	214.00	241.00	236.00	224.00	223.50	223.50	224.00	226.00
Utility Services-Water	547.00	547.50	547.50	550.50	554.50	564.50	563.50	563.50	567.50	565.50
Golf Courses (2)	68.00									
Total employees	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	4,735.25

Source: Adopted Budget - Volume I

Note:

(1) General Government function did not exist prior to fiscal year 2021.

(2) Beginning in fiscal year 2015, Tucson City Golf Enterprise is managed by an independent contractor.

TABLE XVII

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

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police Facilities	13	9	9	9	9	9	9	9	10	11
Fire Stations	21	22	22	22	22	22	22	22	22	22
Parks & Recreation										
Recreation/Regional Centers	18	20	20	20	20	20	20	20	20	19
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	142	127	127	127	164	164	164	164	145	153
Play Fields	231	225	225	231	225	225	236	236	236	186
Swimming Pools (1)	27	27	27	27	27	27	27	27	27	32
Pickle Ball Courts								12	12	21
Tennis Courts							15	58	58	55.5
Transportation (2)										
Residential (Miles)	1,629	1,645	1,328	1,328	1,347	1,353	1,358	1,364	1,367	1,376
Collectors (Miles)	101	101	85	85	85	85	85	88	87	86
Arterials (Miles)	371	381	310	310	310	317	323	323	323	321
Interstate (Miles)	80	80								
Buses (Active Fleet)	240	252	252	246	246	237	237	237	185	252
Water										
Operable Wells (3)	230	225	221	202	216	201	211	210	185	167
Miles of Water Mains	4,606	4,623	4,579	4,596	4,650	4,611	4,616	4,629	4,835	4,650

Notes:

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

(2) 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.

(3) Tucson Water reports a reduction of Operable Wells since wells have been placed out of service due to PFAS.

TABLE XVIII

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Number of Construction Permits (Residential and Commercial)	1,932	2,094	2,164	2,532	2,558	2,492	2,242	2,752	2,334	1,610
Permit Revenue	\$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	\$16,570,860
Police										
Calls for Service	346,817	326,900	286,811	288,755	310,396	328,336	374,496	361,711	370,935	362,564
Calls for Service per Capita	0.66	0.62	0.54	0.54	0.58	0.60	0.69	0.67	0.68	0.66
Part I Crimes (% Cleared) (1)	14.73%	14.80%	12.34%	12.88%	15.21%	16.30%	18.64%	16.19%	10.41%	14.90%
Part II Crimes (% Cleared) (1)	79.22%	37.94%	65.51%	64.12%	76.65%	89.10%	86.71%	38.41%	17.71%	23.95%
Fire										
Emergency Responses	79,704	85,594	91,272	92,009	90,966	878,041	90,393	94,463	102,279	101,227
Inspections	7,199	5,471	5,140	5,810	5,368	9,246	10,516	10,909	9,034	3,335
Parks & Recreation										
KIDCO Registration	3,209	3,195	3,285	2,978	2,785	2,826	956	1,057	2,181	2,701
Class Enrollment-Other than KIDCO	16,949	16,724	16,248	15,615	15,427	15,302	8,724	1,460	8,724	12,050
Facility Rental	9,231	10,688	108,110	8,882	10,544	10,066	7,003	3,444	9,852	13,083
Zoo Visitors	568,028	618,357	519,829	485,074	505,238	512,396	336,020	381,640	568,987	544,010
Environmental Services										
Landfill Tons of Waste Collected (2)	517,564	560,938	575,469	582,181	948,481	717,062	747,028	726,912	739,262	744,240
Tons of Material Recycled (2)	38,623	39,506	39,792	39,344	29,247	26,187	33,000	29,615	26,285	24,589
Water										
Average Total Monthly Connections										
Potable	225,791	227,052	228,450	230,030	231,927	233,031	234,657	237,793	238,178	239,440
Reclaimed	1,086	1,076	1,056	1,047	1,043	1,042	1,040	1,040	1,024	1,022
New Connections										
Potable	1,186	1,258	1,398	1,580	1,897	1,474	1,626	2,330	1,585	1,262
Reclaimed		(10)	(20)	(9)	(4)	(8)	(2)		(17)	(2)
Water Sales (1000 ccf)										
Potable	41,266	39,876	39,500	39,546	39,700	38,160	37,240	41,854	39,166	36,798
Reclaimed	7,154	6,188	5,981	6,269	6,694	5,347	5,905	7,198	5,985	5,414
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	2 to 3 weeks	18	14	4	9	18	22	12	16	18
The % of Lane Miles Assessed as Satisfactory or Better	23%	28%	26%	27%	30%	32%	30%	32%	34%	24%
Traffic Signal Expenditure per Repair	\$831.00	\$593.00	\$510.00	\$503.00	\$649.00	\$655.00	\$655.00	\$421.24	\$861.21	\$568.37
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$7.11	\$7.08	\$7.47	\$7.36	\$7.07	\$7.01	\$7.35	\$7.91	\$8.63	\$9.12
Sun Tran's Operating Expenses per Passenger Mile	\$0.73	\$0.68	\$0.94	\$0.73	\$0.80	\$0.75	\$0.74	\$0.74	\$0.80	\$1.27

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





GLOSSARY SECTION



CITY OF
TUCSON

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 post closure 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 post closure period. Closure and post closure 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., post closure 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 post employment 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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