

**CITY OF SOUTH TUCSON, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FISCAL YEAR ENDED JUNE 30, 2009**

CITY OF SOUTH TUCSON, ARIZONA

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**CITY OF SOUTH TUCSON, ARIZONA
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Tucson, Arizona (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2010, on our consideration of the City of South Tucson, Arizona internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 13 and budgetary comparison information on pages 54 through 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

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

March 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As management of the City of South Tucson, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2008-09 as follows.

- The City's total net assets of governmental activities increased \$3.1 million to \$24.4 million representing a 15 percent increase over the prior year primarily due to an increase from the prior year in capital grants and contributions for revitalization projects.
- General revenues from governmental activities accounted for \$3.9 million in revenue, or 31 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8.4 million or 69 percent of total governmental activities revenues.
- The City had \$9.2 million in expenses related to governmental activities, a decrease of 16 percent from the prior fiscal year.
- Among major funds, the General Fund had \$4.7 million in revenues, which primarily consisted of City sales taxes and intergovernmental revenues. The total expenditures of the General Fund were \$4.2 million. The General Fund's fund balance decreased from a deficit of \$7,972 to a deficit of \$28,012.
- The Housing Fund had \$1.9 million in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Housing Fund were \$1.6 million. The Housing Fund reported a fund balance increase of \$357,494 primarily due to a reduction in operating expenditures.
- The Regional Transportation Authority Fund had \$728,270 in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Regional Transportation Authority Fund were \$738,828.
- The Revitalization Projects Fund had \$2.4 million in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Revitalization Projects Fund were \$2.7 million.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the City that are principally supported by sales taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, redevelopment and housing, and economic development.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Housing, Local Transportation Assistance, Regional Transportation Authority, and Revitalization Projects, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds financial statements are reported on the accrual basis of accounting, but due to their custodial nature, the fiduciary funds do not have a measurement focus.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24.4 million at the current fiscal year end.

The largest portion of the City's net assets (92 percent) reflects its investment in capital assets (e.g., land, land improvements; buildings and improvements; infrastructure; machinery, equipment, and vehicles; and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 4,965,221	\$ 3,476,827
Capital assets, net	30,581,700	28,579,059
Total assets, net	<u>35,546,921</u>	<u>32,055,886</u>
Current liabilities	1,346,097	1,464,217
Long-term liabilities	9,809,088	9,644,523
Total liabilities	<u>11,155,185</u>	<u>11,108,740</u>
Invested in capital assets, net of related debt	22,321,628	20,801,870
Restricted	653,594	1,561,758
Unrestricted	1,416,514	(1,416,482)
Total net assets	<u>\$ 24,391,736</u>	<u>\$ 20,947,146</u>

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The addition of \$3.0 million in governmental activities capital assets is a significant current year transaction that had an impact on the Statement of Net Assets.

The City also retired \$864,297 of long-term liabilities, the most significant portion of which was a payment for other commitments for transportation activities. The increase in due from other governmental entities was a result of an intergovernmental receivable due to the City at year end from the Regional Transportation Authority.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year were \$12.3 million. The total cost of all programs and services was \$9.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	Fiscal Year Ended <u>June 30, 2009</u>	Fiscal Year Ended <u>June 30, 2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,339,499	\$ 1,349,488
Operating grants and contributions	3,914,564	3,019,566
Capital grants and contributions	3,181,790	1,951,724
General revenues:		
Property taxes	45,890	48,321
City sales tax	2,007,709	2,114,045
State shared revenues	1,547,428	1,558,295
Investment income	96,006	108,233
Miscellaneous	178,245	
Total revenues	<u>12,311,131</u>	<u>10,149,672</u>
Expenses:		
General government	1,790,898	2,633,111
Public safety	2,702,122	3,477,696
Highways and streets	1,854,255	1,547,101
Culture and recreation	98,480	237,165
Redevelopment and housing	2,148,012	2,534,907
Economic development	61,084	83,766
Interest on long-term debt	536,212	382,063
Total expenses	<u>9,191,063</u>	<u>10,895,809</u>
Change in net assets	<u>\$ 3,120,068</u>	<u>\$ (746,137)</u>

- Total governmental activities revenues increased \$2.2 million, or 21 percent, primarily as a result of increased capital grant revenues for revitalization projects.
- Total governmental activities expenses decreased \$1.7 million, or 16 percent, primarily as a result of decreases in expenses for general government and public safety.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental activities. The following table presents the cost of the City's functional activities. The table also shows each function's net cost (total cost less changes for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2009		2008	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 1,790,898	\$ (1,492,118)	\$ 2,633,111	\$ (1,436,338)
Public safety	2,702,122	(2,021,068)	3,477,696	(3,031,901)
Highways and streets	1,854,255	2,919,266	1,547,101	119,800
Culture and recreation	98,480	195,578	237,165	10,070
Redevelopment and housing	2,148,012	180,744	2,534,907	118,719
Economic development	61,084	(1,400)	83,766	26,682
Interest on long-term debt	536,212	(536,212)	382,063	(382,063)
Total	\$ 9,191,063	\$ (755,210)	\$ 10,895,809	\$ (4,575,031)

- Federal and State governments and charges for services subsidized certain governmental programs with revenues of \$8.4 million.
- Net cost of governmental activities of \$755,210 was financed by general revenues, which are made up of primarily City sales tax and state shared revenues of \$3.5 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$1.4 million, a decrease of \$55,872 or 4 percent from the prior year.

The General Fund is the principal operating fund of the City. The fund balance decreased \$7,972 in the General Fund to a deficit of \$28,012 as of fiscal year end. General Fund revenues decreased \$237,455 as a result of decreased sales tax collected within the City. General Fund expenditures decreased \$759,555 as a result of a decrease in public safety operations.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. The favorable variance of \$458,990 in public safety expenditures was a result of several police and fire positions left unfilled and equipment upgrades that were postponed due to cost containment measures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the City had invested \$30.6 million in capital assets, net of accumulated depreciation. This amount represents a net increase prior to depreciation of \$3.0 million from the prior fiscal year, primarily due to construction projects for flood control and transportation. Total depreciation expense for the current fiscal year was \$1.0 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2009 and June 30, 2008.

	Governmental Activities	
	2009	2008
Land	\$ 321,673	\$ 321,673
Land improvements	1,706,993	1,724,029
Buildings and improvements	11,471,409	11,302,707
Infrastructure	19,888,396	19,888,396
Furniture, equipment, and vehicles	3,939,068	3,839,817
Construction in progress	7,597,441	4,827,923
Accumulated depreciation	(14,343,280)	(13,325,486)
Total capital assets, net	\$ 30,581,700	\$ 28,579,059

The estimated cost to complete current construction projects is \$1.2 million.

Additional information on the City's capital assets can be found in Note 5.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year end, the City had \$8.6 million in long-term debt outstanding. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2009 and June 30, 2008.

	As of <u>June 30, 2009</u>	As of <u>June 30, 2008</u>
Revenues bonds	\$ 7,905,000	\$ 7,905,000
Obligations under capital leases	153,621	176,296
Other commitments	<u>1,481,460</u>	<u>2,200,253</u>
Total	<u>\$ 9,540,081</u>	<u>\$ 10,281,549</u>

Additional information on the City's long-term debt can be found in Notes 6 through 9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

City management considered many factors in the process of developing the operating budget for the fiscal year 2009-10. The most significant factors affecting the subsequent year's budget are:

- Reduction in anticipated state shared revenues
- Reduction in anticipated local sales tax

General Fund

The budget for the General Fund decreased from \$5.4 million to \$5.3 million. The main reason for this decrease is the slow down in the local economy.

**CITY OF SOUTH TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Finance Department, 1601 South 6th Avenue, South Tucson, Arizona 85713.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 681,432
Accounts receivable	418,760
Taxes receivable	194,209
Interest receivable	48,048
Due from governmental entities	1,902,538
Loans receivable	119,198
Inventory	5,000
Prepaid items	88,093
Total current assets	3,457,278
Noncurrent assets:	
Cash and investments - restricted	603,974
Deferred bond discount	903,969
Capital assets, non-depreciable	7,919,114
Capital assets, depreciable (net)	22,662,586
Total noncurrent assets	32,089,643
Total assets	35,546,921
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	1,232,261
Accrued payroll and employee benefits	84,591
Compensated absences payable	154,064
Customer deposits	29,245
Capital leases payable	51,255
Other commitments	682,000
Total current liabilities	2,233,416
Noncurrent liabilities:	
Compensated absences	114,943
Capital leases payable	102,366
Revenue bonds payable	7,905,000
Other commitments	799,460
Total non-current liabilities	8,921,769
Total liabilities	11,155,185
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	22,321,628
Restricted for:	
Highways and streets	534,396
Other purposes	119,198
Unrestricted	1,416,514
Total net assets	\$ 24,391,736

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 1,790,898	\$ 297,337	\$ 100	\$ 1,343	\$ (1,492,118)
Public safety	2,702,122	251,438	324,929	104,687	(2,021,068)
Highways and streets	1,854,255	1,860	1,942,450	2,829,211	2,919,266
Culture and recreation	98,480	98,989		195,069	195,578
Redevelopment and housing	2,148,012	689,875	1,587,401	51,480	180,744
Economic development	61,084		59,684		(1,400)
Interest on long-term debt	536,212				(536,212)
Total governmental activities	\$ 9,191,063	\$ 1,339,499	\$ 3,914,564	\$ 3,181,790	(755,210)

General revenues:

Taxes:

Property taxes, levied for general purposes	45,890
City sales taxes	2,007,709
Unrestricted state shared revenues	1,547,428
Investment income	96,006
Miscellaneous	178,245
Total general revenues	3,875,278

Changes in net assets 3,120,068

Net assets, beginning of year, as restated 21,271,668

Net assets, end of year \$ 24,391,736

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

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FUND FINANCIAL STATEMENTS

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

	<u>General</u>	<u>Housing</u>	<u>LTAIF</u>
<u>ASSETS</u>			
Cash and investments	\$ 19,422	\$ 547,918	\$
Cash and investments - restricted	603,974		
Accounts receivable	351,095	11,165	
Taxes receivable	194,209		
Interest receivable	48,048		
Due from governmental entities	51,206		
Loans receivable			
Due from other funds		202,905	534,396
Inventory		5,000	
Prepaid items	300	87,793	
Total assets	<u>\$ 1,268,254</u>	<u>\$ 854,781</u>	<u>\$ 534,396</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 613,113	\$	\$
Accrued payroll and employee benefits	58,711	6,293	
Due to other funds	524,804		
Customer deposits		29,245	
Deferred revenue	99,638		
Other commitments			
Total liabilities	<u>1,296,266</u>	<u>35,538</u>	
Fund balances (deficits):			
Reserved for inventory		5,000	
Reserved for prepaids	300	87,793	
Reserved for other purposes			
Unreserved:			
Undesignated	(28,312)	726,450	534,396
Unreserved reported in:			
Special revenue funds			
Capital projects funds			
Total fund balances	<u>(28,012)</u>	<u>819,243</u>	<u>534,396</u>
Total liabilities and fund balances	<u>\$ 1,268,254</u>	<u>\$ 854,781</u>	<u>\$ 534,396</u>

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

Regional Transportation Authority	Revitalization Projects	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 114,092	\$ 681,432
			603,974
		56,500	418,760
			194,209
			48,048
682,000	446,419	722,913	1,902,538
		119,198	119,198
		233,048	970,349
			5,000
			88,093
<u>\$ 682,000</u>	<u>\$ 446,419</u>	<u>\$ 1,245,751</u>	<u>\$ 5,031,601</u>
\$	\$ 618,274	\$ 874	\$ 1,232,261
		19,587	84,591
10,558	189,602	245,385	970,349
			29,245
	66,675	449,198	615,511
682,000			682,000
<u>692,558</u>	<u>874,551</u>	<u>715,044</u>	<u>3,613,957</u>
			5,000
			88,093
		119,198	119,198
(10,558)	(428,132)		793,844
		412,737	412,737
		(1,228)	(1,228)
<u>(10,558)</u>	<u>(428,132)</u>	<u>530,707</u>	<u>1,417,644</u>
<u>\$ 682,000</u>	<u>\$ 446,419</u>	<u>\$ 1,245,751</u>	<u>\$ 5,031,601</u>

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**CITY OF SOUTH TUCSON, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total governmental fund balances		\$ 1,417,644
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Governmental capital assets	\$ 44,924,980	
Less accumulated depreciation	<u>(14,343,280)</u>	30,581,700
<p>Some revenues will not be available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Court fines	99,638	
Intergovernmental	396,675	
Loan receivable	<u>119,198</u>	615,511
<p>Deferred items related to the issuance of debt are amortized over the life of the associated debt in the government-wide statements.</p>		
		903,969
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Compensated absences	(269,007)	
Capital lease	(153,621)	
Revenue bonds payable	(7,905,000)	
Other commitments	<u>(799,460)</u>	<u>(9,127,088)</u>
Net assets of governmental activities		<u>\$ 24,391,736</u>

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

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

	General	Housing	LTAF
Revenues:			
Property taxes	\$ 45,890	\$	\$
City sales taxes	2,007,709		
Licenses and permits	246,406		
Intergovernmental	1,547,428	1,587,401	34,984
Charges for services	393,894		1,860
Fines and forfeits	150,854		
Investment income	92,471	3,523	
Rents		264,037	
Contributions and donations			
Miscellaneous	194,218	59,359	
Total revenues	4,678,870	1,914,320	36,844
Expenditures:			
Current -			
General government	1,509,283		
Public safety	2,155,294		
Highways and streets	348,858		1,355
Culture and recreation			
Redevelopment and housing		1,534,705	
Economic development			
Capital outlay	146,805	22,121	
Debt service -			
Principal retirement	22,675		
Interest and fiscal charges	33,077		
Total expenditures	4,215,992	1,556,826	1,355
 Excess (deficiency) of revenues over expenditures	 462,878	 357,494	 35,489
 Other financing sources (uses):			
Transfer in			
Transfer out	(470,850)		
Total other financing sources (uses)	(470,850)		
 Changes in fund balances	 (7,972)	 357,494	 35,489
 Fund balances (deficits), beginning of year, as restated	 (20,040)	 461,749	 498,907
 Fund balances (deficits), end of year	 \$ (28,012)	 \$ 819,243	 \$ 534,396

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

Regional Transportation Authority	Revitalization Projects	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 45,890
			2,007,709
			246,406
728,270	2,379,671	2,088,451	8,366,205
			395,754
			150,854
	12		96,006
			264,037
		100	100
		13,905	267,482
<u>728,270</u>	<u>2,379,683</u>	<u>2,102,456</u>	<u>11,840,443</u>
		26,411	1,535,694
		397,420	2,552,714
685,963		462,499	1,498,675
		98,480	98,480
		425,183	1,959,888
		61,084	61,084
52,865	2,694,320	747,067	3,663,178
			22,675
		470,850	503,927
<u>738,828</u>	<u>2,694,320</u>	<u>2,688,994</u>	<u>11,896,315</u>
<u>(10,558)</u>	<u>(314,637)</u>	<u>(586,538)</u>	<u>(55,872)</u>
		470,850	470,850
			(470,850)
		470,850	
<u>(10,558)</u>	<u>(314,637)</u>	<u>(115,688)</u>	<u>(55,872)</u>
	(113,495)	646,395	1,473,516
<u>\$ (10,558)</u>	<u>\$ (428,132)</u>	<u>\$ 530,707</u>	<u>\$ 1,417,644</u>

**CITY OF SOUTH TUCSON, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net changes in fund balances - total governmental funds **\$ (55,872)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 3,020,435	
Less current year depreciation	<u>(1,017,794)</u>	2,002,641

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

Court fines	74,013	
Intergovernmental	277,477	
Loans receivable	<u>119,198</u>	470,688

Repayment of obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Capital leases	22,675	
Other commitments	<u>682,000</u>	704,675

Some revenues and expenses reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported in governmental funds.

Amortization of bond items	(32,285)	
Compensated absences	<u>30,221</u>	<u>(2,064)</u>

Change in net assets in governmental activities **\$ 3,120,068**

**CITY OF SOUTH TUCSON, ARIZONA
STATEMENT OF FIDUCIARY FUND NET ASSETS
JUNE 30, 2009**

	<u>Pension Trust</u>
<u>ASSETS</u>	
Cash and investments	\$ 192,258
Total assets	<u>192,258</u>
<u>NET ASSETS</u>	
Held in trust	<u>\$ 192,258</u>

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

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

	<u>Pension Trust</u>
Additions:	
State insurance contributions	\$ 4,179
Total additions	<u>4,179</u>
Deductions:	
Benefits	<u>9,750</u>
Total deductions	<u>9,750</u>
Changes in net assets	<u>(5,571)</u>
Net assets, beginning of year	197,829
Net assets, end of year	<u>\$ 192,258</u>

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

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of South Tucson, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

South Tucson Municipal Property Corporation. The City of South Tucson, Arizona, Arizona Municipal Property Corporation's (MPC) Board of Directors are appointed by the City of South Tucson, Arizona's City Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. The MPC debt service is reported within the Debt Service Fund and within the governmental activities in the government-wide statements. Separate financial statements are not prepared on a stand-alone basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City did not have any business-type activities during the year.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. City sales taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

~~**Fund Financial Statements**—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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.~~

**CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property taxes, City sales taxes, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

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.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

The Housing Fund – This fund accounts for the operations of the City's public housing program.

The Local Transportation Assistance Fund (LTAF) – This fund accounts for state funds received for local transportation.

Regional Transportation Authority Fund – This fund accounts for transportation projects funded by the Regional Transportation Authority.

The Revitalization Projects Fund – This fund accounts for the construction of major infrastructure improvements.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Additionally, the City reports the following fund type:

Fiduciary Funds – The Fiduciary Fund is a Pension Trust Fund which accounts for the activities of the Firefighters' Relief and Pension Trust Fund (Trust Fund). The Trust Fund accumulates funds for the defined contribution pension plan administered by the City and a board of trustees for the City's volunteer firefighters.

D. Cash and Investments

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables, are shown net of an allowance for uncollectibles.

The property tax levy, as described in the Arizona State Statutes, is divided into two levies, a primary levy and a secondary levy. Secondary taxes are levied strictly for the retirement and redemption of bonded indebtedness, while the primary levy may be used for any legal operating purpose. The primary property tax levy is limited to a 2% annual increase over the prior year's maximum allowable levy plus an adjustment for properties that were not taxed in the previous year.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property taxes are levied by the City and collected by the County Treasurer. Real property taxes are levied on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in both the government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, machinery, equipment, and vehicles; construction in progress; and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities is included as part of the capitalized value of the assets constructed.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Certain capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15 - 50
Buildings and improvements	20 - 50
Infrastructure	20 - 75
Machinery, equipment, and vehicles	10

I. Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits and compensation time vest for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The current and long-term liabilities for accumulated vacation and compensation time are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Debt premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the debt using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose

L. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balance – At year end, the following individual major and non-major governmental funds reported deficits in fund balance.

	Deficit
Major Funds:	
General	\$ 28,012
Regional Transportation Authority	10,558
Revitalization Projects	428,132
Non-Major Governmental Funds:	
JCEF	7,653
Fill the Gap	12,445
Neighborhood reinvestment	4,228

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2009-10 are expected to eliminate the deficits.

Excess Expenditures Over Budget – At year end, the City had expenditures in funds that exceeded the budgets, however, this does not constitute a violation of any legal provisions.

NOTE 3 – CASH AND INVESTMENTS

A.R.S. authorize the City to invest public monies the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City’s investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. At year end, the carrying amount of the City’s deposits was \$523,947 and the bank balance was \$1,175,279. At year end, \$595,279 of the City’s deposits were covered by Federal depository insurance and \$580,000 were guaranteed under the transaction account guarantee component of the Temporary Liquidity Guarantee Program.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

At year end, the City's investments consisted of the following.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasuries	Less than one year	\$ 681,334
State Treasurer's investment pool 5	40 days average	272,383
Total		<u>\$ 953,717</u>

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no investment policy that would further limit its investment choices. Investments in the State Treasurer's investment pool 5, 77% of the securities were rated AAA, A+, or A1; all of the remaining securities were rated A- or better by Standard and Poor's.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City's individual major funds and non-major governmental funds in the aggregate, were as follows.

	General Fund	Regional Transportation Authority Fund	Revitalization Projects Fund	Non-Major Governmental Funds
Due from other governmental entities:				
Due from Federal government	\$	\$	\$	\$ 256,212
Due from State government	51,206			34,221
Due from County government				432,480
Due from other governments		682,000	446,419	
Net due from governmental entities	<u>\$ 51,206</u>	<u>\$ 682,000</u>	<u>\$ 446,419</u>	<u>\$ 722,913</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows.

	<u>Unavailable</u>
Delinquent court fines receivable (General Fund)	\$ 99,638
Measurable but unavailable revenues (Revitalization Fund)	66,675
Measurable but unavailable revenues (Non-Major Governmental Funds)	449,198
Total deferred revenue for governmental funds	<u>\$ 615,511</u>

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 321,673	\$	\$	\$ 321,673
Construction in progress	4,827,923	2,769,518		7,597,441
Total capital assets, not being depreciated	<u>5,149,596</u>	<u>2,769,518</u>		<u>7,919,114</u>
Capital assets, being depreciated:				
Land improvements	1,724,029		(17,036)	1,706,993
Buildings and improvements	11,302,707	168,702		11,471,409
Infrastructure	19,888,396			19,888,396
Machinery, equipment and vehicles	3,839,817	99,251		3,939,068
Total capital assets being depreciated	<u>36,754,949</u>	<u>267,953</u>	<u>(17,036)</u>	<u>37,005,866</u>
Less accumulated depreciation for:				
Land improvements	(784,957)	(71,760)	111,228	(745,489)
Buildings and improvements	(4,169,918)	(226,941)		(4,396,859)
Infrastructure	(5,751,281)	(527,625)		(6,278,906)
Machinery, equipment and vehicles	(2,619,330)	(304,926)	2,230	(2,922,026)
Total accumulated depreciation	<u>(13,325,486)</u>	<u>(1,131,252)</u>	<u>113,458</u>	<u>(14,343,280)</u>
Total capital assets, being depreciated, net	<u>23,429,463</u>	<u>(863,299)</u>	<u>96,422</u>	<u>22,662,586</u>
Governmental activities capital assets, net	<u>\$28,579,059</u>	<u>\$ 1,906,219</u>	<u>\$ 96,422</u>	<u>\$ 30,581,700</u>
General government			\$ 259,530	
Public safety			164,958	
Highways and streets			400,884	
Redevelopment and housing			192,422	
Total depreciation expense – governmental activities			<u>\$ 1,017,794</u>	

Construction Commitments – At year end, the City had contractual commitments related to various capital projects for the construction of roadway improvements. At year end the City had spent \$2.8 million on the projects and had estimated remaining contractual commitments of \$1.2 million. These projects are being funded with intergovernmental revenues.

**CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – REVENUE BONDS PAYABLE

Revenue bonds currently outstanding are as follows.

	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2009
<u>Governmental activities:</u>				
MPC Excise Tax Revenue				
Bond, Series 2007	\$ 7,905,000	4.10-5.95%	7/1/2013-37	\$ 7,905,000
Total				<u>\$ 7,905,000</u>

Principal and interest payments on the governmental activities revenue bonds payable at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2010	\$	\$ 470,850
2011		470,850
2012		470,850
2013	130,000	470,850
2014	140,000	462,888
2015-19	825,000	2,176,625
2020-24	1,120,000	1,889,363
2025-29	1,510,000	1,502,263
2030-34	2,030,000	979,494
2035-39	2,150,000	264,506
Total	<u>\$ 7,905,000</u>	<u>\$ 9,158,539</u>

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – OBLIGATIONS UNDER LEASES

Capital Leases – The City has acquired vehicles under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases that meet the City’s capitalization threshold are as follows.

	Governmental Activities
Asset:	
Vehicles, furniture and equipment	\$ 276,837
Less: Accumulated depreciation	107,372
Total	\$ 169,465

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

	Governmental Activities
Year Ending June 30:	
2010	\$ 59,454
2011	50,525
2012	41,488
2013	18,194
Total minimum lease payments	169,661
Less: amount representing interest	16,040
Present value of minimum lease payments	\$ 153,621
Due within one year	\$ 51,255

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – OBLIGATIONS UNDER LEASES (Concl'd)

Operating Leases – The City leases office equipment under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$11,374 for the current fiscal year. The future minimum rental payments required under the operating leases at year end were as follows.

Year Ending June 30:		
	2010	\$ 13,481
	2011	9,645
	2012	5,425
	2013	5,425
	2014	2,420
	Total minimum payments required	<u>\$ 36,396</u>

NOTE 8 – OTHER COMMITMENTS

The City has a long-term intergovernmental agreement with the City of Tucson, Arizona for transportation services. According to the agreement, the City of Tucson, Arizona will provide transportation to citizens of the City of South Tucson, Arizona at a predetermined rate. The City of Tucson, Arizona has determined the cost of those charges and is billing the City of South Tucson, Arizona for the related services since the inception of the agreement. The total determined amount is \$1,481,460 of which \$682,000 had been billed to the City and the rest is recognized as long-term loan reported as other commitments.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 7,905,000	\$	\$	\$ 7,905,000	\$
Obligations under capital leases	176,296		22,675	153,621	51,255
Compensated absences payable	299,228	93,608	123,829	269,007	154,064
Other commitments	2,200,253		718,793	1,481,460	682,000
Governmental activity long-term liabilities	<u>\$ 10,580,777</u>	<u>\$ 93,608</u>	<u>\$ 865,297</u>	<u>\$ 9,809,088</u>	<u>\$ 887,319</u>

**CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to	Due from				Total
	General Fund	Regional Transportation Authority	Revitalization Projects	Non-Major Governmental Funds	
Housing	\$	\$ 10,558	\$ 189,602	\$ 2,745	\$ 202,905
LTAF	524,804			9,592	534,396
Non-Major Governmental Funds				233,048	233,048
Total	<u>\$ 524,804</u>	<u>\$ 10,558</u>	<u>\$ 189,602</u>	<u>\$ 245,385</u>	<u>\$ 970,349</u>

At year end, several funds had negative cash balances in the pooled cash accounts. Negative cash on deposit was reduced by interfund borrowing with other funds.

Interfund transfers – An Interfund transfer of \$470,850 was made by the City to move resources generated by City sales taxes to the Debt Service Fund for payment of bond interest.

NOTE 11 – CONTINGENT LIABILITIES

Lawsuits – The City is a defendant in a number of lawsuits as of June 30, 2009. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2009, would not be material to the financial position of the City.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12 – PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

The accompanying financial statements reflect adjustments resulting from the following: 1) debt service activity and related cash balances were incorrectly recorded in the accounting records, 2) a correction was made for cumulative errors in deferred revenue, accounts receivable, and accounts payable balances, 3) restricted cash reported in the Debt Service fund in the prior year was reclassified by management to the General Fund and 4) a correction for an incorrect estimate for Other Commitments.

	Governmental Activities	Governmental Funds
Net Assets/Fund balance, June 30, 2008, as previously reported	\$ 20,947,146	\$ 1,867,787
Debt Service	(273,630)	(273,630)
Cumulative balance sheet errors	(387,962)	(387,962)
Restricted cash reclassification	267,321	267,321
Changes for incorrect estimate of other commitments	718,793	
Net Assets/Fund balance, July 1, 2008, as restated	\$ 21,271,668	\$ 1,473,516

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is \$2.0 million per occurrence on a claims made basis. ~~Excess coverage is for an additional \$2.0 million per occurrence on a follow form, claims made basis.~~ The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City is insured by Arizona Municipal Workers Compensation Pool for potential worker related accidents.

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 – RETIREMENT PLAN

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

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

3300 N. Central Ave.
Phoenix, AZ 85012-0250
(602) 240-2200 or (800) 621-3778

PSPRS

3010 E. Camelback Road Suite 200
Phoenix, AZ 85016
(602) 255-5575

Funding policy – The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates.

Cost-sharing plan – The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement and 0.96 percent for health insurance premiums, and 0.5 percent for long-term disability) of the members' annual covered payroll.

**CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 14 – RETIREMENT PLAN (Cont'd)

The City's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2009	\$ 121,494	\$ 14,598	\$ 7,592
2008	126,321	16,481	7,849
2007	127,605	16,649	7,928

Agent plan – For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rates of 10.37 percent and 12.06 percent for police and fire, respectively. Additional information related to both the police and fire PSPRS agent plans follows.

Actuarial methods and assumptions – The contribution requirements for the current fiscal year were established by the June 30, 2007 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	June 30, 2007
Actuarial-cost method	Projected-Unit Credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50%
Includes inflation at	5.00%
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization	30 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 – RETIREMENT PLAN (Concl'd)

Trend Information – Information for the agent plans as of most recent actuarial valuations follows.

Police:

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	\$329,282	100%	-0-
2008	263,204	100%	-0-
2007	214,911	100%	-0-

Fire:

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	\$116,547	100%	-0-
2008	69,843	100%	-0-
2007	55,042	100%	-0-

Funding Progress – An analysis of funding progress for each of the agent plans as of June 30, 2009 follows.

Police:

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Overfunded (Underfunded) Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>([a-b]/c)</u>
2009	\$ 785,105	\$5,284,880	\$(4,499,775)	14.9%	\$592,026	(760.1)%
2008	1,087,819	5,239,117	(4,151,298)	20.8%	958,261	(433.2)%
2007	1,073,458	4,966,457	(3,892,999)	21.6%	887,402	(438.7)%

Fire:

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Overfunded (Underfunded) Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>([a-b]/c)</u>
2009	\$1,734,370	\$2,402,274	\$(667,904)	72.2%	\$461,783	(144.6)%
2008	1,630,547	2,433,396	(802,849)	67.0%	611,721	(131.2)%
2007	1,556,028	2,312,999	(756,971)	67.3%	564,234	(134.2)%

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
(REQUIRED SUPPLEMENTARY INFORMATION)**

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

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Property taxes	\$ 47,595	\$ 45,890	\$ (1,705)
City sales taxes	2,132,923	2,007,709	(125,214)
Licenses and permits	305,864	246,406	(59,458)
Intergovernmental	1,640,734	1,547,428	(93,306)
Charges for services	417,789	393,894	(23,895)
Fines and forfeits	195,000	150,854	(44,146)
Investment income	45,000	92,471	47,471
Miscellaneous	247,000	194,218	(52,782)
Total revenues	<u>5,031,905</u>	<u>4,678,870</u>	<u>(353,035)</u>
Expenditures:			
Current -			
General government	1,554,030	1,509,283	44,747
Public safety	2,614,284	2,155,294	458,990
Highways and streets	317,680	348,858	(31,178)
Capital outlay	184,000	146,805	37,195
Debt service -			
Principal retirement	42,419	22,675	19,744
Interest and fiscal charges	29,700	33,077	(3,377)
Total expenditures	<u>4,742,113</u>	<u>4,215,992</u>	<u>526,121</u>
Excess (deficiency) of revenues over expenditures	<u>289,792</u>	<u>462,878</u>	<u>173,086</u>
Other financing sources (uses):			
Transfer out	(470,850)	(470,850)	
Total other financing sources (uses)	<u>(470,850)</u>	<u>(470,850)</u>	
Change in fund balances	<u>(181,058)</u>	<u>(7,972)</u>	<u>173,086</u>
Fund balances (deficits), July 1, 2008, as restated		(20,040)	(20,040)
Fund balances (deficits), June 30, 2009	<u>\$ (181,058)</u>	<u>\$ (28,012)</u>	<u>\$ 153,046</u>

See accompanying notes to this schedule.

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

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 1,533,499	\$ 1,587,401	\$ 53,902
Investment income		3,523	3,523
Rents	305,000	264,037	(40,963)
Miscellaneous	20,500	59,359	38,859
Total revenues	<u>1,858,999</u>	<u>1,914,320</u>	<u>55,321</u>
Expenditures:			
Current -			
Redevelopment and housing	1,739,828	1,534,705	205,123
Capital outlay	119,171	22,121	97,050
Total expenditures	<u>1,858,999</u>	<u>1,556,826</u>	<u>302,173</u>
Change in fund balances		<u>357,494</u>	<u>357,494</u>
Fund balances, July 1, 2008		461,749	461,749
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 819,243</u>	<u>\$ 819,243</u>

See accompanying notes to this schedule.

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

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 35,830	\$ 34,984	\$ (846)
Charges for services		1,860	1,860
Total revenues	<u>35,830</u>	<u>36,844</u>	<u>1,014</u>
Expenditures:			
Current -			
Highways and streets	35,830	1,355	34,475
Total expenditures	<u>35,830</u>	<u>1,355</u>	<u>34,475</u>
Change in fund balances		<u>35,489</u>	<u>35,489</u>
Fund balances, July 1, 2008		498,907	498,907
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 534,396</u>	<u>\$ 534,396</u>

See accompanying notes to this schedule.

CITY OF SOUTH TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the City is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTARY INFORMATION

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**OTHER MAJOR GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**CITY OF SOUTH TUCSON, ARIZONA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - REGIONAL TRANSPORTATION AUTHORITY
 YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 1,682,000	\$ 728,270	\$ (953,730)
Total revenues	<u>1,682,000</u>	<u>728,270</u>	<u>(953,730)</u>
Expenditures:			
Current -			
Highways and streets	636,756	685,963	(49,207)
Capital outlay	1,045,244	52,865	992,379
Total expenditures	<u>1,682,000</u>	<u>738,828</u>	<u>943,172</u>
Change in fund balances		<u>(10,558)</u>	<u>(10,558)</u>
Fund balances, July 1, 2008			
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (10,558)</u>	<u>\$ (10,558)</u>

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

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 3,575,000	\$ 2,379,671	\$ (1,195,329)
Investment income		12	12
Total revenues	<u>3,575,000</u>	<u>2,379,683</u>	<u>(1,195,317)</u>
Expenditures:			
Capital outlay	3,575,000	2,694,320	880,680
Total expenditures	<u>3,575,000</u>	<u>2,694,320</u>	<u>880,680</u>
Change in fund balances		<u>(314,637)</u>	<u>(314,637)</u>
Fund balances (deficits), July 1, 2008		(113,495)	(113,495)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (428,132)</u>	<u>\$ (428,132)</u>

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NON-MAJOR GOVERNMENTAL FUNDS

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

	Economic Loan Development Program		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Contributions and donations			
Miscellaneous			
Total revenues			
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets			
Culture and recreation			
Redevelopment and housing			
Economic development		1,400	(1,400)
Capital outlay			
Total expenditures		1,400	(1,400)
Change in fund balances		(1,400)	(1,400)
Fund balances (deficits), July 1, 2008, as restated		229,788	229,788
Fund balances (deficits), June 30, 2009	\$	\$ 228,388	\$ 228,388

*The Economic Loan Development Program Fund was included in the City's budget, however, the budget was -0-.

HURF			Flood Control		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 451,503	\$ 408,552	\$ (42,951)	\$ 745,000	\$ 507,035	\$ (237,965)
<u>451,503</u>	<u>408,552</u>	<u>(42,951)</u>	<u>745,000</u>	<u>507,035</u>	<u>(237,965)</u>
451,503	363,231	88,272	260,000	99,268	160,732
<u>451,503</u>	<u>363,231</u>	<u>88,272</u>	<u>485,000</u>	<u>507,035</u>	<u>(22,035)</u>
	<u>45,321</u>	<u>45,321</u>	<u>745,000</u>	<u>606,303</u>	<u>138,697</u>
	(18,918)	(18,918)		(99,268)	(99,268)
				221,952	221,952
<u>\$</u>	<u>\$ 26,403</u>	<u>\$ 26,403</u>	<u>\$</u>	<u>\$ 122,684</u>	<u>\$ 122,684</u>

(Continued)

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

	Youth Operations Center		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 113,000	\$ 113,000	\$
Contributions and donations			
Miscellaneous			
Total revenues	113,000	113,000	
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets			
Culture and recreation	113,000	98,480	14,520
Redevelopment and housing			
Economic development			
Capital outlay			
Total expenditures	113,000	98,480	14,520
Change in fund balances		14,520	14,520
Fund balances (deficits), July 1, 2008, as restated			
Fund balances (deficits), June 30, 2009	\$	\$ 14,520	\$ 14,520

RICO			JCEF		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 325,000	\$ 176,495	\$ (148,505)	\$ 33,000	\$	\$ (33,000)
<u>325,000</u>	<u>176,495</u>	<u>(148,505)</u>	<u>33,000</u>		<u>(33,000)</u>
296,668	235,330	61,338	33,000	5,737	27,263
28,332	42,838	(14,506)			
<u>325,000</u>	<u>278,168</u>	<u>46,832</u>	<u>33,000</u>	<u>5,737</u>	<u>27,263</u>
	(101,673)	(101,673)		(5,737)	(5,737)
	151,266	151,266		(1,916)	(1,916)
<u>\$</u>	<u>\$ 49,593</u>	<u>\$ 49,593</u>	<u>\$</u>	<u>\$ (7,653)</u>	<u>\$ (7,653)</u>

(Continued)

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

	Fill in the Gap		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Contributions and donations			
Miscellaneous			
Total revenues			
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets			
Culture and recreation			
Redevelopment and housing			
Economic development			
Capital outlay			
Total expenditures			
Change in fund balances			
Fund balances (deficits), July 1, 2008, as restated		(12,445)	(12,445)
Fund balances (deficits), June 30, 2009	\$	\$ (12,445)	\$ (12,445)

*The Fill in the Gap Fund was included in the City's budget, however, the budget was -0-.

Grants			CDBG		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 1,965,326	\$ 314,148	\$ (1,651,178)	\$ 827,052	\$ 435,672	\$ (391,380)
<u>1,965,326</u>	<u>314,148</u>	<u>(1,651,178)</u>	<u>827,052</u>	<u>435,672</u>	<u>(391,380)</u>
	13,082	(13,082)			
1,097,826	162,090	935,736			
			827,052	425,183	401,869
67,500	59,684	7,816			
800,000	63,645	736,355			
<u>1,965,326</u>	<u>298,501</u>	<u>1,666,825</u>	<u>827,052</u>	<u>425,183</u>	<u>401,869</u>
	15,647	15,647		10,489	10,489
	56,115	56,115		16,890	16,890
<u>\$</u>	<u>\$ 71,762</u>	<u>\$ 71,762</u>	<u>\$</u>	<u>\$ 27,379</u>	<u>\$ 27,379</u>

(Continued)

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

	Explorer Program		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Contributions and donations	10,000	100	(9,900)
Miscellaneous	2,000	13,905	11,905
Total revenues	<u>12,000</u>	<u>14,005</u>	<u>2,005</u>
Expenditures:			
Current -			
General government	12,000	7,592	4,408
Public safety			
Highways and streets			
Culture and recreation			
Redevelopment and housing			
Economic development			
Capital outlay			
Total expenditures	<u>12,000</u>	<u>7,592</u>	<u>4,408</u>
Change in fund balances		<u>6,413</u>	<u>6,413</u>
Fund balances (deficits), July 1, 2008, as restated		4,891	4,891
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ 11,304</u>	<u>\$ 11,304</u>

Totals

Budget	Actual	Variance - Positive (Negative)
\$ 4,459,881	\$ 1,954,902	\$ (2,504,979)
10,000	100	(9,900)
2,000	13,905	11,905
<u>4,471,881</u>	<u>1,968,907</u>	<u>(2,502,974)</u>

45,000	26,411	18,589
1,394,494	397,420	997,074
711,503	462,499	249,004
113,000	98,480	14,520
827,052	425,183	401,869
67,500	61,084	6,416
1,313,332	613,518	699,814
<u>4,471,881</u>	<u>2,084,595</u>	<u>2,387,286</u>

(115,688)	(115,688)
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647,623	647,623
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<u>\$</u>	<u>\$ 531,935</u>	<u>\$ 531,935</u>
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**CITY OF SOUTH TUCSON, ARIZONA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - ALL DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2009**

	Debt Service		Variance - Positive (Negative)
	Budget*	Actual	
Expenditures:			
Debt service -	\$	\$	\$
Interest and fiscal charges		470,850	(470,850)
Total expenditures		470,850	(470,850)
Excess (deficiency) of revenues over expenditures		(470,850)	(470,850)
Other financing sources (uses):			
Transfer in		470,850	470,850
Total other financing sources (uses)		470,850	470,850
Change in fund balances			
Fund balances, July 1, 2008, as restated			
Fund balances, June 30, 2009	\$	\$	\$

*The Debt Service Fund was included in the City's budget, however, the budget was -0-.

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

	Neighborhood Reinvestment		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 88,000	\$ 51,480	\$ (36,520)
Total revenues	<u>88,000</u>	<u>51,480</u>	<u>(36,520)</u>
Expenditures:			
Capital outlay	88,000	51,480	36,520
Total expenditures	<u>88,000</u>	<u>51,480</u>	<u>36,520</u>
Change in fund balances			
Fund balances (deficits), July 1, 2008		(4,228)	(4,228)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (4,228)</u>	<u>\$ (4,228)</u>

Youth Art Project			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 150,000	\$ 82,069	\$ (67,931)	\$ 238,000	\$ 133,549	\$ (104,451)
150,000	82,069	(67,931)	238,000	133,549	(104,451)
150,000	82,069	67,931	238,000	133,549	104,451
150,000	82,069	67,931	238,000	133,549	104,451
	3,000	3,000		(1,228)	(1,228)
\$	\$ 3,000	\$ 3,000	\$	\$ (1,228)	\$ (1,228)

SINGLE AUDIT SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of South Tucson, Arizona as of and for the year ended June 30, 2009, which collectively comprise City of South Tucson, Arizona's basic financial statements and have issued our report thereon dated March 8, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of South Tucson, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of South Tucson, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of South Tucson, Arizona's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-1, 09-2, and 09-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 09-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of South Tucson, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of City of South Tucson, Arizona in a separate letter dated March 8, 2010.

City of South Tucson, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of South Tucson, Arizona's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

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

March 8, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of City of South Tucson, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. City of South Tucson, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of South Tucson, Arizona's management. Our responsibility is to express an opinion on City of South Tucson, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of South Tucson, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of South Tucson, Arizona's compliance with those requirements.

In our opinion, City of South Tucson, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-4.

Internal Control Over Compliance

The management of City of South Tucson, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of South Tucson, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of South Tucson, Arizona's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of South Tucson, Arizona as of and for the year ended June 30, 2009, and have issued our report thereon dated March 8, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City of South Tucson, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

City of South Tucson, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of South Tucson, Arizona's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

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

March 8, 2010

**CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct programs -			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 774,151
Public and Indian Housing	14.850	N/A	753,063
Comprehensive Improvement Assistance Program	14.852	N/A	261,711
Passed through Pima County -			
Community Development Block Grants	14.218	01-70-S-137787-0406	916
Community Development Block Grants	14.218	01-70-S-138940-1006	5,075
Community Development Block Grants	14.218	01-70-S-140050-1007	169,170
Community Development Block Grants	14.218	01-70-S-141607-1008	250,022
Total U.S. Department of Housing and Urban Development			<u>2,214,108</u>
<u>U.S. Department of Health and Human Services</u>			
Direct programs -			
Drug-Free Communities Support Program Grants	93.276	N/A	102,958
Public Health Emergency Preparedness	93.069	01-01-S-139695-0707	104,830
Total U.S. Department of Health and Human Services			<u>207,788</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Arizona Department of Homeland Security -			
Homeland Security Grant Program	97.067	444418-01	16,962
<u>U.S. Department of Commerce</u>			
Direct program:			
Economic Development - Technical Assistance	11.303	07-8705151	59,684
Total Expenditures of Federal Awards			\$ <u>2,498,542</u>

CITY OF SOUTH TUCSON, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of South Tucson, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2009 *Catalog of Federal Domestic Assistance*.

**CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Rental Voucher Program
14.850	Public and Indian Housing

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

**CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

09-1 CRITERIA

The City is responsible for establishing and maintaining a system of internal controls to allow for external financial reporting on a basis consistent with generally accepted accounting principles (GAAP).

CONDITION/CONTEXT

The following conditions were noted:

- General ledger closing procedures are not well defined and formally documented resulting in numerous audit adjustments.
- Debt service activity was incorrectly recorded in the accounting records resulting in significant adjustments.
- Expenditures amounting to \$618,274 were recorded in the incorrect fiscal year.

EFFECT

The lack of effective accounting controls could result in a material misstatement of the financial statements.

CAUSE

Limited staff size and limited available resources.

RECOMMENDATION

In order to ensure timely and accurate external financial reporting consistent with GAAP the City should strengthen controls over financial reporting process.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with this recommendation and will ensure the correct year end procedure is followed.

**CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Concl'd)

09-2 CRITERIA

A properly designed internal control structure requires that specific procedures and policies with respect to creating estimates to reflect the collectible balance of accounts receivable be implemented to meet the financial reporting and operational objectives of the City.

CONDITION/CONTEXT

The City has accrued significant receivable for which collectability may be in question. An estimation for doubtful accounts has not been made because the City does not have a process in place to make that estimation.

EFFECT

The lack of a process to evaluate collectability of the loans receivable account could potentially result in an overstatement of receivables account.

CAUSE

There is no formal policy to evaluate the collectability of the loans receivable account; therefore, the subsidiary customer accounts have not been monitored or adjusted to properly report collectible balances.

RECOMMENDATION

The City should implement a formal policy to evaluate the collectability of the loans receivable account which is consistent with GAAP.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Finance Director concurs with this recommendation and will seek Mayor and Council's approval to establish a formal policy to evaluate the collectability of all receivable accounts.

**CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

09-3 CRITERIA

The application of commonly accepted fiscal management policies require the City to balance funds with sufficient revenues and adequately maintain fund balance reserves, particularly in the General Fund.

CONDITION/CONTEXT

A deficit fund balance of \$28,012 existed at year end in the General Fund.

EFFECT

The City is at risk of compromising services provided in future years to eliminate deficit fund balances.

CAUSE

Insufficient revenue sources and/or expenditures in excess of sustainable levels.

RECOMMENDATION

The City should implement procedures to identify additional revenue sources or modify budgeted expenditures accordingly to eliminate deficit fund balances and build sufficient reserves in the General Fund.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Revenues received in fiscal year 2009-10 are expected to eliminate the deficit.

**CITY OF SOUTH TUCSON, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding Number: 09-4

Program Names: Low Income Housing Assistance Program,
Section 8 Rental Voucher Program

Pass-Through Agency: Arizona Department of Housing and
Urban Development

Questioned Costs: None identified

CFDA Numbers: 14.856, 14.871

Grantor Numbers: N/A

CRITERIA

The City did not retain documentation to evidence its compliance with time and effort requirements under Circular A-87.

CONDITION/CONTEXT

According to Office of Management and Budget (OMB) Circular A-87, an employee paid from a single federal program must submit a semi-annual certification that indicates the employee worked solely for that federal program. An employee paid from more than one federal program or a federal program and non-federal funds must submit monthly activity reports, documenting time worked in each Federal program, unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency.

EFFECT

The City did not comply with OMB Circular A-87 for the operation of its federally funded programs.

CAUSE

The City did not retain documentation of time and effort compliance.

RECOMMENDATION

The City should retain documentation proving that it is in compliance with time and effort requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Finance Director has provided City staff with forms and instructions to properly document time spent on federally funded programs.

Contact Person: Marilyn Chico, Housing Director

Anticipated Completion Date: September 30, 2009

**CITY OF SOUTH TUCSON, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

Status of Federal Award Findings and Questioned Costs

CFDA Nos. 14.856, 14.871

Program Names: Low Income Housing Assistance Program, Section 8 Rental Voucher Program
Finding No. 08-12

Status: Fully corrected.

CFDA Nos. 14.856, 14871

Program Names: Low Income Housing Assistance Program, Section 8 Rental Voucher Program
Finding No. 08-13

Status: Fully corrected.

CFDA Nos. 14.856, 14871

Program Names: Low Income Housing Assistance Program, Section 8 Rental Voucher Program
Finding No. 08-14

Status: Fully corrected.

CFDA Nos. 14.856, 14871

Program Names: Low Income Housing Assistance Program, Section 8 Rental Voucher Program
Finding No. 08-15

Status: Fully corrected.

CFDA Nos. 14.856, 14871

Program Names: Low Income Housing Assistance Program, Section 8 Rental Voucher Program
Finding No. 08-16

Status: Fully corrected.

CFDA Nos. 14.856, 14871

Program Names: Low Income Housing Assistance Program, Section 8 Rental Voucher Program
Finding No. 08-17

Status: Fully corrected.

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