

TEMPE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017

Sustainable
Growth &
Development

Quality of Life

Safe & Secure
Community

Financial Stability

Community
Connection



City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2017

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City Council:

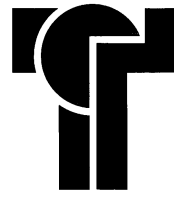
Mark Mitchell, Mayor
Robin Arredondo-Savage, Vice Mayor
Kolby Granville
Randy Keating
Lauren Kuby
Joel Navarro
David Schapira

Administrative Staff:

Andrew Ching, City Manager

Presented by:

Kenneth Jones, Deputy City Manager - Chief Financial Officer
Renie Broderick, Internal Services Director
Jerry Hart, CPA, Deputy Internal Services Director - Finance
Karen Huffman, CPA, Controller



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

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City of Tempe, Arizona

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City of Tempe, Arizona

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Introductory Section

This section provides general information on the government's structure and information useful in assessing the City's financial condition.



December 15, 2017

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

The Comprehensive Annual Financial Report, including the Independent Auditor's Report, for the fiscal year ended June 30, 2017 is submitted in accordance with Article V of the City Charter for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with management. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report (represents management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, nationally recognized municipal securities information repositories and other agencies that have expressed an interest in Tempe's financial condition. Copies of this financial report will also be placed in the City library and on the City's web site at <http://www.tempe.gov/city-hall/internal-services/finance/accounting> for use by the general public.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The accounting firm of Heinfeld, Meech & Co., P.C., an independent certified public accounting firm, performed the City's annual financial statement audit. The auditor's unmodified "clean" Independent Auditor's Report on the financial statements is included in the financial section of this report. The City's independent auditors also perform the Single Audit of the City's federal grant programs. The Single Audit Reporting Package is issued separately from this financial report and is available upon request.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

CITY OF TEMPE PROFILE

History - Tempe's history dates back to 1867 when Mr. Charles T. Hayden, father of former U.S. Senator Carl Hayden, constructed a cable ferry on the then uncontrollable waters of the Salt River. In 1871, Mr. Hayden and four others organized the Hayden Milling operations and related agricultural enterprises. Soon after, the Town of Hayden's Ferry was founded. The name of the town was changed from Hayden's Ferry to Tempe in 1880 and was incorporated in 1894.

Current Profile - The boundaries of Tempe encompass an area approximately 40.1 square miles with an estimated population of 182,500 residents. Tempe offers more than 330 days of sunshine each year with rainfall amounts of approximately 7 inches a year. The City is located in Maricopa County, Arizona and is bordered by the cities of Phoenix, Scottsdale, Mesa, Chandler and the Town of Guadalupe. Tempe is surrounded by five major freeways and is only minutes away from Phoenix Sky Harbor International Airport, making it the most accessible City in the metropolitan Phoenix area.

Government and Organization - On October 19, 1964, the electors in accordance with Arizona State Law ratified a Home Rule City Charter. The City operates under a Council-Manager form of government. The Mayor is elected for four years and six Councilmembers are elected at large on a non-partisan ballot for staggered four-year terms. The City Council appoints the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, community development and general administration. The Rio Salado Community Facilities District is a separate component unit of the City and facilitates the development around Tempe Town Lake.

Budgetary Controls - The City maintains budgetary controls that are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating and capital project budgets approved by the City Council. Activities of the General Fund, Special Revenue Funds, General Obligation Debt Service Fund, Special Assessments Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are developed for capital projects and appropriated annually in the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the city-wide level consisting of the total operating budget and the total capital projects budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. As part of the annual budgeting process, encumbrances outstanding at each fiscal year end are re-appropriated through City Council action in order to be included in the adopted budget of the following year.

LOCAL ECONOMY

The City's overall financial condition continues to be strong and stable. The City has experienced steady revenue growth over the past few years and our five-year forecast for revenues remains positive, anticipating moderate growth in taxable sales and other revenue sources. Growth of taxable sales in Tempe's hotel industry reflects recent new construction of hotels and strong occupancy rates. Commercial and residential development activity has provided a big boost to construction sales tax revenues in recent years and is projected to decline slightly. Increases in other local taxes should provide for a stable local tax revenue stream for the remainder of the current fiscal year and into fiscal year 2018-19, with moderate growth projected in the subsequent years of the forecast.

During fiscal year ended June 30, 2017, the City continued to experience improvement in the three major categories of revenue including sales taxes and property taxes as indicated below:

Sales Tax

Growth continued in the local sales tax base across many categories including retail, rentals, restaurants and hotel/motels. On a cash basis, total taxable sales increased by 6.2% and retail taxable sales (comprising 50.7% of total taxable sales) grew by 6.6%. General Fund sales tax revenues increased by \$4.2 million (or 4.0%) to \$101.3 million. Sales tax revenue represented 50% of total General Fund revenues for the year.

State-Shared Revenue

State-shared sales tax revenue increased by \$0.8 million (or 5%) to \$16.1 million compared to the prior year, reflecting increased taxable sales throughout the state and minimal impact of the U.S. Census. The 2010 Census counts are used in the distribution formula for state-shared revenues. As the City's proportionate share of total state population continues to decline over time due to its landlocked status, the percentage of state-shared revenues allocated to the City also declines. The City experienced an increase in state-shared income tax of \$2 million (or 10%), reflective of the strengthening state economy. State shared income tax received during the fiscal year (\$21.5 million) is from actual collections by the State for fiscal year 2014-15. Auto lieu tax (\$7 million) increased by \$0.4 million (or 5.5%) compared to the prior year, reflective of continuing strong auto sales. These state-shared revenues combined represented about 22.0% of General Fund revenue for the year.

Property Tax

Property tax revenues grew by \$0.8 million (or 4.7%) to \$18.9 million and by \$1.2 million (or 4.6%) to \$26.4 million over the prior year in the General Fund and General Obligation Debt Service Fund, respectively. Again, the modest increases are reflective of the property tax revenue stabilization policy recently implemented by the City to mitigate the impact of the decline in property valuation due to the recession. This stabilization has ensured the City's ability to service currently outstanding debt and maintain basic infrastructure. Property tax comprised approximately 9.0% of General Fund revenues for the year.

Though the changing economy has provided the City with financial challenges, we expect conditions to continue improving over the long-term. Through sound management of resources and continued focus on long-range financial planning, the City will continue to adapt to changing conditions and set a strong foundation for the future.

LONG-TERM FINANCIAL PLANNING

The City prepares a five-year, comprehensive long-range financial forecast for each of its major operating funds in the fall and spring of each fiscal year. In addition, the city annually updates the debt management plan. These forecasts are critical to identifying and establishing the budgetary parameters that guide management and policy makers in the budget allocation process. The forecast provides a long-term view of how current-year decisions will impact the City of Tempe's future finances, and is consistent with the City Council's stated strategic priority of achieving long-term financial stability and vitality.

The latest forecast projects growth in the sales tax, state shared, and property tax revenues. This is due to continued recovery in both the local and state economies. However, Tempe's economy continues to outperform the forecasts for state and regional growth. We are projecting that Tempe's retail and development activity will continue to outperform our surrounding cities for the near term. Overall, our five-year forecast for local revenues is better than our spring projections.

An economic downturn is inevitable at some point in our cyclical economy. We do not assume an economic downturn in the latest forecast but we do project healthy fund balances to overcome moderate recessionary trends.

CITY COUNCIL STRATEGIC PRIORITIES

The City Council continued the development of its' strategic priorities for Tempe. The resulting five priorities provide the framework to align our top strategic priorities through city staff in creating goals that support the City Council's vision and achieve operational and sustainable accountability. This means continually finding ways to transform our strategic priorities into strategies that guide the development of the budget, allocation of resources and citywide departmental performance goals in getting the most important things accomplished. The following represent the priorities:

1. Ensure safe and secure community
2. Develop and maintain strong community connection
3. Enhance quality of life for all Tempe residents and workers
4. Implement sustainable growth and development strategies
5. Maintain long-term financial stability and vitality

The overarching intention is to delineate long-range goals, formulate a cohesive strategy for each of the defined areas and develop departmental action plans to advance the City toward those strategic goals.

The Office of Strategic Management and Diversity continues to work with city departments in identifying baselines, targets, and strategies in accomplishing the 102 organizational performance measures outlined under the City's five Strategic Priorities. The Office of Strategic Management and Diversity has partnered with Information Technology to build an Open Data and Performance Measurement Portal for increased transparency of the City's operations. The Performance Measurement Portal will be completed by January 2018.

In September 2017, Tempe advanced its ability to deliver results for residents by strengthening its performance management system and processes. We began Data-Driven Strategy Sessions, entitled Tempe Accelerates, to promote employee-driven innovation, collaboration, and organization-wide support for the achievement of Council priorities and performance measures.

MAJOR INITIATIVES

Permanent Base Adjustment

Like other governmental jurisdictions in Arizona, Tempe is subject to an annual expenditure limit that is adjusted by population and inflationary growth factors each year from the base year of 1979/80. The permanent annual expenditure base for the City of Tempe was established by the State Legislature in 1979. That expenditure base can be adjusted by voters to enable the City to spend increased revenue received by various sources during the year. Tempe voters approved a \$15 million permanent increase to the base in 1996 and a \$21 million permanent increase in 2002. The City of Tempe's revenues have reached the current limit, and the City Council has adopted a resolution ordering a Special Election on March 13, 2018 and has adopted ballot language for a proposition to permanently adjust the City of Tempe's expenditure limit base by an additional \$30 million. The increase to the base is expected to accommodate the City's budgeted expenditures for at least another five or six years. Permanent adjustments to expenditure limits do not increase taxes and have been approved for a large majority of Arizona cities and towns.

Arts Tax

The City currently has a 0.1 cent sales tax (Arts Tax) that has provided funding for the initial construction and the continuing operations of the Tempe Center for the Arts. The tax is set to expire on December 31, 2020. During the year, a comprehensive arts master plan was presented that included several recommendations for City Council consideration, including the extension of the tax. The City Council agreed to move forward to extend the current 0.1 cent sales tax, in perpetuity, and to place this initiative on the November 2018 election ballot.

Streetcar

Construction on the Valley's first streetcar is underway. The initial phase of construction consists of underground work to make way for the future trackway. Design development continues to occur alongside early construction work and final design is on track for completion in 2018. Tempe is already one of the highest public transit ridership centers in the region and Tempe Streetcar will add another efficient transportation option. Tempe Streetcar will connect riders to neighborhoods, major business centers and regional entertainment/event destinations. The three mile route will travel on Rio Salado Parkway from the Marina Heights development west to Mill Avenue. It will make a downtown loop on Mill and Ash avenues and continue south to Apache Boulevard. It will then turn east to Dorsey Lane, connecting to the Dorsey/Apache Blvd. light rail station. The project is estimated at \$186 million and will be funded using regional Proposition 400 funds, local funds, and federal grant dollars.

Arizona Department of Revenue

Effective January 1, 2017, the Arizona Department of Revenue (ADOR) became fully responsible for all privilege tax licensing and collection for taxing jurisdictions in the state. These responsibilities for local sales tax collection had previously been handled by approximately eighteen of the largest jurisdictions (including the cities of Phoenix,

Tucson, Mesa, Scottsdale, Chandler, and Tempe) in the state for taxpayers located within their boundaries. The intent of the change in responsibility is to streamline the tax reporting and remitting process for taxpayers throughout the state without any loss of revenue and tax data for each of the jurisdictions. So far, Tempe has not experienced any significant negative impact to sales tax revenue as a result of this ongoing transition. Tempe along with ADOR continues to proactively reach out to the community to provide education and assistance to guide taxpayers during this transition.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

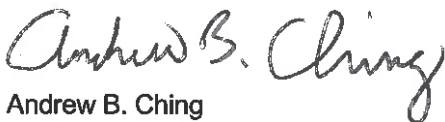
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last forty-one consecutive years (fiscal years 1975-76 through 2015-16). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for award consideration.

In further demonstration of its' commitment to financial excellence, the City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year 2016-17 annual budget and the National Purchasing Institute's **Achievement of Excellence in Procurement Award** for 2017.

Acknowledgment

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting Division and the competent service of our independent auditors. Credit also must be given to the Mayor and City Councilmembers for their continued support for maintaining the highest standards of professionalism in the management of the City of Tempe's finances. For all those involved, we express our sincerest appreciation.

Respectfully submitted,



Andrew B. Ching
City Manager



Kenneth Jones
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Tempe
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



For the Fiscal Year
Ended June 30, 2017

City of Tempe, Arizona List of Principal Officials

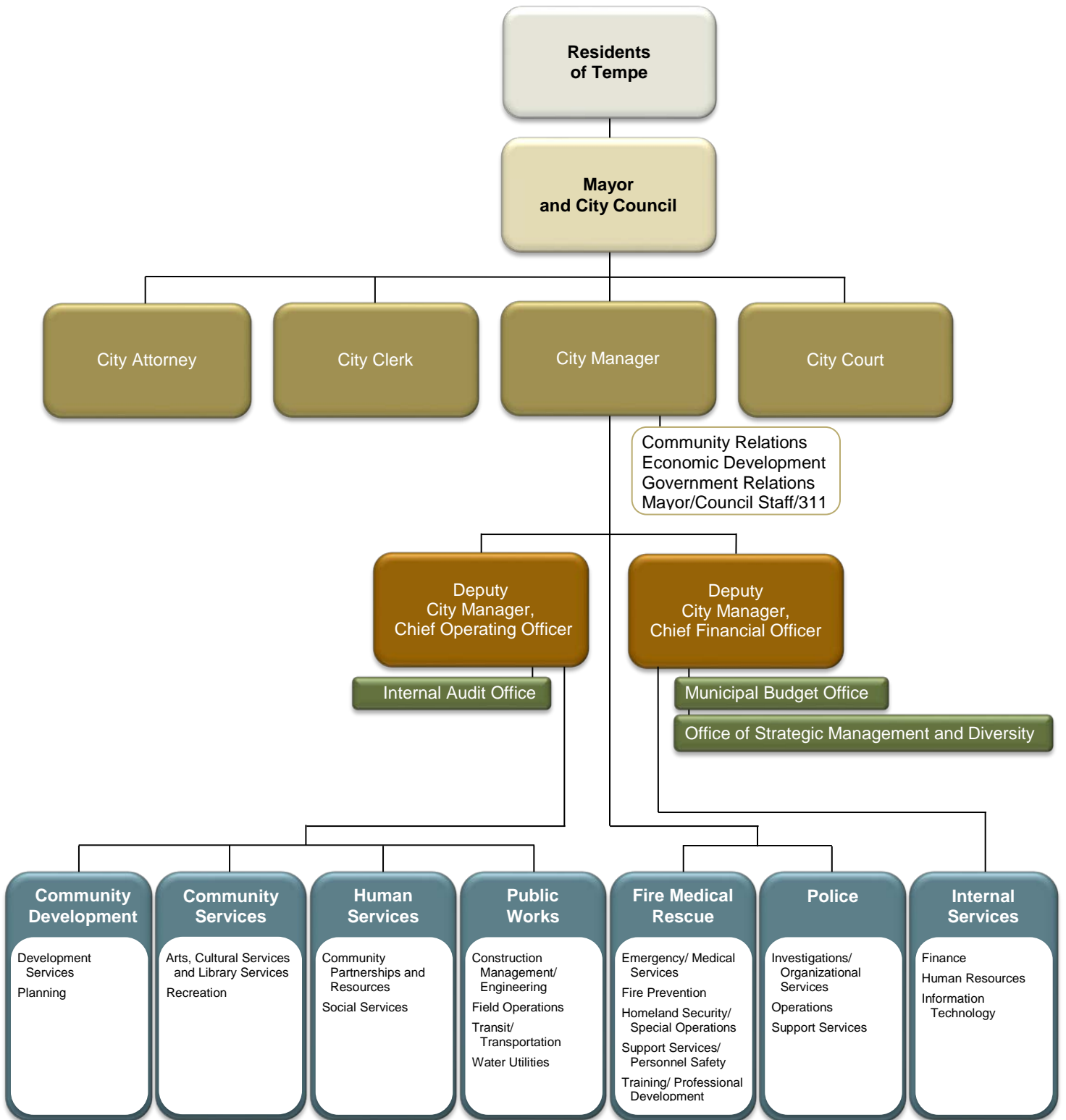
City Council

Mark Mitchell, Mayor
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Kolby Granville
Randy Keating
Lauren Kuby
Joel Navarro
David Schapira

Administrative Staff

Andrew Ching, City Manager
Ken Jones, Deputy City Manager-Chief Financial Officer
Steven Methvin, Deputy City Manager-Chief Operating Officer
Sylvia Moir, Police
Gregory Ruiz, Fire
Shelley Hearn, Community Services
Don Bessler, Public Works
Chad Weaver, Community Development
Naomi Farrell, Human Services
Kevin Kane, Municipal Court
Judith R. Baumann, City Attorney
Lori Cox, Internal Audit Office
Cecilia Velasco-Robles, Municipal Budget Office
Rosa Inchausti, Office of Strategic Management and Diversity
Brigitta Kuiper, City Clerk and Elections
Renie Broderick, Internal Services

City Organizational Chart



This section contains the independent auditor's report, management's discussion and analysis, and basic financial statements. Also included is financial statements for individual funds and component units for which data are not provided separately in the basic financial statements, and other useful supplementary information.

Financial Section

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Tempe, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tempe, Arizona (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* and Statement No. 77, *Tax Abatement Disclosures*, for the year ended June 30, 2017, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining Fund Financial Statements, Other Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Financial Statements and Other Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Fund Financial Statements and Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of City of Tempe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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* in considering City of Tempe, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) *Comprehensive Annual Financial Report* presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$871.6 million (net position). Of this amount, \$129.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$7.7 million during the fiscal year compared to an increase of \$4.6 million in the prior year. The governmental activities experienced a decrease in net position of \$24.1 million compared to a decrease of \$2.4 million in the prior year and the business-type activities experienced an increase of \$16.4 million compared to an increase of \$7.1 million in the prior year.
- For the fiscal year ended June 30, 2017, the City's governmental revenues overall increased by \$9.9 million. This was predominately due to an increase of \$7.7 million in *sales taxes* followed by an increase in *intergovernmental revenue, unrestricted* by \$3.2 million, gain on the sale of capital assets of \$2.2 million and *property taxes* of \$2.0 million. These increases were offset by a decrease in *charges for services* of \$1.1 million and *capital grants and contributions* of \$1.7 million. Expenses increased by \$31.5 million. The increase in expenses was primarily in the area of the *Police* and *Fire* functions. In the current year, the Facilities Division of *Public Works* moved to *Internal Services* resulting in the corresponding expenditures being reported in the new department.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$228.8 million. Approximately 60.3% of this total amount (\$137.9 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2017, total fund balance for the General Fund was \$96.1 million, which represents an increase of \$6.2 million over the prior year's fund balance as revenues continued to exceed expenditures. Revenues increased by \$4.4 million, while related expenditures increased by \$7.4 million. Transfers out decreased by \$3.9 million.
- At June 30, 2017, the City's enterprise funds reported combined total net position of \$256.3 million, and total unrestricted net position of \$151.9 million. \$157.4 million of the unrestricted net position was in the Water and Wastewater Fund.
- At June 30, 2017, the total long-term obligations of the City increased by \$34.1 million due primarily to the net increase in pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **required supplementary information** and **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 **statement of net position** presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

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

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, public works, community development, human services, municipal court, mayor and council, city manager, city attorney, internal audit office, municipal budget office, office of strategic management and diversity, city clerk and elections, and internal services. The business-type activities of the City include water and wastewater, solid waste, and golf operations.

Included within the government-wide financial statements are the operations of the Rio Salado Community Facilities District. Although legally separate from the City, this component unit is blended with the primary government (the City) because of its governance or financial relationships with the City.

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental**, **proprietary**, and **fiduciary**.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near-term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Other than the General Fund, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Transit Special Revenue Fund, General Obligation Debt Service Fund, Special Assessment Debt Service Fund and the Transit Capital Projects Fund which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General, Special Revenue, Debt Service, and Proprietary Funds along with a Capital Improvement Program Budget for the Capital Projects Funds. The legal level of budgetary control is at the citywide level (incorporating both the operating and capital budgets). Budgetary comparison statements have been provided in the basic financial statements for the General Fund and the Transit Special Revenue Fund to demonstrate compliance with the budget. Budgetary comparison schedules for other non-major Special Revenue, Debt Service, Capital Projects, and Enterprise Funds are included in *Other Supplementary Information*.

Proprietary funds. Proprietary funds are generally used to account for services provided to customers to whom the City charges user fees that are designed to fully recover the cost of providing the service. Proprietary fund statements provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater, solid waste and golf course operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its employee and retiree health insurance programs, its workers' compensation claims, and its risk management services including general liability and property liability claims. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City uses a fiduciary fund to account for other post-employment benefits provided to retirees. 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.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

COMBINING STATEMENTS

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the *Notes to the Financial Statements*.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

Net position- June 30, 2017			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 589,608,104	\$ 262,012,392	\$ 851,620,496
Capital assets, net	827,029,041	358,565,056	1,185,594,097
Total assets	<u>1,416,637,145</u>	<u>620,577,448</u>	<u>2,037,214,593</u>
Deferred outflows of resources			
Deferred charge on refunding	10,355,896	13,734,782	24,090,678
Deferred outflow from pensions	80,419,146	4,460,139	84,879,285
Total deferred outflows of resources	<u>90,775,042</u>	<u>18,194,921</u>	<u>108,969,963</u>
Liabilities			
Long-term liabilities	804,238,327	334,743,773	1,138,982,100
Other liabilities	66,312,775	44,809,709	111,122,484
Total liabilities	<u>870,551,102</u>	<u>379,553,482</u>	<u>1,250,104,584</u>
Deferred inflows of resources			
Deferred inflow from pensions	21,600,560	2,927,034	24,527,594
Total deferred inflows of resources	<u>21,600,560</u>	<u>2,927,034</u>	<u>24,527,594</u>
Net position			
Net investment in capital assets	519,530,983	104,387,674	623,918,657
Restricted	117,866,229	-	117,866,229
Unrestricted	(22,136,687)	151,904,179	129,767,492
Total net position	<u>\$ 615,260,525</u>	<u>\$ 256,291,853</u>	<u>\$ 871,552,378</u>

ANALYSIS OF NET POSITION

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$871.6 million and \$879.3 million as of June 30, 2017 and 2016, respectively. The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment and construction in progress) less any related debt used to acquire those assets. The net position invested in capital assets, net of related debt were \$623.9 million and \$633.6 million at June 30, 2017 and 2016, respectively. These totals represent 71.6% and 72.1% of total net position at June 30, 2017 and 2016, respectively. The City uses these capital assets to provide services to 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 liquidated for these liabilities.

Net position- June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 573,495,977	\$ 269,328,482	\$ 842,824,459
Capital assets, net	852,490,752	345,362,391	1,197,853,143
Total assets	<u>1,425,986,729</u>	<u>614,690,873</u>	<u>2,040,677,602</u>
Deferred outflows of resources			
Deferred charge on refunding	10,442,808	15,104,632	25,547,440
Deferred outflow from pensions	52,179,545	2,138,506	54,318,051
Total deferred outflows of resources	<u>62,622,353</u>	<u>17,243,138</u>	<u>79,865,491</u>
Liabilities			
Long-term liabilities	761,535,559	343,326,503	1,104,862,062
Other liabilities	71,977,890	46,377,563	118,355,453
Total liabilities	<u>833,513,449</u>	<u>389,704,066</u>	<u>1,223,217,515</u>
Deferred inflows of resources			
Deferred inflow from pensions	15,699,467	2,356,933	18,056,400
Total deferred inflows of resources	<u>15,699,467</u>	<u>2,356,933</u>	<u>18,056,400</u>
Net position			
Net investment in capital assets	564,120,959	69,467,178	633,588,137
Restricted	102,095,778	-	102,095,778
Unrestricted	(26,820,571)	170,405,834	143,585,263
Total net position	<u>\$ 639,396,166</u>	<u>\$ 239,873,012</u>	<u>\$ 879,269,178</u>

An additional portion of the City's net position represents resources that are subject to external restriction on their usage. The net position subject to external restrictions was \$117.9 million (13.5% of total net position) at June 30, 2017. At June 30, 2016 restricted net position was \$102.1 million (11.6% of total net position). With the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, new categories of net position were established and existing ones redefined. One new category represents non-spendable items which are inventories, prepaid items, and notes receivable. This category is considered unrestricted. The remaining balance of net position is also unrestricted (committed, assigned, and unassigned), and may be used to meet the government's ongoing obligations to citizens and creditors. The total balance of unrestricted net position was \$129.8 million (14.9% of total net position) and \$143.6 million (16.3% of total net position) at June 30, 2017 and 2016, respectively.

At the end of the fiscal year, the City reported \$22.1 million in negative unrestricted net position in the governmental funds but was able to report positive balances in the other two categories. The business-type activities as a whole reported positive balances in all applicable categories.

ANALYSIS OF CHANGE IN NET POSITION

The City's net position decreased by \$7.7 million during the current fiscal year. These changes in net position are explained in the governmental and business-type activities discussion below.

Changes in Net Position- June 30, 2017

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 48,694,535	\$ 104,870,388	\$ 153,564,923
Operating grants and contributions	27,582,362	-	27,582,362
Capital grants and contributions	6,355,742	-	6,355,742
General revenues:			
Sales taxes	160,218,570	-	160,218,570
Intergovernmental revenue, unrestricted	44,671,765	-	44,671,765
Property taxes	45,308,519	-	45,308,519
Franchise taxes	3,182,193	-	3,182,193
Unrestricted investment earnings	662,115	351,831	1,013,946
Miscellaneous	5,435,113	299,116	5,734,229
Gain on sale of capital assets	7,538,846	128,394	7,667,240
Total revenues	<u>349,649,760</u>	<u>105,649,729</u>	<u>455,299,489</u>
Expenses			
Police	111,570,351	-	111,570,351
Fire	48,345,996	-	48,345,996
Community services	27,956,647	-	27,956,647
Public works	103,728,249	-	103,728,249
Community development	16,521,932	-	16,521,932
Human services	17,777,825	-	17,777,825
Municipal court	4,909,370	-	4,909,370
Mayor and council	473,324	-	473,324
City manager	6,815,022	-	6,815,022
City attorney	3,160,056	-	3,160,056
Internal audit office	376,249	-	376,249
Municipal budget office	261,313	-	261,313
Office of strategic management and diversity	1,055,075	-	1,055,075
City clerk and elections	815,016	-	815,016
Internal services	18,821,669	-	18,821,669
Unallocated depreciation	1,777,887	-	1,777,887
Interest on long-term debt	9,847,278	-	9,847,278
Water and wastewater	-	70,364,126	70,364,126
Solid waste	-	15,918,430	15,918,430
Golf	-	2,520,474	2,520,474
Total expenses	<u>374,213,259</u>	<u>88,803,030</u>	<u>463,016,289</u>
Increase(decrease) in net position before transfers	(24,563,499)	16,846,699	(7,716,800)
Transfers	<u>427,858</u>	<u>(427,858)</u>	<u>-</u>
Change in net position	(24,135,641)	16,418,841	(7,716,800)
Net position- beginning	<u>639,396,166</u>	<u>239,873,012</u>	<u>879,269,178</u>
Net position- ending	<u>\$ 615,260,525</u>	<u>\$ 256,291,853</u>	<u>\$ 871,552,378</u>

Changes in Net Position- June 30, 2016

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 49,788,521	\$ 99,161,714	\$ 148,950,235
Operating grants and contributions	26,831,238	-	26,831,238
Capital grants and contributions	8,091,341	-	8,091,341
General revenues:			
Sales taxes	152,492,065	-	152,492,065
Intergovernmental revenue, unrestricted	41,472,528	-	41,472,528
Property taxes	43,316,151	-	43,316,151
Franchise taxes	3,363,615	-	3,363,615
Unrestricted investment earnings	1,683,445	841,726	2,525,171
Miscellaneous	7,419,129	152,428	7,571,557
Gain on sale of capital assets	5,298,681	572,356	5,871,037
Total revenues	<u>339,756,714</u>	<u>100,728,224</u>	<u>440,484,938</u>
Expenses			
Police	93,057,663	-	93,057,663
Fire	34,319,479	-	34,319,479
Community services	27,402,656	-	27,402,656
Public works	112,589,913	-	112,589,913
Community development	18,372,515	-	18,372,515
Human services	17,430,250	-	17,430,250
Municipal court	4,354,299	-	4,354,299
Mayor and council	337,046	-	337,046
City manager	7,371,101	-	7,371,101
City attorney	2,961,497	-	2,961,497
Internal audit office	425,674	-	425,674
Municipal budget office	259,133	-	259,133
City clerk and elections	868,596	-	868,596
Internal services	8,252,013	-	8,252,013
Unallocated depreciation	1,785,487	-	1,785,487
Interest on long-term debt	12,924,841	-	12,924,841
Water and wastewater	-	75,515,527	75,515,527
Solid waste	-	14,881,636	14,881,636
Golf	-	2,734,351	2,734,351
Total expenses	<u>342,712,163</u>	<u>93,131,514</u>	<u>435,843,677</u>
Increase(decrease) in net position before transfers	(2,955,449)	7,596,710	4,641,261
Transfers	509,690	(509,690)	-
Change in net position	<u>(2,445,759)</u>	<u>7,087,020</u>	<u>4,641,261</u>
Net position- beginning	<u>641,841,925</u>	<u>232,785,992</u>	<u>874,627,917</u>
Net position- ending	<u>\$ 639,396,166</u>	<u>\$ 239,873,012</u>	<u>\$ 879,269,178</u>

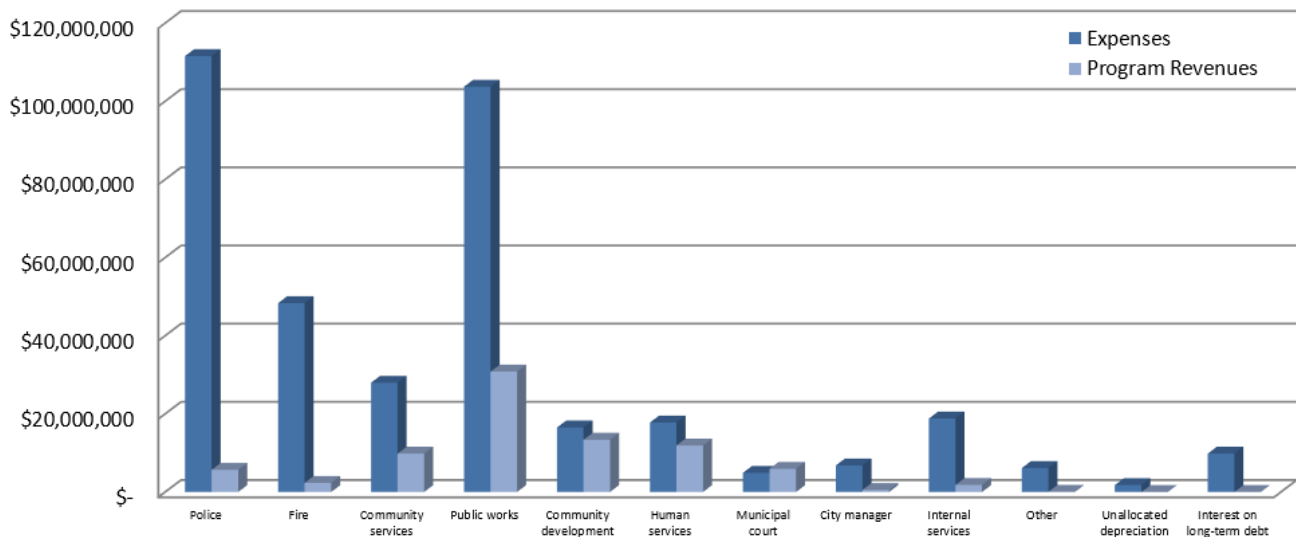
Governmental activities. The governmental net position decreased by \$24.1 million for the fiscal year ended June 30, 2017. The fiscal year ended June 30, 2016 had a \$2.4 million decrease in net position. Overall revenues increased by \$9.9 million while expenses increased by \$31.5 million.

The key factors contributing to the change in net position compared to the prior year are as follows:

- *Capital grants and contributions* decreased by \$1.7 million (21.5%). This was primarily due to a Federal grant project for streetscape pedestrian improvements being completed in the prior year.
- *Sales taxes* increased in the amount of \$7.7 million (5.1%) due to the increase in development in the City and improvement in the overall economy.
- *Intergovernmental revenue, unrestricted* increased by \$3.2 million (7.7%) due to an increase in State shared sales tax, State shared income tax and auto lieu tax.
- *Property taxes* increased by \$2.0 million (4.6%) due to the continuation of the property tax stabilization policy implemented by the City in Fiscal Year 2012.
- *Gain on sale of capital assets* increased by \$2.2 million (42.3%) due to the sale of certain City owned land for the purposes of redevelopment.
- The increase in revenues was in part offset with a \$31.5 million (9.2%) increase in expenses. *Police* increased by 18.5 million (19.9%) and *Fire* increased by 14.0 million (40.9%). The increase was due to an increase in pension expense. In addition, in the current year the Arizona Supreme Court ruled that a 2011 law that increased employee contribution rates for active Public Safety Personnel Retirement System members hired prior to the law's effective date was unconstitutional. As a result, the City accrued a claims and judgement expense of \$4.0 million for *Police* and \$1.9 million for *Fire*. Regarding other departments, *Public Works* decreased by \$8.9 million (7.9%) while *Internal Services* increased by \$10.6 million (128.1%). This was due to the Facilities Division moving from *Public Works* to *Internal Services*. Overall, expenses increased by 9.2% which not only included the above but also a moderate increase in employee compensation.

The following charts, over the next few pages, illustrate the City's governmental expenses and program revenues by function and its revenues by source for the current fiscal year:

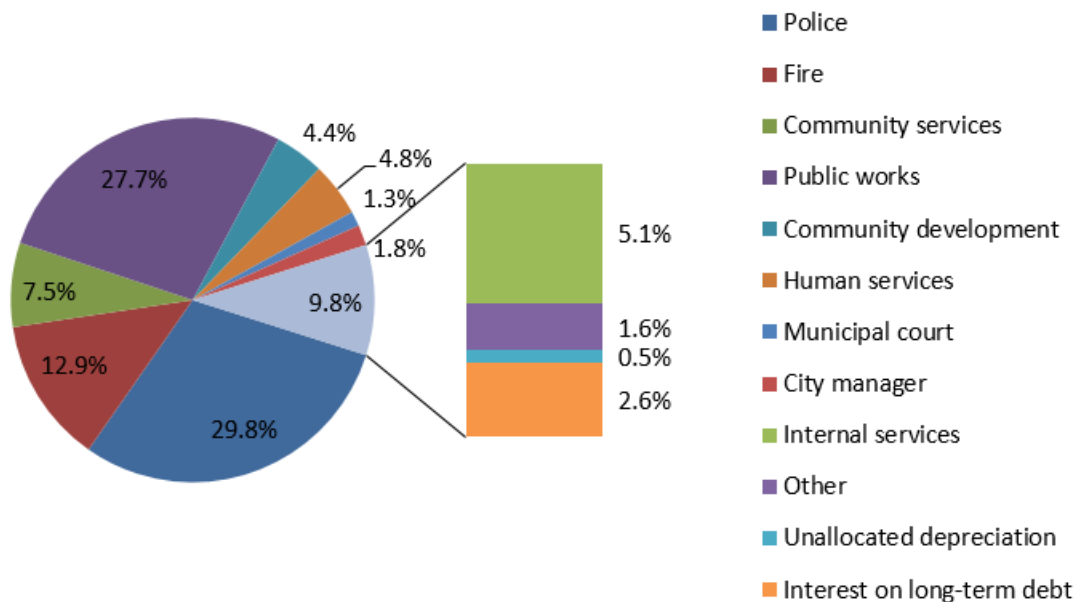
Fiscal Year 2017 Expenses and Program Revenues Governmental Activities



A comparison of expenses by function and the percentage of total expenses for the largest functions are presented in the chart. As stated earlier, total expenses for the City's governmental activities increased from prior year by \$31.5 million (9.2%). The main functions which experienced increases were *Police* and *Fire*.

	Fiscal Year Ended			
	June 30, 2017		June 30, 2016	
Police	\$111,570,351	29.8%	\$ 93,057,663	27.2
Fire	48,345,996	12.9	34,319,479	10.0
Community services	27,956,647	7.5	27,402,656	8.0
Public works	103,728,249	27.7	112,589,913	32.9
Community development	16,521,932	4.4	18,372,515	5.4
Human services	17,777,825	4.8	17,430,250	5.1
Internal services	18,821,669	5.1	8,252,013	2.4

Fiscal Year 2017 Expenses by Function- Governmental Activities

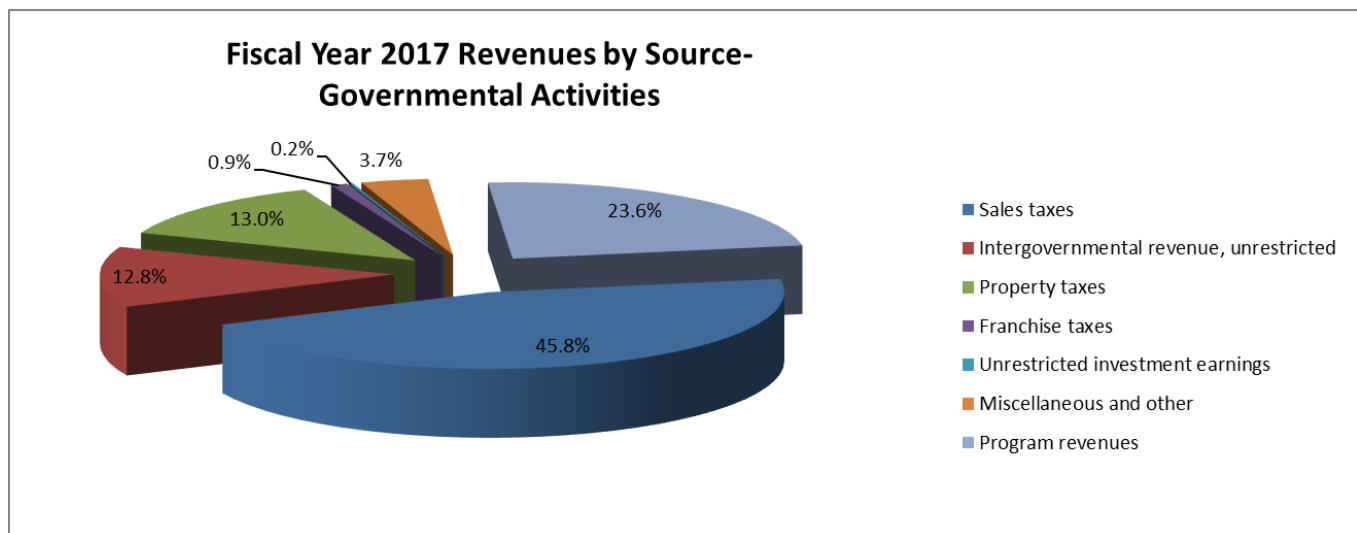


General revenues such as sales taxes, property taxes, intergovernmental revenue-unrestricted, miscellaneous and other and franchise taxes are not shown by program, but are effectively used to support program activities citywide.

For governmental activities overall, without regard to program, a comparison of the largest general revenues and their percentage of total revenues (excluding transfers) is presented. As stated previously, sales taxes, intergovernmental revenue-unrestricted, and property taxes each displayed growth. In addition, the category of miscellaneous and other also increased due to the increase in the sale of land.

	Fiscal Year Ended			
	June 30, 2017		June 30, 2016	
Sales taxes	\$160,218,570	45.2%	\$152,492,065	44.9%
Intergovernmental revenue-unrestricted	44,671,765	12.8	41,472,528	12.7
Property taxes	45,308,519	13.0	43,316,151	12.2
Miscellaneous and other	12,973,959	3.7	12,717,810	3.7
Franchise taxes	3,182,193	0.9	3,363,615	1.0

As stated previously, sales taxes, intergovernmental revenue-unrestricted, and property taxes each displayed growth. In addition, the category of miscellaneous and other also increased due to the increase in the sale of land.



Business-type activities. Business-type activities increased the City's net position by \$16.4 million for the year ended June 30, 2017 compared to an increase of \$7.1 million for the year ended June 30, 2016. In January 2016, the Water and Wastewater Fund and Solid Waste Fund had both a rate increase along with a change to more of a conservation structure for its customers. In Fiscal Year 2017 the full effects of the rate increase were realized.

For the business-type activities a comparison of revenues by source is provided for each activity.

For the Year Ended June 30, 2017				
	Water and Wastewater	Solid Waste	Golf	Total
Charges for services	\$ 86,273,324	\$ 16,274,287	\$ 2,322,777	\$104,870,388
Unrestricted investment earnings/ other	689,723	83,188	6,430	779,341
Total	<u>\$ 86,963,047</u>	<u>\$ 16,357,475</u>	<u>\$ 2,329,207</u>	<u>\$105,649,729</u>

For the Year Ended June 30, 2016				
	Water and Wastewater	Solid Waste	Golf	Total
Charges for services	\$ 81,265,973	\$ 15,319,833	\$ 2,575,908	\$ 99,161,714
Unrestricted investment earnings/ other	1,095,897	442,564	28,049	1,566,510
Total	<u>\$ 82,361,870</u>	<u>\$ 15,762,397</u>	<u>\$ 2,603,957</u>	<u>\$100,728,224</u>

As shown in the *Analysis of Change in Net Position* schedules presented previously, the largest of the City's business-type activities, Water and Wastewater, had expenses of \$70.4 million for the fiscal year, followed by Solid Waste with \$15.9 million and Golf with \$2.5 million.

Expenses for the Water and Wastewater Fund decreased by \$5.2 million (6.8%). Meanwhile, *charges for services* increased by \$5.0 million (6.2%). The *change in net position* increased to \$15.7 million in fiscal year 2017 from \$6.1 million in fiscal year 2016.

The Solid Waste Fund increased expenses by \$1.0 million (7.0%) and likewise *charges for services* increased by \$1.0 million (6.2%). The *change in net position* was an increase of \$0.6 million in fiscal year 2017 which is lower than the increase of \$1.0 million in the prior year.

In the Golf Fund, *charges for services* decreased by \$0.3 million (9.8%) while operating expenses decreased by \$0.2 million (8.2%). The decrease is due to the Rolling Hills Golf Course being closed in order to replace the irrigation system. The project spanned two fiscal years. The golf course was closed one month longer in the current year than in the prior year. Another reason for the decrease in revenue was there was a reduced amount per round being collected in the current year. As total expenses decreased in the current year, there was a positive change in net position of \$0.1 million compared to last year's decrease in net position of \$0.1 million.

FUND STATEMENTS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

Fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are *Non-spendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. The amount that represents available resources for spending is the total of *committed*, *assigned*, and *unassigned*. The unrestricted fund balance, less the non-spendable portion, may serve as a useful measure of a government's net resources available for spending at each fiscal year end.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$228.8 million, an increase of \$21.7 million from the prior year. Approximately \$137.9 million of this total amount pertained to the categories of *committed, assigned or unassigned*, all of which is available for spending at the City's discretion. The combined categories reflect an increase of \$16.1 million over the prior year's combined balance of \$121.8 million. The increase is due primarily to a combination of increases in *charges for services, sales taxes, intergovernmental revenues- unrestricted and property taxes*.

The remainder of fund balance contains two components: *non-spendable* and *restricted*. *Non-spendable* fund balance includes amounts that cannot be spent as they are not in a spendable form. At June 30, 2017, the fund balance included amounts for *inventories* (\$1.3 million), *prepaid items* (\$0.7 million) and a *capital improvement note receivable* reserve (\$0.3 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (City Charter). The restricted portion of fund balance consists primarily of amounts for *debt service* (\$21.8 million), *Public Works* (\$62.9 million) and *Community Development* (\$3.2 million).

Revenues for governmental functions overall totaled \$344.8 million in the fiscal year ended June 30, 2017, which represents a net increase of \$7.1 million (2.1%) from the fiscal year ended June 30, 2016. This change is primarily due to the increase in the following areas: \$6.9 million (4.8%) in *sales taxes*, \$2.0 million (4.6%) in *property taxes*, \$1.7 million in state sales tax (6.5%) and \$2.0 million in *state income tax* (10.5%). On the other hand, there was a decrease in *federal grants* of \$1.9 million (8.6%), in *charges for services* of \$1.6 million (5.1%) while *investment income* and *miscellaneous* decreased by approximately \$1.0 million.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$96.1 million; the fund only had \$0.1 million in *restricted* fund balance. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

The total fund balance in the City's General Fund experienced an increase in the current year of \$6.2 million. In the prior year the net increase was \$6.4 million.

Total revenues increased by \$4.4 million (2.2%) from the prior year. *Sales taxes* increased by \$4.2 million (4.3%), *property taxes* increased by \$0.8 million (4.7%), *state sales taxes* by \$0.8 million (5.1%) and *state income tax* by \$2.0 million (10.5%), all of which was due to the natural growth in the economy. On the other hand, *investment income* decreased by \$0.8 million (67.1%) due to the rising rate environment causing the fair market value of certain securities, intended to be held to maturity, to decline. In addition, license and permits decreased by \$0.8 million (13.7%) due to completing major building projects in the prior year and *miscellaneous* revenue decreased by \$1.6 million (17.0%) due to prior year having a one-time payment resulting in an increase in facility rental.

	Fiscal Year Ended			
	June 30, 2017		June 30, 2016	
Revenues	\$ 202,726,086		\$ 198,342,932	
Total fund balance	96,076,703	47.4 %	89,859,871	45.3 %
Unassigned fund balance	80,099,820	39.5	78,629,198	39.6

Expenditures increased by \$7.4 million (4.0%) due primarily to an increase in employee compensation. With the decrease in *transfers out*, the *net change in fund balance* remained fairly constant with \$6.2 million in the current year compared to \$6.4 million in prior year.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues increased in the current year by \$2.0 million due to an increase in sales tax revenue and expenditures increased by \$3.3 million due to an increase in bus and light rail operating expenditures.

The fund balance totaled \$46.9 million at June 30, 2017, compared to a \$42.0 million fund balance at June 30, 2016. The fund balance increased by \$4.9 million the current year as compared to a \$4.2 million increase in prior year.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (which other than the \$2.9 million *assigned*, is restricted for general

obligation debt service payments) increased by \$1.0 million from \$23.4 million at June 30, 2016 to \$24.4 million at June 30, 2017.

There was an increase in *property tax* revenues (\$1.2 million) and *intergovernmental- other* revenues (\$0.4 million). In addition, there was a decrease in expenditures of \$2.0 million. Net other financing uses increased by \$2.3 million as prior year included a premium on the issuance of debt that did not occur in the current year. The total debt service fund balance will be used for future debt service payments consistent with the City's *Debt Management Plan*.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt to which the City acts as a trustee for the established improvement districts. Total fund balance (restricted for special assessment debt service payments) stayed consistent at \$0.3 million for fiscal year ended June 30, 2017. There are only two remaining improvement districts with debt outstanding (refer to Note 9 of the *Notes to the Financial Statements*).

The **Transit Capital Projects Fund** accounts for the acquisition of buses, streetscapes, the East Valley Bus Maintenance Facility upgrades and other transit improvements. Total fund balance had a \$2.6 million increase from \$18.7 million at June 30, 2016 to \$21.3 million at June 30, 2017. The net increase was due to a reduction in expenditures of \$2.5 million.

PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year indicated, the total net positions for the proprietary funds were as follows:

	Fiscal Year Ended	
	June 30, 2017	June 30, 2016
Water and wastewater fund	\$ 252,680,017	\$ 236,938,032
Solid waste fund	3,357,099	2,747,976
Golf fund	254,737	187,004
Internal service funds	3,970,973	4,804,342

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund experienced an increase in total net position of \$15.7 million (6.6%) for the fiscal year ended June 30, 2017 versus an increase in net position of \$6.1 million (2.6%) for the fiscal year ended June 30, 2016. As mentioned earlier, the increase is due to the full year effects of a rate increase along with a new rate structure to encourage conservation. This resulted in the current year *charges for services* increasing by \$5.0 million (6.2%) while total expenses decreased by \$5.2 million (6.8%) due to a higher level of expensing items from construction in progress in the prior year versus the current year.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. As mentioned earlier, a rate increase was implemented in January 2016. As such, *charges for services* increased by \$1.0 million (6.2%) and total expenses increased by \$1.0 million (7.0%). Net position increased by \$0.6 million (22.2%) compared to prior year's increase of \$1.0 million (60.1%).

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund net position increased by \$0.1 million (36.2%) compared to prior year's net position decreasing by \$0.1 million (23.2%). Charges for services decreased by \$0.3 million (9.8%) and there was a corresponding decrease in total expenses of \$0.2 million (7.8%). The positive change in net position was due to a transfer from the General Fund for a golf facilities asset management capital project.

The **Internal Service Funds** account for the risk management, worker’s compensation and health insurance activities of the City. The \$0.8 million decrease in net position is due primarily to operating expenses exceeding contributions in the Health Fund.

FIDUCIARY FUND

The **Other Post-Employment Benefits Trust Fund** accounts for activities of the Other Post-Employment Benefits Plan, which accumulates resources for health care benefit payments to qualified retirees. The change in net position increased from \$0.2 million in prior year to \$1.2 million increase in the current year. The increase was due to an increase in investment income of \$1.1 million.

BUDGET HIGHLIGHTS

The City’s General Fund expenditure final budget of \$196.7 million differs from the original budget of \$197.8 million due to budget transfers to other funds.

During the year, actual revenues were greater than budgetary estimates by \$9.1 million (4.7% of total budgeted revenue) in the General Fund. This is due primarily to the positive variance in *taxes, charges for services and licenses and permits*. Actual expenditures were under budget by \$2.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City’s capital assets for its governmental and business-type activities as of June 30, 2017 were \$1.2 billion (net of accumulated depreciation). Capital assets include *land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress*. The total decrease in the City’s capital assets for the current fiscal year was \$12.2 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2017 and 2016, respectively.

Capital Assets, Net of Depreciation- June 30, 2017			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	173,998,770	24,081,400	198,080,170
Infrastructure	396,996,885	180,295,319	577,292,204
Improvements	124,850,118	121,665,222	246,515,340
Machinery and equipment	35,158,962	13,191,158	48,350,120
Construction in progress	6,419,133	12,638,580	19,057,713
Total	<u>\$ 827,029,041</u>	<u>\$ 358,565,056</u>	<u>\$ 1,185,594,097</u>

Capital Assets, Net of Depreciation- June 30, 2016

	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	184,501,443	25,344,742	209,846,185
Infrastructure	407,153,642	165,474,024	572,627,666
Improvements	124,689,716	117,353,266	242,042,982
Machinery and equipment	45,173,129	13,156,343	58,329,472
Construction in progress	1,367,649	17,340,639	18,708,288
Total	<u>\$ 852,490,752</u>	<u>\$ 345,362,391</u>	<u>\$ 1,197,853,143</u>

Major capital asset events during the current fiscal year included the following:

Governmental Activities

- The City completed several improvement projects including \$1.3 million in the police radio replacement system, \$1.2 million in fire apparatus replacement, \$2.1 million in air ventilation improvements, \$1.3 million Tempe bike share equipment, \$2.7 million in McClintock pool renovations and \$3.9 million in roadway arterials. There were also various other infrastructure and improvement projects for parks and buildings.

Business-type Activities

- The enterprise funds (predominately the Water and Wastewater Fund) incurred \$32.5 million in construction in progress (CIP) costs in the current year. The major CIP projects completed and capitalized in the Water and Wastewater Fund included \$6.8 million was capitalized for environmental lab facility improvements, \$3.7 million for water lines on Farmer Avenue, \$5.4 million for well site number 16, \$2.1 million for site improvements at the south Tempe water treatment plant, \$2.3 million for minor improvements at the Johnny G. Martinez water treatment plant and \$2.6 million for the meter replacement program. The Golf Fund capitalized \$3.2 million for the Rolling Hills golf course irrigation system. There were also various other infrastructure and improvement projects.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to Note 8 of the *Notes to the Financial Statements* for further information regarding capital assets.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$1,139.0 million, which is an increase of \$34.1 million over the prior fiscal year. In the current year, the City issued general obligation bonds. In addition, the City refunded excise tax obligations and Transit excise tax obligations to take advantage of lower interest rates.

Due to regularly scheduled debt service payments, the general obligation debt only slightly increased by \$0.6 million while excise debt obligations decreased by \$18.8 million. Therefore, the primary increase in long-term obligations is due to the pension liability increase of \$53.6 million in the governmental activities and \$0.7 million in the business-type activities.

Outstanding Long-term Obligations - June 30, 2017			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 178,555,000	\$ 187,835,000	\$ 366,390,000
Special assessment bonds	18,730,000	-	18,730,000
Excise tax obligations	116,009,000	80,466,000	196,475,000
Premium on debt payable	20,515,300	26,648,171	47,163,471
HUD Section 108 loan	3,794,000	-	3,794,000
WIFA loan	-	10,347,660	10,347,660
Total debt payable	<u>337,603,300</u>	<u>305,296,831</u>	<u>642,900,130</u>
Capital leases	34,743	318,834	353,577
Compensated absences	31,187,868	-	31,187,868
Claims and judgments	6,704,534	-	6,704,534
OPEB	47,528,205	5,915,033	53,443,238
Pensions	381,179,677	23,213,075	404,392,752
Total long-term obligations	<u>\$ 804,238,327</u>	<u>\$ 334,743,773</u>	<u>\$1,138,982,099</u>

Outstanding Long-term Obligations - June 30, 2016			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 180,750,000	\$ 185,025,000	\$ 365,775,000
Special assessment bonds	19,980,000	-	19,980,000
Excise tax obligations	123,389,000	91,876,000	215,265,000
Premium on debt payable	22,291,058	26,735,480	49,026,538
HUD Section 108 loan	4,181,000	-	4,181,000
WIFA loan	-	11,097,761	11,097,761
Total debt payable	<u>350,591,058</u>	<u>314,734,241</u>	<u>665,325,299</u>
Capital leases	61,399	63,750	125,149
Compensated absences	28,722,233	-	28,722,233
Claims and judgments	6,771,524	-	6,771,524
OPEB	47,833,811	5,992,038	53,825,849
Pensions	327,555,534	22,536,474	350,092,008
Total long-term obligations	<u>\$ 761,535,559</u>	<u>\$ 343,326,503</u>	<u>\$1,104,862,062</u>

The City issued \$32.8 million in general obligation debt during the current fiscal year. The funding was for public safety, parks, municipal infrastructure preservation, street improvements and water and wastewater projects in the amounts of \$3.6 million, \$4.7 million, \$1.6 million, \$2.4 million and \$20.5 million, respectively.

The City issued \$14.8 million in excise tax revenue refunding obligations through a private placement bank loan. The refunding obligations refunded the Excise Tax Revenue Refunding Obligations series 2007. The primary purpose of refunding the existing debt was to take advantage of lower interest rates thereby reducing future debt service payments which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$0.9 million in the City's Governmental funds.

In addition, the City also issued \$19.3 million in Transit excise tax refunding bonds which refunded the series 2008 Transit excise tax revenue obligations. The economic gain in the Transit fund was \$2.4 million.

The City's total net general obligation bonded debt (total bonded debt, including the enterprise funds and Water Infrastructure Finance Authority loans, general obligation premiums less debt service reserves) outstanding increased by \$0.5 million from the fiscal year ended June 30, 2016 to the fiscal year ended June 30, 2017. The ratio of net general obligation bonded debt for governmental purposes to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. Additional information can be located in the *Statistical Section* (Exhibit S-15). A comparison of these indicators follows:

	Fiscal Year Ended	
	June 30, 2017	June 30, 2016
Net general bonded debt	\$ 382,798,272	\$ 382,294,786
Net general bonded debt per capita	2,098	2,053
Ratio of net general bonded debt to total assessed value	22.9%	22.3%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.59	\$ 1.59

The State constitution imposes certain debt limitations on the City of 6% and 20% of the assessed valuation of the City. The City's available debt margin at June 30, 2017 is \$87.4 million under the 20% capacity and \$47.3 million under the 6% limitation. Additional information on the statutory debt limitations may be found in Note 9 of the *Notes to the Financial Statements* and the *Statistical Section* (Exhibit S-19) of this report.

During the year, the City maintained ratings on its outstanding general obligation bonds of AAA from Standard & Poors Corporation, Aa1 from Moody's Investors Service, and AAA from Fitch Ratings.

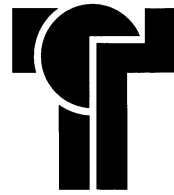
Additional information on the City's long-term debt can be found in Note 9 of the *Notes to the Financial Statements*.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city council, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact:



City of Tempe
 Internal Services Department
 Accounting Division
 20 E. Sixth Street
 Tempe, AZ 85281
 480.350.8256



Statement of Net Position

June 30, 2017

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Pooled cash and investments	\$ 225,316,040	\$ 93,523,967	\$ 318,840,007
Receivables:			
Taxes	23,821,584	-	23,821,584
Accounts, net	7,926,006	15,053,981	22,979,987
Accrued interest	631,201	441,557	1,072,758
Due from other governments	5,473,834	-	5,473,834
Inventories	1,309,894	757,225	2,067,119
Prepaid items	931,261	-	931,261
Restricted cash and investments	35,553,016	34,771,843	70,324,859
Special assessment receivables	19,223,048	-	19,223,048
Capital improvement notes receivable	9,597,272	885,066	10,482,338
Equity in joint venture	259,824,948	116,578,753	376,403,701
Capital assets not being depreciated:			
Land	89,605,173	6,693,377	96,298,550
Construction in progress	6,419,133	12,638,580	19,057,713
Capital assets (net of accumulated depreciation):			
Buildings	173,998,770	24,081,400	198,080,170
Infrastructure	396,996,885	180,295,319	577,292,204
Improvements	124,850,118	121,665,222	246,515,340
Machinery and equipment	35,158,962	13,191,158	48,350,120
Total assets	<u>1,416,637,145</u>	<u>620,577,448</u>	<u>2,037,214,593</u>
Deferred Outflows of Resources			
Deferred charge on refundings	10,355,896	13,734,782	24,090,678
Deferred outflow from pensions	80,419,146	4,460,139	84,879,285
Total outflow of resources	<u>90,775,042</u>	<u>18,194,921</u>	<u>108,969,963</u>
Liabilities			
Accounts payable	10,916,546	5,451,450	16,367,996
Deposits	6,414,305	710,215	7,124,520
Accrued expenses	17,877,920	3,747,611	21,625,531
Unearned revenue	1,465,438	142,463	1,607,901
Liabilities payable from restricted assets	29,638,566	34,757,970	64,396,536
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,315,000	-	1,315,000
Due in more than one year	17,415,000	-	17,415,000
Other long-term liabilities:			
Due within one year	40,245,930	30,196,584	70,442,514
Due in more than one year	745,262,397	304,547,189	1,049,809,586
Total liabilities	<u>870,551,102</u>	<u>379,553,482</u>	<u>1,250,104,584</u>
Deferred Inflows of Resources			
Deferred inflow from pensions	21,600,560	2,927,034	24,527,594
Total inflow of resources	<u>21,600,560</u>	<u>2,927,034</u>	<u>24,527,594</u>
Net Position			
Net investment in capital assets	519,530,983	104,387,674	623,918,657
Restricted for:			
Police	801,833	-	801,833
Fire	515,107	-	515,107
Community services	941,456	-	941,456
Public works	63,206,734	-	63,206,734
Community development	2,055,328	-	2,055,328
Human services	353,134	-	353,134
Municipal court	387,432	-	387,432
City manager	127,172	-	127,172
Office of strategic management and diversity	2,000	-	2,000
Debt service	49,476,033	-	49,476,033
Unrestricted	(22,136,687)	151,904,179	129,767,492
Total net position	<u>\$ 615,260,525</u>	<u>\$ 256,291,853</u>	<u>\$ 871,552,378</u>

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

Statement of Activities

For the fiscal year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 111,570,351	\$ 1,021,670	\$ 4,404,313	\$ 252,506
Fire	48,345,996	1,869,840	286,619	193,564
Community services	27,956,647	8,283,698	1,565,013	-
Public works	103,728,249	16,585,374	8,452,705	5,778,849
Community development	16,521,932	13,250,819	6,872	130,823
Human services	17,777,825	7,820	12,224,718	-
Municipal court	4,909,370	5,852,849	91,080	-
Mayor and council	473,324	-	-	-
City manager	6,815,022	7,597	515,293	-
City attorney	3,160,056	16,940	20,532	-
Internal audit office	376,249	-	-	-
Municipal budget office	261,313	-	-	-
Office of strategic management and diversity	1,055,075	-	12,422	-
City clerk and elections	815,016	-	-	-
Internal services	18,821,669	1,797,928	2,795	-
Unallocated depreciation	1,777,887	-	-	-
Interest on long-term debt	9,847,278	-	-	-
Total governmental activities	<u>374,213,259</u>	<u>48,694,535</u>	<u>27,582,362</u>	<u>6,355,742</u>
Business-type activities:				
Water and wastewater	70,364,126	86,273,324	-	-
Solid waste	15,918,430	16,274,287	-	-
Golf course	2,520,474	2,322,777	-	-
Total business-type activities	<u>88,803,030</u>	<u>104,870,388</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 463,016,289</u>	<u>\$ 153,564,923</u>	<u>\$ 27,582,362</u>	<u>\$ 6,355,742</u>

General revenues:
 Sales taxes
 Intergovernmental revenue, unrestricted
 Property taxes
 Franchise taxes
 Unrestricted investment earnings
 Miscellaneous
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning
 Net position - ending

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

City of Tempe, Arizona

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (105,891,862)	\$ -	\$ (105,891,862)
(45,995,973)	-	(45,995,973)
(18,107,936)	-	(18,107,936)
(72,911,321)	-	(72,911,321)
(3,133,418)	-	(3,133,418)
(5,545,287)	-	(5,545,287)
1,034,559	-	1,034,559
(473,324)	-	(473,324)
(6,292,132)	-	(6,292,132)
(3,122,584)	-	(3,122,584)
(376,249)	-	(376,249)
(261,313)	-	(261,313)
(1,042,653)	-	(1,042,653)
(815,016)	-	(815,016)
(17,020,946)	-	(17,020,946)
(1,777,887)	-	(1,777,887)
(9,847,278)	-	(9,847,278)
<u>(291,580,620)</u>	<u>-</u>	<u>(291,580,620)</u>
-	15,909,198	15,909,198
-	355,857	355,857
-	(197,697)	(197,697)
-	<u>16,067,358</u>	<u>16,067,358</u>
<u>(291,580,620)</u>	<u>16,067,358</u>	<u>(275,513,262)</u>
160,218,570	-	160,218,570
44,671,765	-	44,671,765
45,308,519	-	45,308,519
3,182,193	-	3,182,193
662,115	351,831	1,013,946
5,435,113	299,116	5,734,229
7,538,846	128,394	7,667,240
427,858	(427,858)	-
<u>267,444,979</u>	<u>351,483</u>	<u>267,796,462</u>
(24,135,641)	16,418,841	(7,716,800)
639,396,166	239,873,012	879,269,178
<u>\$ 615,260,525</u>	<u>\$ 256,291,853</u>	<u>\$ 871,552,378</u>

Balance Sheet

Governmental Funds

June 30, 2017

	General	Transit Special Revenue	General Obligation Debt Service
Assets			
Pooled cash and investments	\$ 89,267,036	\$ 41,919,009	\$ 21,499,628
Receivables:			
Taxes	15,658,863	5,284,995	768,286
Accounts	7,238,759	-	-
Accrued interest	364,739	58,974	-
Due from other funds	276,938	-	-
Due from other governments	-	2,256,823	-
Inventories	388,686	-	-
Prepaid items	228,670	-	-
Restricted cash and investments	3,300,075	2,973,900	23,250,258
Special assessments	-	-	-
Capital improvement notes receivable	250,000	1,526,260	7,821,012
Total assets	<u>116,973,766</u>	<u>54,019,961</u>	<u>53,339,184</u>
Liabilities			
Accounts payable	\$ 4,238,471	\$ 2,588,651	\$ 35,247
Deposits	6,324,635	-	-
Accrued expenditures	3,955,088	47,510	-
Due to other funds	-	-	-
Unearned revenue	416,685	-	-
Matured bonds payable	-	1,855,000	16,710,000
Matured interest payable	-	1,115,357	3,929,509
Total liabilities	<u>14,934,879</u>	<u>5,606,518</u>	<u>20,674,756</u>
Deferred Inflows of Resources			
Unavailable revenue- courts	4,956,171	-	-
Unavailable revenue- federal grants	-	-	-
Unavailable revenue- grants	-	-	-
Unavailable revenue- notes receivable	-	1,526,260	7,821,012
Unavailable revenue- other	729,781	-	-
Unavailable revenue- property tax	276,232	-	463,378
Unavailable revenue- special assessments	-	-	-
Total deferred inflows of resources	<u>5,962,184</u>	<u>1,526,260</u>	<u>8,284,390</u>
Fund Balances			
Fund balances:			
Non-spendable	638,685	-	-
Restricted	100,000	28,238,205	21,456,909
Committed	475,531	11,201,499	-
Assigned	14,762,667	7,447,479	2,923,129
Unassigned	80,099,820	-	-
Total fund balances	<u>96,076,703</u>	<u>46,887,183</u>	<u>24,380,038</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 116,973,766</u>	<u>\$ 54,019,961</u>	<u>\$ 53,339,184</u>

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

<u>Special Assessment Debt Service</u>	<u>Transit Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 414,691	\$ 20,443,377	\$ 39,976,607	\$ 213,520,348
-	-	2,109,440	23,821,584
-	-	115,796	7,354,555
198,994	-	4,760	627,467
-	-	-	276,938
-	1,151,222	2,065,789	5,473,834
-	-	921,208	1,309,894
-	-	702,591	931,261
464,605	-	5,564,178	35,553,016
19,223,048	-	-	19,223,048
-	-	-	9,597,272
<u>20,301,338</u>	<u>21,594,599</u>	<u>51,460,369</u>	<u>317,689,217</u>
\$ -	\$ 298,832	\$ 3,611,677	\$ 10,772,878
-	-	89,670	6,414,305
-	-	410,209	4,412,807
-	-	276,938	276,938
101,999	-	946,754	1,465,438
-	-	5,070,000	23,635,000
464,605	-	494,095	6,003,566
<u>566,604</u>	<u>298,832</u>	<u>10,899,343</u>	<u>52,980,932</u>
-	-	-	4,956,171
-	-	621,316	621,316
-	-	30,604	30,604
-	-	-	9,347,272
-	-	60,156	789,937
-	-	-	739,610
19,422,043	-	-	19,422,043
<u>19,422,043</u>	<u>-</u>	<u>712,076</u>	<u>35,906,953</u>
-	-	1,623,799	2,262,484
312,691	21,295,767	17,277,547	88,681,119
-	-	15,543,385	27,220,415
-	-	5,404,219	30,537,494
-	-	-	80,099,820
<u>312,691</u>	<u>21,295,767</u>	<u>39,848,950</u>	<u>228,801,332</u>
<u>\$ 20,301,338</u>	<u>\$ 21,594,599</u>	<u>\$ 51,460,369</u>	<u>\$ 317,689,217</u>

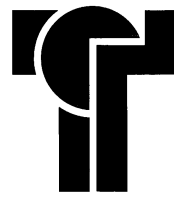
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

City of Tempe, Arizona

Fund balances- total governmental funds	\$ 228,801,332
<p>Amounts reported for the governmental activities in the statement of net position 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	988,783,751
Accumulated depreciation	(161,754,710)
	827,029,041
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>	
	259,824,948
<p>Other assets are not available to pay current-period expenditures and, therefore, are offset by unavailable revenue.</p>	
Unavailable special assessment revenue	19,422,043
Unavailable tax and other revenue	1,529,547
Unavailable notes receivable revenue	9,347,272
Unavailable court revenue	4,956,171
Capital grant and contribution monies not received within 60 days	651,920
	35,906,953
<p>Bond premiums and the deferred charge on refundings are not financial resources and, therefore, are not reported in the funds.</p>	
	(10,159,404)
<p>Public Safety Personnel Retirement System liability (see Note 22)</p>	
	(6,012,788)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>	
Compensated absences	(31,187,868)
Claims and judgments	(6,704,533)
Net pension liability (excluding internal service)	(321,616,954)
Other post employment benefits (excluding internal service)	(47,468,432)
Bonds, capital improvement notes and capital leases	(317,122,743)
	(724,100,530)
<p>Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.</p>	
	3,970,973
Net position of governmental activities	\$ 615,260,525

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



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2017

	General	Transit Special Revenue	General Obligation Debt Service
Revenues:			
Taxes:			
Sales taxes	\$ 101,284,241	\$ 39,512,636	\$ -
Property taxes	18,895,329	-	26,381,781
Franchise taxes	3,182,193	-	-
Intergovernmental:			
Federal grants	-	3,226,126	-
State grants	-	-	-
State sales tax	16,145,681	-	-
State income tax	21,511,044	-	-
Auto lieu tax	7,015,040	-	-
Other	600,824	4,843,253	2,463,607
Investment income	386,398	227,494	27,921
Charges for services	12,147,622	13,459,586	-
Fines and forfeitures	8,094,581	-	-
Other entities' participation	359,315	130,000	-
Special assessments	-	-	-
Licenses and permits	5,446,638	-	-
Miscellaneous	7,657,180	-	-
Total revenues	<u>202,726,086</u>	<u>61,399,095</u>	<u>28,873,309</u>
Expenditures:			
Current:			
Police	78,673,521	-	-
Fire	31,096,799	-	-
Community services	19,167,938	-	-
Public works	13,917,358	47,457,714	-
Community development	13,135,629	-	-
Human services	4,835,639	-	-
Municipal court	4,397,708	-	-
Mayor and council	417,734	-	-
City manager	6,187,427	-	-
City attorney	3,077,592	-	-
Internal audit office	408,867	-	-
Municipal budget office	262,696	-	-
Office of strategic management and diversity	921,778	-	-
City clerk and elections	752,876	-	-
Internal services	16,334,187	-	-
Debt service:			
Principal	-	1,855,000	18,335,000
Interest	-	2,517,288	6,669,370
Fiscal fees	-	223,540	171,001
Capital outlay	-	-	-
Total expenditures	<u>193,587,749</u>	<u>52,053,542</u>	<u>25,175,371</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>9,138,337</u>	<u>9,345,553</u>	<u>3,697,938</u>
Other financing sources (uses):			
Transfers in	20,750	-	6,994,326
Transfers out	(7,196,114)	(4,780,630)	(11,502,150)
Issuance of debt	-	-	-
Premium on issuance of debt	-	-	144,028
Proceeds from sale of capital assets	4,253,859	82,912	-
Issuance of refunding bonds	-	19,305,000	1,683,625
Payment to refunded bonds escrow agent	-	(19,082,453)	-
Total other financing sources (uses)	<u>(2,921,505)</u>	<u>(4,475,171)</u>	<u>(2,680,171)</u>
Net change in fund balance	6,216,832	4,870,382	1,017,767
Fund balance at beginning of year	89,859,871	42,016,801	23,362,271
Fund balance (deficit) at end of year	<u>\$ 96,076,703</u>	<u>\$ 46,887,183</u>	<u>\$ 24,380,038</u>

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

City of Tempe, Arizona

Special Assessment Debt Service	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,084,891	\$ 148,881,768
-	-	-	45,277,110
-	-	-	3,182,193
-	3,430,747	13,644,054	20,300,927
-	-	452,168	452,168
-	-	11,336,801	27,482,482
-	-	-	21,511,044
-	-	-	7,015,040
-	-	4,714,522	12,622,206
-	442	19,860	662,115
1,127	-	4,525,773	30,134,108
-	-	887,628	8,982,209
-	128,491	1,298,530	1,916,336
2,173,798	-	-	2,173,798
-	-	-	5,446,638
3,946	23,228	1,076,937	8,761,291
<u>2,178,871</u>	<u>3,582,908</u>	<u>46,041,164</u>	<u>344,801,433</u>
-	-	3,756,152	82,429,673
-	-	287,076	31,383,875
-	-	4,602,574	23,770,512
-	-	9,229,396	70,604,468
-	-	2,201,067	15,336,696
-	-	12,753,946	17,589,585
-	-	488,402	4,886,110
-	-	-	417,734
-	-	612,722	6,800,149
-	-	20,532	3,098,124
-	-	-	408,867
-	-	-	262,696
-	-	10,422	932,200
-	-	-	752,876
48	-	-	16,334,235
1,250,000	-	18,107,000	39,547,000
959,650	-	1,542,023	11,688,331
1,500	-	173,326	569,367
-	5,805,934	24,492,648	30,298,582
<u>2,211,198</u>	<u>5,805,934</u>	<u>78,277,286</u>	<u>357,111,080</u>
<u>(32,327)</u>	<u>(2,223,026)</u>	<u>(32,236,122)</u>	<u>(12,309,647)</u>
-	4,769,750	16,085,959	27,870,785
-	-	(3,964,033)	(27,442,927)
-	-	12,290,000	12,290,000
-	-	1,610,000	1,754,028
-	-	146,710	4,483,481
-	-	13,106,375	34,095,000
-	-	-	(19,082,453)
-	4,769,750	39,275,011	33,967,914
(32,327)	2,546,724	7,038,889	21,658,267
345,018	18,749,043	32,810,061	207,143,065
<u>\$ 312,691</u>	<u>\$ 21,295,767</u>	<u>\$ 39,848,950</u>	<u>\$ 228,801,332</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ 21,658,267

Amounts reported for the governmental activities in the statement of activities are different because:

Certain expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences and long-term claims and judgements	(2,398,644)
Other post employment benefits (excluding internal service)	311,921
	<u>(2,086,723)</u>

Certain revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.

Property tax and charges for services revenue	(71,037)
Court revenue	729,619
Grants and contributions	(2,127,297)
Special assessments received/recognized	(1,221,804)
	<u>(2,690,519)</u>

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	30,298,582
Miscellaneous net capital expenditures	758,569
Depreciation expense	(46,853,870)
	<u>(15,796,719)</u>

Government funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	19,877,774
Pension Expense	(57,191,853)
	<u>(37,314,079)</u>

Lease payments are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net position while the acquisition of new leases increase the liability.

Principal payments made	26,656
-------------------------	--------

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of deferred outflow- refunding	(1,119,366)
Amortization of bond premium	3,529,786
	<u>2,410,420</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.

Issuance of debt	(27,302,547)
Premium on issuance of debt	(1,754,028)
Principal payments made	39,547,000
	<u>10,490,425</u>

Internal service funds are used by management to charge the costs of self-insurance to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs.

	<u>(833,369)</u>
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Change in net position of governmental activities \$ (24,135,641)

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

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

General Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues				
Taxes	\$ 119,897,210	\$ 119,313,089	\$ 123,361,763	\$ 4,048,674
Intergovernmental	45,489,227	45,489,227	45,272,589	(216,638)
Investment income	800,000	800,000	1,214,501	414,501
Charges for services	8,960,084	8,960,084	12,147,622	3,187,538
Fines and forfeitures	8,323,168	8,203,068	8,094,581	(108,487)
Licenses and permits	4,438,000	4,438,000	5,446,638	1,008,638
Other entities' participation	294,315	294,315	359,315	65,000
Miscellaneous	6,417,837	7,001,958	7,657,180	655,222
Total revenues	194,619,841	194,499,741	203,554,189	9,054,448
Expenditures				
Police	77,999,428	78,977,160	78,977,162	(2)
Fire	31,825,767	32,391,388	31,149,505	1,241,883
Community services	19,296,235	19,449,884	19,172,469	277,415
Public works	13,492,362	13,807,275	14,145,834	(338,559)
Community development	13,856,169	14,025,189	13,182,583	842,606
Human services	4,458,158	4,673,793	4,833,306	(159,513)
Mayor and council	373,878	418,478	416,745	1,733
Municipal court	4,396,533	4,471,948	4,390,493	81,455
City manager	6,416,152	6,521,398	6,325,394	196,004
City attorney	2,981,389	3,133,277	3,087,018	46,259
Internal audit office	456,042	465,269	408,779	56,490
Municipal budget office	273,410	286,996	262,390	24,606
Office of strategic management and diversity	905,429	924,483	917,019	7,464
City clerk and elections	985,974	783,932	757,945	25,987
Internal services	29,961,202	27,380,533	31,551,001	(4,170,468)
Contingency	5,000,000	3,907,135	-	3,907,135
Interdepartmental charges	(14,900,822)	(14,900,822)	(15,189,422)	288,600
Total expenditures	197,777,306	196,717,316	194,388,221	2,329,095
Other financing sources (uses)				
Transfers from other funds	20,750	140,850	20,750	(120,100)
Transfers to other funds	(5,565,942)	(5,565,942)	(7,196,113)	(1,630,171)
Proceeds from sale of capital assets	-	-	4,253,859	4,253,859
Total other financing sources (uses)	(5,545,192)	(5,425,092)	(2,921,504)	2,503,588
Net change in fund balance	\$ (8,702,657)	\$ (7,642,667)	6,244,464	\$ 13,887,131

Explanation of differences between budgetary revenues and expenditures, and GAAP revenues and expenditures:

The City does not budget for the change in the fair value of investment, but recognizes the change for GAAP purposes	(828,103)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	164,598
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	472,385
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	163,489
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ 6,216,833</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Transit Special Revenue Fund

For the Fiscal Year Ended June 30, 2017

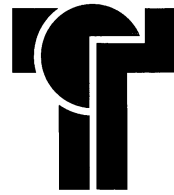
City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 37,256,871	\$ 37,256,871	\$ 39,512,636	\$ 2,255,765
Intergovernmental revenue	8,673,409	8,673,409	8,069,379	(604,030)
Investment income	320,000	320,000	570,984	250,984
Charges for services	13,536,461	13,536,461	13,459,586	(76,875)
Other entities' participation	130,000	130,000	130,000	-
Miscellaneous	597,012	597,012	-	(597,012)
Total revenues	<u>60,513,753</u>	<u>60,513,753</u>	<u>61,742,585</u>	<u>1,228,832</u>
Expenditures				
Current:				
Public works	50,087,092	50,087,092	47,167,152	2,919,940
Contingency	112,000	112,000	-	112,000
Debt service:				
Principal retirement	1,855,000	1,855,000	1,855,000	-
Interest and fiscal fees	2,813,863	2,813,863	2,740,828	73,035
Total expenditures	<u>54,867,955</u>	<u>54,867,955</u>	<u>51,762,980</u>	<u>3,104,975</u>
Other financing sources (uses)				
Transfers to other funds	(4,780,630)	(4,780,630)	(4,780,630)	-
Proceeds from sale of capital assets	-	-	82,912	82,912
Proceeds of refunding bonds	-	-	19,305,000	19,305,000
Payment to refunded bond escrow agent	-	-	(19,082,453)	(19,082,453)
Total other financing sources (uses)	<u>(4,780,630)</u>	<u>(4,780,630)</u>	<u>(4,475,171)</u>	<u>305,459</u>
Net change in fund balance	<u>\$ 865,168</u>	<u>\$ 865,168</u>	5,504,434	<u>\$ 4,639,266</u>

Explanation of differences between budgetary revenues and expenditures, and GAAP revenues and expenditures:

The City does not budget for the change in the fair value of investment, but recognizes the change for GAAP purposes	(343,490)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(288,303)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(2,259)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 4,870,382</u>

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



Statement of Net Position

Proprietary Funds

June 30, 2017

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Total	
Assets					
Current assets:					
Pooled cash and investments	\$ 90,067,315	\$ 3,456,652	\$ -	\$ 93,523,967	\$ 11,795,692
Restricted cash and investments	34,771,843	-	-	34,771,843	-
Accounts receivable	13,872,788	1,181,193	-	15,053,981	571,451
Accrued interest receivable	398,128	30,987	12,442	441,557	3,734
Due from other funds	308,386	-	-	308,386	-
Inventories	757,225	-	-	757,225	-
Total current assets	<u>140,175,685</u>	<u>4,668,832</u>	<u>12,442</u>	<u>144,856,959</u>	<u>12,370,877</u>
Noncurrent assets:					
Advance to other funds	3,165,050	-	-	3,165,050	-
Notes receivable	885,066	-	-	885,066	-
Equity in joint venture	116,578,753	-	-	116,578,753	-
Capital assets:					
Land	6,330,829	-	362,548	6,693,377	-
Buildings	46,714,221	1,265,783	1,822,663	49,802,667	-
Infrastructure	333,700,327	-	3,210,587	336,910,914	-
Improvements	198,065,814	-	1,066,729	199,132,543	-
Machinery and equipment	14,474,567	14,426,622	1,877,883	30,779,072	-
Construction in progress	12,638,580	-	-	12,638,580	-
Less accumulated depreciation	<u>(265,786,938)</u>	<u>(8,265,305)</u>	<u>(3,339,854)</u>	<u>(277,392,097)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>346,137,400</u>	<u>7,427,100</u>	<u>5,000,556</u>	<u>358,565,056</u>	<u>-</u>
Total noncurrent assets	<u>466,766,269</u>	<u>7,427,100</u>	<u>5,000,556</u>	<u>479,193,925</u>	<u>-</u>
Total assets	<u>606,941,954</u>	<u>12,095,932</u>	<u>5,012,998</u>	<u>624,050,884</u>	<u>12,370,877</u>
Deferred Outflows of Resources					
Deferred charge on refunding	13,734,782	-	-	13,734,782	-
Deferred outflows related to pensions	3,172,417	1,185,628	102,094	4,460,139	153,593
Total deferred outflows of resources	<u>16,907,199</u>	<u>1,185,628</u>	<u>102,094</u>	<u>18,194,921</u>	<u>153,593</u>

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Solid Waste	Golf Course	Total	Activities- Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	\$ 4,659,007	\$ 700,798	\$ 91,645	\$ 5,451,450	\$ 143,668
Deposits	710,215	-	-	710,215	-
Accrued expenses	2,699,343	928,556	119,712	3,747,611	7,452,325
Due to other funds	-	-	308,386	308,386	-
Unearned revenue	142,463	-	-	142,463	-
Accrued interest payable	5,637,970	-	-	5,637,970	-
General obligation bonds- current	17,710,000	-	-	17,710,000	-
Excise tax revenue obligations- current	11,410,000	-	-	11,410,000	-
WIFA loan payable- current	766,017	-	-	766,017	-
Capital leases payable- current	-	-	105,567	105,567	-
Total current liabilities	<u>43,735,015</u>	<u>1,629,354</u>	<u>625,310</u>	<u>45,989,679</u>	<u>7,595,993</u>
Noncurrent liabilities:					
Advance from other funds	-	-	3,165,050	3,165,050	-
General obligation bonds payable	203,719,742	-	-	203,719,742	-
Excise tax revenue obligations	91,229,429	-	-	91,229,429	-
WIFA loan payable	9,581,644	-	-	9,581,644	-
Capital leases payable	-	-	213,267	213,267	-
OPEB obligation	4,308,863	1,369,143	237,026	5,915,032	59,774
Pensions	16,512,334	6,150,430	550,311	23,213,075	797,206
Total noncurrent liabilities	<u>325,352,012</u>	<u>7,519,573</u>	<u>4,165,654</u>	<u>337,037,239</u>	<u>856,980</u>
Total liabilities	<u>369,087,027</u>	<u>9,148,927</u>	<u>4,790,964</u>	<u>383,026,918</u>	<u>8,452,973</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	<u>2,082,109</u>	<u>775,534</u>	<u>69,391</u>	<u>2,927,034</u>	<u>100,524</u>
Total deferred inflows of resources	<u>2,082,109</u>	<u>775,534</u>	<u>69,391</u>	<u>2,927,034</u>	<u>100,524</u>
Net Position					
Net investment in capital assets	95,243,164	7,427,100	1,717,410	104,387,674	-
Unrestricted	<u>157,436,853</u>	<u>(4,070,001)</u>	<u>(1,462,673)</u>	<u>151,904,179</u>	<u>3,970,973</u>
Total net position	<u>\$ 252,680,017</u>	<u>\$ 3,357,099</u>	<u>\$ 254,737</u>	<u>\$ 256,291,853</u>	<u>\$ 3,970,973</u>

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

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2017

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Total	
Operating revenues:					
Charges for services	\$ 86,273,324	\$ 16,274,287	\$ 2,322,777	\$104,870,388	\$ 33,250,517
Miscellaneous	294,420	1,814	2,882	299,116	-
Total operating revenues	<u>86,567,744</u>	<u>16,276,101</u>	<u>2,325,659</u>	<u>105,169,504</u>	<u>33,250,517</u>
Operating expenses:					
Personnel services	13,354,476	5,178,767	265,901	18,799,144	-
Supplies and materials	4,456,825	880,290	495,920	5,833,035	-
Fees and services	19,814,435	8,537,254	1,502,405	29,854,094	34,095,656
Depreciation	18,865,745	1,322,119	245,853	20,433,717	-
Total operating expenses	<u>56,491,481</u>	<u>15,918,430</u>	<u>2,510,079</u>	<u>74,919,990</u>	<u>34,095,656</u>
Operating income (loss)	30,076,263	357,671	(184,420)	30,249,514	(845,139)
Nonoperating revenues (expenses):					
Investment income (loss)	328,620	23,211	-	351,831	11,770
Interest and fiscal fees	(7,899,134)	-	(10,395)	(7,909,529)	-
Gain (loss) on sale of capital assets	66,683	58,163	3,548	128,394	-
Net loss from joint venture	<u>(5,973,511)</u>	<u>-</u>	<u>-</u>	<u>(5,973,511)</u>	<u>-</u>
Income (loss) before contributions and operating transfers	16,598,921	439,045	(191,267)	16,846,699	(833,369)
Transfers in	6,246,521	200,000	259,000	6,705,521	-
Transfers out	<u>(7,103,457)</u>	<u>(29,922)</u>	<u>-</u>	<u>(7,133,379)</u>	<u>-</u>
Change in net position	15,741,985	609,123	67,733	16,418,841	(833,369)
Total net position- beginning	<u>236,938,032</u>	<u>2,747,976</u>	<u>187,004</u>	<u>239,873,012</u>	<u>4,804,342</u>
Total net position- ending	<u>\$ 252,680,017</u>	<u>\$ 3,357,099</u>	<u>\$ 254,737</u>	<u>\$256,291,853</u>	<u>\$ 3,970,973</u>

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course		
Cash flows from operating activities:					
Receipts from customers	\$ 85,779,553	\$ 16,304,707	\$ 2,325,659	\$ 104,409,919	\$ -
Receipts from other funds	-	-	-	-	33,113,436
Payments to employees for services	(14,725,268)	(5,427,412)	(461,741)	(20,614,421)	-
Payments to suppliers for goods and services	(22,945,588)	(9,170,926)	(2,593,671)	(34,710,185)	-
Payment for premiums and settlement of claims	-	-	-	-	(33,981,049)
Net cash provided (used) by operating activities	<u>48,108,697</u>	<u>1,706,369</u>	<u>(729,753)</u>	<u>49,085,313</u>	<u>(867,613)</u>
Cash flows from noncapital financing activities:					
Advances from/(to) other funds	(308,386)	-	308,386	-	-
Transfers in	6,246,521	200,000	259,000	6,705,521	-
Transfers out	(7,103,457)	(29,922)	-	(7,133,379)	-
Net cash provided (used) by noncapital financing activities	<u>(1,165,322)</u>	<u>170,078</u>	<u>567,386</u>	<u>(427,858)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	20,520,000	-	-	20,520,000	-
Proceeds from note	-	-	1,143,834	1,143,834	-
Principal paid on long-term debt	(31,712,410)	-	-	(31,712,410)	-
Principal paid on capital leases	-	-	(223,700)	(223,700)	-
Interest and fiscal fees	(6,375,265)	-	(10,395)	(6,385,660)	-
Change in capital assets	(30,319,071)	(1,723,306)	(1,594,005)	(33,636,382)	-
Investment in joint venture	(1,649,562)	-	-	(1,649,562)	-
Deferred revenue	3,997	-	-	3,997	-
Proceeds from the sale of assets	66,683	58,163	3,548	128,394	-
Net cash provided (used) by capital and related financing activities	<u>(49,465,628)</u>	<u>(1,665,143)</u>	<u>(680,718)</u>	<u>(51,811,489)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	293,762	21,053	1,094	315,909	10,171
Issuance of notes receivable	(485,531)	-	-	(485,531)	-
Net cash provided (used) by investing activities	<u>(191,769)</u>	<u>21,053</u>	<u>1,094</u>	<u>(169,622)</u>	<u>10,171</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,714,022)</u>	<u>232,357</u>	<u>(841,991)</u>	<u>(3,323,656)</u>	<u>(857,442)</u>
Cash and cash equivalents at beginning of year	127,553,180	3,224,295	841,991	131,619,466	12,653,134
Cash and cash equivalents at end of year	<u>\$ 124,839,158</u>	<u>\$ 3,456,652</u>	<u>\$ -</u>	<u>\$ 128,295,810</u>	<u>\$ 11,795,692</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 30,076,263	\$ 357,671	\$ (184,420)	\$ 30,249,514	\$ (845,139)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	18,865,745	1,322,119	245,853	20,433,717	-
Change in assets and liabilities:					
(Increase) decrease in receivables	(788,191)	28,606	-	(759,585)	(137,081)
(Increase) decrease in prepaid expenses	-	-	-	-	73,079
(Increase) decrease in inventories	284,474	-	-	284,474	-
Increase (decrease) in deposits	(118,897)	-	(5,307)	(124,204)	-
Increase (decrease) in payables	1,160,095	246,618	(590,039)	816,674	(155,322)
Increase (decrease) in accrued expenses	(568,133)	(55,568)	(39,639)	(663,340)	206,190
(Increase) decrease in deferred outflows	(1,650,713)	(622,833)	(48,087)	(2,321,633)	(80,791)
Increase (decrease) in deferred inflows	403,880	163,620	2,601	570,101	21,694
Increase (decrease) in pension	465,476	299,444	(88,319)	676,601	43,441
Increase (decrease) in net OPEB obligation	(21,302)	(33,308)	(22,396)	(77,006)	6,316
Net cash provided (used) by operating activities	<u>\$ 48,108,697</u>	<u>\$ 1,706,369</u>	<u>\$ (729,753)</u>	<u>\$ 49,085,313</u>	<u>\$ (867,613)</u>
Noncash investing, capital, and financing activities:					
Net loss from joint venture	<u>\$ (5,973,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,973,511)</u>	<u>\$ -</u>
Total noncash investing, capital, and financing activities:	<u>\$ (5,973,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,973,511)</u>	<u>\$ -</u>

Statement of Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	<u>Other Post Employment Benefits Trust</u>
Assets	
Cash and investments	\$ 12,328,580
Total assets	<u>12,328,580</u>
Net Position	
Restricted for other post employment benefits	12,328,580
Total net position	<u>\$ 12,328,580</u>

Statement of Changes In Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	<u>Other Post Employment Benefits Trust</u>
Additions:	
Employer contributions	\$ 6,759,218
Investment earnings:	
Net increase in fair value of investments	763,186
Investment income	502,940
Investment expenses	<u>(55,033)</u>
Net investment earnings	1,211,093
Total additions	<u>7,970,311</u>
Deductions:	
Benefit payments	<u>6,759,218</u>
Total deductions	<u>6,759,218</u>
Change in net position	1,211,093
Net position- beginning	11,117,487
Net position- ending	<u>\$ 12,328,580</u>

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

The City of Tempe, Arizona (the "City") was incorporated on November 26, 1894. On October 19, 1964, the electors in accordance with Arizona State Law ratified a Home Rule City Charter. The City operates under a Council-Manager form of government and provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, community development, and administrative.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City's significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units.

During the year ended June 30, 2017, the City implemented the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time.

In addition, during the year ended June 30, 2017, the City implemented the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

A. Reporting Entity

The accompanying basic financial statements include the City and its component unit, collectively referred to as "the financial reporting entity". In accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14, as amended, the component unit discussed below has been included in the City's financial reporting entity because of the significance of its financial relationships with the City.

Rio Salado Community Facilities District: The Rio Salado Community Facilities District (CFD) was organized on February 20, 1997, under the laws of the State of Arizona to facilitate development of the Rio Salado Town Lake project. The board of the district is comprised of the same members as the City's council.

Data for this component unit has been included in the City's basic financial statements utilizing the "blending" method because its sole purpose is to finance public facilities and facilitate development for the City. Blending involves aggregating the component unit's data and data from the City at the government-wide and fund financial statement level. Separately issued financial statements are not available for the City's component unit.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole and its component unit) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The government-wide financial statements exclude the fiduciary fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments.

Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The City does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented prior to the adoption of GASB Statement 34. Emphasis here is on the major funds in either the governmental, business-type or fiduciary categories. Non-major funds are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the proprietary fund statement should directly reconcile to the business-type activity column presented in the government-wide statements.

Internal service funds of a government (which traditionally provide services primarily to other funds of the City) are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate department.

C. Basis of Presentation

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

Governmental Funds

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Governmental Funds include the following fund types:

General - The General Fund is the general operating fund of the City. It is used to account for all activities of the City not accounted for in some other fund.

Special Revenue - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally or otherwise restricted to expenditures for specified purposes. There is one special revenue fund presented as a major fund in the basic financial statements, it is as follows:

Transit Special Revenue Fund - accounts for the receipt and expenditures of the Transit Tax monies. These monies are restricted to financing transit operations and improvements.

Debt Service - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long term debt not being accounted for in the Special Revenue Funds and Enterprise Funds. Both debt service funds are presented as major funds in the basic financial statements:

General Obligation Debt Service Fund - accounts for the accumulation of resources and payments of general obligation and other debt.

Special Assessment Debt Service Fund - accounts for the accumulation of resources and payments of special assessment debt.

Capital Projects - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements (other than those financed by Enterprise Funds). The following capital project fund is presented as a major fund in the basic financial statements:

Transit Capital Projects Fund - used for the acquisition of buses, the light rail system, and other traffic flow improvements.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing operations and activities, which are similar to those often found in the private sector. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. Each proprietary fund is reported as a major fund in the basic financial statements.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

Proprietary funds include the following fund types:

Enterprise - Enterprise Funds are used to account for operations, including debt service, (a) that are financed and operated in a manner similar to private businesses - where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Equity in Joint Venture - The equity method is used to account for the City's equity interest in a joint venture (See Note 7). Under this method, the equity interest is recorded in the balance sheet as a single amount. In addition, the City's share of the net income or loss is reported in the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds, as a nonoperating revenue or expense.

The following enterprise funds are used by the City:

Water and Wastewater Fund – accounts for the provision of water and sewer services to the residents of the City and some residents in the adjoining Town of Guadalupe. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing and related debt service, billing and collection.

Solid Waste Fund – accounts for the provision of refuse collection and disposal services for both residential and commercial customers. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance, financing, billing and collection.

Golf Course Fund - accounts for the operation of the Rolling Hills and Ken McDonald golf courses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

Internal Service - Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

The following internal service funds are used by the City:

Risk Management Fund – accounts for expenses incurred for automobile liability, general liability, and property claims under the City's self-insurance program.

Worker's Compensation Fund – accounts for expenses incurred for worker's compensation claims under the City's self-insurance program.

Health Fund – accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. The fiduciary fund is reported by fund type. The following fiduciary fund is used by the City.

Other Post Employment Benefits Trust Fund – accounts for activities of the Other Post Employment Benefits Plan, which accumulates resources for health care benefit payments to qualified retirees.

D. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As permitted by generally accepted accounting principles the City applies the "early recognition" option for debt service payments. Resources are provided during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liabilities have been recognized in the current period.

Revenues susceptible to accrual include property tax, local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on pooled investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The City reports unearned revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for the unearned revenue is removed and revenue is recognized.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the governmental fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is charges between the government's water and sewer function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular department and 3) capital grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department are included as general revenues. The general revenues support the net costs of the departments not covered by program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services of the fund's principal ongoing operations. Operating expenses include the cost of providing the goods and services, administrative expenses, and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense, which are not a result of the direct operations of the activity.

E. Budgetary Data

State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted each fiscal year for the General, Special Revenue, Debt Service, and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued annual budget may be obtained from the City's Municipal Budget Office, 31 East 5th Street, Tempe, Arizona, 85281.

Certain differences as described in Note 2 exist between the basis of accounting used for budgetary purposes and that used for reporting purposes in accordance with GAAP.

The legal level of budgetary control is at the city-wide level consisting of the total operating budget and the total capital projects budget, as adopted. Management may amend the budget at any level below the total budget as adopted. The total budget can only be amended by the City Council subject to limitations in the State law (see Note 1F). At the end of each fiscal year, all amounts encumbered are reappropriated as part of the following year's operating or capital projects budget. Any appropriations that are either unexpended or unencumbered, lapse at fiscal year-end. No supplemental appropriations were necessary during the year.

The City adheres to the following procedures in establishing the budgetary data reflected in the basic financial statements:

- 1) Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenues and expenditures.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to July 1, the budget is legally enacted through passage of a resolution.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimates Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-80 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2017 Expenditure Limitation is \$322,879,964.

Local governments may carry forward to future years' revenues, which are not subject to the expenditure limitation and were not expended in the year of receipt.

G. Pooled Cash and Investments

Cash resources of the City are combined to form a pool of cash and investments managed by the Accounting Division. Excluded from this pool are certain legally restricted cash resources. In accordance with the City's legally adopted budget, the interest earned on pooled investments is recorded in the General Fund, except for the earnings of Enterprise Funds and other funds whose interest earnings are specifically mandated by law or an outside regulating agency to remain in those funds. Investments are stated at fair value.

The City's investment policy permits investment in the following instruments:

- 1) Obligations of the United States Government, its agencies and instrumentalities;
- 2) Fully insured or collateralized certificates of deposit and other evidences of deposit at banks and savings and loan associations;
- 3) Bankers' acceptances issued by the 10 largest domestic banks and the 20 largest international banks, provided collateral meets the standards set by the Investment Advisory Committee;
- 4) A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by U.S. government securities;
- 5) Repurchase agreements whose underlying collateral consist of the foregoing;
- 6) Money market funds whose portfolios consist of the foregoing; and
- 7) The State of Arizona's Local Government Investment Pools 5 and 7.

H. Receivables

For accounts receivable, all amounts outstanding in excess of 120 days are included in the allowance.

I. Inventories and Prepaid Items

All inventories are valued using the average cost method. They consist of expendable supplies held for consumption and are accounted for using the consumption method.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Balance Sheet, or Statement of Net Position, because they are maintained in trust accounts and their use is limited by applicable debt covenants. In addition, the Industrial Commission of Arizona requires a restricted security for self-insured entities. As the City is self-insured, a security of \$3.3 million is included in restricted assets in the General Fund.

K. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (\$25,000 for infrastructure assets) and an estimated useful life greater than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of arts and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful Life (years)</u>
Buildings	10-70
Infrastructure	7-70
Improvements	10-50
Machinery and equipment	3-15

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

M. Compensated Absences

Accumulated unpaid vacation, vested sick pay and vested "Mediflex" supplementary health maintenance benefits are accrued in the Government-wide and all Proprietary Fund statements. Compensated absences are only reported in the governmental funds if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). These long-term liabilities of the governmental funds are not shown on the

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

fund financial statements, as the benefits are not expected to be liquidated with expendable available financial resources. Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees. Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Upon retirement or resignation, employees with at least 10 years of service are eligible for compensation of up to 50 percent of accumulated sick leave.

Each employee receives a \$500 "Mediflex" allowance each year as reimbursement for all otherwise non-reimbursed health maintenance costs. Unused balances are accumulated. Upon termination, for employees with at least 10 years of service, the balance is transferred to a "Retiree Funded Health Savings Account".

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the period in which the bonds are issued. 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.

P. Interfund Transactions

Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of water, sewer and refuse services to other City departments and the internal service risk management, worker's compensation or health charges which are recorded as revenue and expenditures in the appropriate funds. All other interfund transactions are reported as transfers.

Q. Fund Equity

In the fund financial statements, the classifications of fund balance are *Nonspendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. *Nonspendable* and *Restricted* fund balances represent the "restricted" classifications and *Committed*, *Assigned*, and *Unassigned* represent the "unrestricted" classifications (see Note 11).

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Statements of Cash Flows

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. For the purposes of the statement of cash flows, all pooled cash and investments are also considered to be cash equivalents, although there are investments with maturities in excess of three months when purchased in the portfolio. This is due to the fact that the Proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits. In a statement of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

S. Use of Estimates

The preparation of basic 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 reported amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

NOTE 2 - BUDGET BASIS OF ACCOUNTING

Arizona state statutes require accounting for certain transactions to be on a basis other than GAAP. The actual results of operations, in accordance with state statutes ("budget basis") are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund and Transit Special Revenue Fund (major funds) to provide a meaningful comparison of actual results with the budget. Budgetary statements include a reconciliation of the adjustments required to convert the budgetary basis to GAAP basis.

The major differences between the budget and GAAP bases are:

- 1) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- 2) Certain revenues and expenditures not recognized in the budgetary year are accrued (GAAP).
- 3) Changes in the fair value of investments (GAAP) are not budgeted.

NOTE 3 - PROPERTY TAXES

Under Arizona law a two-tiered tax system exists: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of the maximum permissible bonded indebtedness.

In Fiscal Year 2016, with the passage of Proposition 117, the limited property tax value was required to be used in determining and levying primary and secondary taxes on all property. In May 2016, legislation was passed by the Arizona State Legislature, effective August 2016, which clarifies that the valuation for the calculation of the debt limit is the full cash (secondary) property value rather than the limited property value. Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 Limited Property Tax Value as determined by the Maricopa County Assessor. Levies are due and payable in two installments on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 3 - PROPERTY TAXES (Continued)

Public auctions of properties which have delinquent real estate taxes are held in February following the May 1 date upon which the second installment becomes delinquent. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase, which has not been redeemed, may demand of the County Treasurer a County Treasurer's Deed. Additionally, a lien against property assessed attaches on the first day of January preceding the assessment and levy thereof.

NOTE 4 - CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and on the Balance Sheet as "Pooled cash and investments." Pooled cash and investments are stated at fair value, with accrued interest shown under "Accrued interest receivable". The change in fair value of the investments is recorded in investment income. Restricted cash and investments are amounts held separately by trustees and segregated due to their source and future intent. Amounts held by trustees are invested in money market securities, maturing within one year from the time of purchase, or US treasury obligations and are reported at amortized cost.

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$7,622,112 and the bank balance was \$7,012,125; \$6,512,125 of that amount was exposed to custodial risk because it was uninsured and is collateralized with securities held by the pledging financial institution.

Investments

City Charter, Ordinance, and Trust Agreements authorize the City to invest in US treasury obligations, US agency obligations, certificates of deposit that are fully insured or collateralized, banker's acceptances issued by the 10 largest domestic banks and the 20 largest international banks, A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by US government securities, repurchase agreements whose underlying collateral consist of the foregoing, money market funds whose portfolios consist of the foregoing and the Arizona Local Government Investment Pools 5 and 7.

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$393,871,334
Carrying amount of cash deposits	7,622,112
Total cash and investments	<u>\$401,493,446</u>
Pooled cash and investments – unrestricted	\$318,840,007
Restricted cash and investments	70,324,859
Investments in OPEB trust	12,328,580
Total cash and investments	<u>\$401,493,446</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The City had a net increase in the fair value of investments during Fiscal Year 2017 of \$823,986. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

At June 30, 2017, the City maintained the following investments and maturities:

Investment Type	Category	Fair Value	Remaining Maturity in Months		
			12 Months or Less	13 - 24 Months	25 - 36 Months
US government treasuries	Level 2	\$ 84,332,695	\$ 19,757,309	\$ 17,303,438	\$47,271,948
US government agencies	Level 2	194,638,153	79,897,679	81,804,874	32,935,600
Money market	Level 1	75,204,610	75,204,610	-	-
Principal cash held with trustee	Level 1	5,592	5,592	-	-
State investment pool	N/A	27,384,947	27,384,947	-	-
Mutual funds	Level 1	12,305,338	12,305,338	-	-
		<u>\$393,871,335</u>	<u>\$214,555,475</u>	<u>\$99,108,312</u>	<u>\$80,207,548</u>

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

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

Interest rate risk. One of the ways the City limits its exposure to fair value losses arising from rising interest rates is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Although the City's formal investment policy allows for investment maturities up to 5 years from the date of purchase, in general, the City limits all securities to a final maturity of no more than three years and assumes that its callable investments will not be called. In general, it is the City's intent to hold investments to maturity.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk. The City addresses credit risk through the investment policy by restricting the allowable investment instruments. The investments in the US agency obligations and US government treasuries were rated AA+ and money market funds were rated AAAm by Standard & Poor's. The Arizona Local Government Investment Pool 5 is currently rated AAAf/S1+ by Standard & Poor's. The mutual funds in the OPEB Trust ranged from AA to BB.

Concentration of Credit Risk. The City policy places no limit on the amount that the City may invest in any one issuer of the US treasury obligations and the US agency obligations. The investment policy does establish a maximum percentage of 10% in banker's acceptances, 20% in commercial paper and 25% in repurchase agreements. The maximum investment in any one issuer for certificates of deposits is 33% and for repurchase agreements is 10%. The City is required to disclose if 5% or more of its investments are in securities of a single issuer. As of June 30, 2017, 22.88% of the City's investments are in US Treasuries, 17.15% of the City's investments are in Fannie Mae, 17.61% of the City's investments are in Federal Home Loan Bank, 8.19% of the City's investments are in Federal Home Loan Mortgage Corporation securities, 19.09% in money market funds and 6.95% of the City's investments are in the State of Arizona Local Government Investment Pool 5.

Custodial Credit Risk. The City's investment in the State of Arizona Local Government Investment Pool (LGIP) is stated at fair value, which approximates the value of the City's pool shares. The LGIP is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313, regulate authorized investments. The Arizona State Legislature has created the Arizona Board of Investments which reviews the investment of state monies, serves as trustees of the Permanent Land Trust Funds, and approves the State Treasurer's Office Investment Policy.

NOTE 5 - DUE TO/FROM OTHER FUNDS, INTERFUND TRANSFERS AND ADVANCES

Due to/from other funds consisted of the following at June 30, 2017:

	Due to	Due from
General fund	\$ -	\$ 276,938
Non-major governmental fund	276,938	-
Total governmental funds	<u>\$ 276,938</u>	<u>\$ 276,938</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 308,386
Golf fund	308,386	-
Total enterprise funds	<u>\$ 308,386</u>	<u>\$ 308,386</u>

The interfund balances at June 30, 2017 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2017 are expected to be repaid within one year.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 5 - DUE TO/FROM OTHER FUNDS, INTERFUND TRANSFERS AND ADVANCES (Continued)

		Transfers Out						
		General	Transit Special Revenue	General Obligation Debt Service	Non-major Governmental	Water and Wastewater	Solid Waste	Total
Transfers In	General	\$ -	\$ -	\$ -	\$ -	\$ 20,750	\$ -	\$ 20,750
	General Obligation Debt Service	654,294	-	-	4,922	6,330,188	4,922	6,994,326
	Transit Capital Projects	101,000	4,668,750	-	-	-	-	4,769,750
	Non-major Governmental	6,255,820	111,880	5,255,629	3,959,111	478,519	25,000	16,085,959
	Water and Wastewater	-	-	6,246,521	-	-	-	6,246,521
	Solid Waste	-	-	-	-	200,000	-	200,000
	Golf	185,000	-	-	-	74,000	-	259,000
	Total	\$ 7,196,114	\$ 4,780,630	\$ 11,502,150	\$ 3,964,033	\$ 7,103,457	\$ 29,922	\$ 34,576,306

The interfund transfers generally fall within one of the following categories: 1) pay-as-you-go financing transfers into capital project funds; 2) transfers to cover debt service payments; or 3) transfers to cover operating expenditures in accordance with City policy.

Interfund Advance. In two installment payments in Fiscal Year 2016, the Water and Wastewater Enterprise Fund advanced the Golf Enterprise Fund a total of \$2.5 million for an irrigation system at Rolling Hills Golf Course. In Fiscal Year 2017, an additional \$825,000 was advanced. Currently the interest rate is .90% and can fluctuate based on the City's average earnings on its investments. The advance is repaid in an annual installment of \$182,450 commencing June 30, 2017 through June 30, 2038. The advance balance in the Water and Wastewater Enterprise Fund at June 30, 2017 was \$3,165,050.

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE

On November 10, 2004, the City entered into an intergovernmental agreement with the Arizona Tourism and Sports Authority ("TSA") for the renovation of the Tempe Diablo Stadium Complex. On September 1, 2005, the City funded the project through the issuance of municipal bonds (see Note 9). The TSA agreed to reimburse the City \$12,000,000 for their contribution, plus interest at the bond rate (3.50% to 5.00%). A note receivable was recorded in the General Obligation Debt Service Fund for the TSA's portion. Payments are received semi-annually and any unpaid interest is capitalized. Due to capitalizing interest, at June 30, 2017 the note receivable balance is \$7,821,012.

In August 2008, the City advanced to the Downtown Tempe Community (DTC) \$250,000 to begin operations. The DTC is to repay the advance at zero percent interest rate when the district is terminated.

During the construction of the light rail, the City entered into two development agreements to add a light rail station at Washington and Center Parkway. Each agreement has a total contribution to the City of \$1.3 million, payable at \$130,000 annually over a five and six year period with the remaining balance due the following year. In addition, there is an option for a prepayment equal to the net present value of the unpaid balance calculated using a 4.50% discount rate. At June 30, 2017 the note receivable balance in the Transit Special Revenue fund is \$1,526,260 and the corresponding revenue has been reported as a deferred inflow of resources.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE (Continued)

In accordance with a development agreement, the City has deferred certain water and sewer development fees. Commencing in August 2011, the City receives \$12,324 monthly over a 10 year period with an interest rate of 4.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2017 was \$556,273.

In August 2011, in accordance with a development agreement, the City has deferred certain water and sewer development fees. The City will use the sales tax rebate due to the developer to pay for the deferred development fees. The outstanding fees accrue at an interest rate of 2.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2017 was \$328,793.

NOTE 7 - JOINT VENTURE

The City currently participates in two joint ventures, the Subregional Operating Group and Valley Metro Rail, Inc.

Subregional Operating Group (SROG)

The City participates with the cities of Phoenix, Mesa, Scottsdale, and Glendale in an intergovernmental agreement for the construction, operation and maintenance of jointly used facilities including the 91st Avenue Wastewater Treatment Plant, the Salt River Project Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities. The City of Phoenix is the management agency who has agreed to be responsible for the planning, designing, constructing, operating and maintaining of the jointly used sewage facilities and to perform the required accounting, administrative and other support functions.

The agreement provides for the formation of a Multicity Subregional Operating Group Committee ("Multicity SROG"), whose members are composed of a representative officially appointed upon motion and order of each city, for the specific purpose of making recommendations concerning specific decisions or courses of action for the jointly used facilities. The Multicity SROG annually reviews and approves the capital improvements and replacements budget and also the operating budget for the jointly used facilities.

As of June 30, 2016 (the latest information available), the City has a 15.56% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, excise tax bonds, development fees and grants. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2016 (the latest information available) is as follows (in thousands):

Total assets	\$ 755,906
Total liabilities	(34,002)
Total net position	<u>\$ 721,904</u>
Total revenues	\$ 47,708
Total expenses	(84,913)
Total non-operating revenues (expenses)	166
Net decrease in net position	<u>(\$ 37,039)</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Subregional Operating Group (SROG) (Continued)

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2017, was \$ 116,578,753. The City's net loss from joint venture was \$ 5,973,511 for the fiscal year ended June 30, 2017. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 3003 North Central, Suite 1550, Phoenix, Arizona, 85012.

Valley Metro Rail, Inc. (VMRI)

The City currently participates with the cities of Phoenix, Mesa and Glendale in a joint powers agreement for the design, construction and operation of a light rail transit system. Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint powers agreement between the cities. In addition, VMRI has oversight responsibility for the planning, designing, construction and operation of a regional mass transit light rail system. The agreement provides voting rights for members of the representative cities related to strategic initiatives including passage of an annual capital program and annual operating budget.

As of June 30, 2017, the City has a 18.94% (unaudited) equity interest in the joint venture. The light rail project was completed and began operations in December 2008. Member contributions to the joint venture were offset by a Federal funding agreement from the U.S. Department of Transportation. These contributions were recognized as intergovernmental revenue in the Transit Capital Projects fund.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2016 (the latest information available) is as follows:

Total assets	\$ 1,399,289,328
Total liabilities	<u>(154,425,916)</u>
Total net position	<u>\$ 1,244,863,412</u>
Operating revenues	\$ 15,038,280
Operating expenses	(81,756,894)
Non-operating revenues	31,528,315
Non-operating expenses	(14,324,300)
Capital Contributions	<u>78,630,715</u>
Net increase in net position	<u>\$ 29,116,116</u>

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project and related improvements less any federal reimbursements and operating fares. The equity interests will be determined, and periodically adjusted, based on the number of rail mileage located within each city. The City's equity in joint venture at June 30, 2017 was \$ 249,650,512. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Regional Wireless Cooperative (RWC)

The City participates in the Regional Wireless Cooperative (RWC), an association of municipalities formed in 2008 to oversee the administration, operation, management, and maintenance of an expanding regional communications network. The RWC was formed through a governance structure founded on the principles of cooperation for the mutual benefit of all members, and has expanded to serve a still-growing list of cities, towns, and fire districts, along with many other area entities who serve public safety needs. A regional radio communications network was built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around the Phoenix Metropolitan Region.

Financial responsibilities are shared by all members based on their relative size, and is measured by the number of subscriber units (radios) on the network. Currently, the City of Phoenix is responsible for the day-to-day operations and maintenance of the network, as well as the management of the RWC's organization and finances.

The City records its share of contributions to the RWC and the equity in the joint venture in the government-wide financial statements. The City did not make a current year contribution due to a settlement credit. As of June 30, 2017, the City's net investment in RWC was \$10,174,436 (unaudited), or 12.88% of the RWC's total net position.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2016 (the latest information available) is as follows (in thousands):

Total assets	\$ 97,319
Total liabilities	(3,845)
Deferred inflow of resources	(4,822)
Total net position	<u>\$ 88,652</u>
Total revenues	\$ 23,359
Total expenses	(15,344)
Total non-operating revenues (expenses)	(15,246)
Net decrease in net position	<u>(\$ 7,231)</u>

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, for the RWC may be obtained from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003-1611.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2017 is as follows:

	Balances June 30, 2016	Additions	Retirements	Transfers in (out)	Balances June 30, 2017
Governmental activities:					
Non-depreciable assets:					
Land	\$ 89,605,173	\$ -	\$ -	\$ -	\$ 89,605,173
Construction-in-progress	1,367,649	30,298,582	(3,104,940)	(22,142,158)	6,419,133
Total non-depreciable assets	90,972,822	30,298,582	(3,104,940)	(22,142,158)	96,024,306
Depreciable assets:					
Buildings	310,141,689	-	-	503,158	310,644,847
Infrastructure	794,928,696	-	-	8,201,580	803,130,276
Improvements	191,369,661	-	(6,000)	8,772,741	200,136,402
Machinery and equipment	166,779,809	2,621,298	(15,122,621)	4,664,679	158,943,165
Total depreciable assets	1,463,219,855	2,621,298	(15,128,621)	22,142,158	1,472,854,690
Accumulated depreciation:					
Buildings	(125,640,246)	(11,005,831)	-	-	(136,646,077)
Infrastructure	(387,775,054)	(18,358,337)	-	-	(406,133,391)
Improvements	(66,679,945)	(8,611,429)	5,090	-	(75,286,284)
Machinery and equipment	(121,606,680)	(8,878,273)	6,700,750	-	(123,784,203)
Total accumulated depreciation	(701,701,925)	(46,853,870)	6,705,840	-	(741,849,955)
Governmental activities capital assets, net	\$ 852,490,752	\$(13,933,990)	\$(11,527,721)	\$ -	\$ 827,029,041

On August 20, 2009, the City entered into an intergovernmental agreement to join the Regional Wireless Cooperative (RWC) forming an unincorporated association of other municipalities to plan, operate, maintain and finance a regional wireless cooperative public safety communications network. The City has contributed \$14,334,985 to the RWC that was previously accounted for in the City's capital assets that should have been recorded in equity in joint venture. Therefore, the asset was retired from the capital assets machinery and equipment category and reclassified to equity in joint venture. In addition, the corresponding accumulative depreciation of \$5,917,719 was removed. The beginning balance of the City's equity in the joint venture was \$11,478,146 resulting in a gain of \$3,060,880, which was recorded in the governmental activities of the Government-wide Statement of Activities.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2016	Additions	Retirements	Transfers in (out)	Balances June 30, 2017
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	17,340,639	32,465,770	(1,409,529)	(35,758,300)	12,638,580
Total non-depreciable assets	24,034,016	32,465,770	(1,409,529)	(35,758,300)	19,331,957
Depreciable assets:					
Buildings	49,802,667	-	-	-	49,802,667
Infrastructure	312,697,267	-	-	24,213,647	336,910,914
Improvements	187,685,383	-	-	11,447,160	199,132,543
Machinery and equipment	29,635,622	2,685,575	(1,639,618)	97,493	30,779,072
Total depreciable assets	579,820,939	2,685,575	(1,639,618)	35,758,300	616,625,196
Accumulated depreciation:					
Buildings	(24,457,925)	(1,263,342)	-	-	(25,721,267)
Infrastructure	(147,223,243)	(9,392,352)	-	-	(156,615,595)
Improvements	(70,332,117)	(7,135,204)	-	-	(77,467,321)
Machinery and equipment	(16,479,279)	(2,642,816)	1,534,181	-	(17,587,914)
Total accumulated depreciation	(258,492,564)	(20,433,714)	1,534,181	-	(277,392,097)
Business-type activities capital assets, net	\$ 345,362,391	\$ 14,717,631	\$ (1,514,966)	\$ -	\$358,565,056

For the year ended June 30, 2017, the City capitalized net interest costs of \$854,205. Total interest expense in the Business-type Activities Enterprise Funds before capitalization was \$11,354,911.

Depreciation expense was charged to the governmental functions in the government-wide financial statements as follows:

Police	\$ 4,738,407
Fire	2,372,710
Community services	3,897,963
Public works	31,854,966
Community development	1,370,634
Human services	82,470
Municipal court	77,558
City manager	10,130
City attorney	659
Internal services	670,486
Unallocated depreciation	1,777,887
Total depreciation expense	<u>\$ 46,853,870</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In the current year, \$32,810,000 was issued to finance improvements for Street Improvements and Infrastructure Preservation, Community Services, Parks, Public Safety and Water and Wastewater improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2017, were as follows (the 7/1/2017 principal payment was deducted as the Fiscal Year 2017 resources were dedicated):

\$20,690,000 2007 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$20,000 to \$5,860,000 through July 1, 2018; interest at 3.75% to 5.00%	\$ 1,615,000
\$76,485,000 2007A Capital Improvement Serial Bonds due in annual installments of \$2,220,000 to \$5,350,000 through July 1, 2026; interest at 3.50% to 4.50%	4,105,000
\$66,365,000 2008A Capital Improvement Serial Bonds due in annual installments of \$1,870,000 to \$5,080,000 beginning July 1, 2009 through July 1, 2028; interest at 3.375% to 4.375%	6,390,000
\$56,055,000 2009A Capital Improvement Serial Bonds due in annual installments of \$1,760,000 to \$4,200,000 beginning July 1, 2011 through July 1, 2029; interest at 3.00% to 4.375%	7,850,000
\$16,755,000 2010A Capital Improvement Serial Bonds due in annual installments of \$500,000 to \$2,160,000 beginning July 1, 2011 through July 1, 2030; interest at 2.50% to 5.00%	4,240,000
\$28,410,000 2010B Capital Improvement Serial Bonds due in annual installments of \$2,250,000 to \$2,295,000 beginning July 1, 2020 through July 1, 2030; interest at 4.21% to 5.719%, net of 35% federal credit	28,410,000
\$60,280,000 2010C Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$1,225,000 to \$7,735,000 through July 1, 2022; interest at 1.25% to 5.00%	28,975,000
\$5,375,000 2011A Capital Improvement Serial Bonds due in annual installments of \$475,000 to \$605,000 beginning July 1, 2013 through July 1, 2021; interest at 2.00% to 4.00%	2,320,000
\$7,005,000 2012A Capital Improvement Serial Bonds due in annual installments of \$635,000 to \$765,000 beginning July 1, 2013 through July 1, 2022; interest at 2.00% to 2.25%	3,675,000
\$12,765,000 2012B Capital Improvement Refunding Serial Bonds due in annual installments of \$1,055,000 to \$3,320,000 beginning July 1, 2013 through July 1, 2023; interest at 2.00% to 3.50%	9,530,000
\$13,675,000 2013A Capital Improvement Serial Bonds due in annual installments of \$515,000 to \$940,000 beginning July 1, 2014 through July 1, 2033; interest at 1.00% to 4.00%	11,535,000
\$41,070,000 2013B Capital Improvement Refunding Serial Bonds due in annual installments of \$90,000 to \$8,205,000 beginning July 1, 2014 through July 1, 2024; interest at 1.00% to 5.00%	34,580,000
\$15,550,000 2014B Capital Improvement Refunding Serial Bonds due in annual installments of \$1,025,000 to \$5,320,000 beginning July 1, 2015 through July 1, 2023; interest at 2.00% to 4.00%	9,530,000
\$45,675,000 2014C Capital Improvement Refunding Serial Bonds due in annual installments of \$1,095,000 to \$14,190,000 beginning July 1, 2015 through July 1, 2024; interest at 1.00% to 4.00%	44,580,000
\$43,695,000 2015A Capital Improvement Serial Bonds due in annual installments of \$1,740,000 to \$2,925,000 beginning July 1, 2016 through July 1, 2035; interest at 1.00% to 3.75%	40,440,000
\$13,630,000 2016A Capital Improvement Serial Bonds due in annual installments of \$540,000 to \$880,000 beginning July 1, 2017 through July 1, 2036; interest at 2.00% to 3.00%	13,090,000
\$86,440,000 2016B Capital Improvement Refunding Serial Bonds due in annual installments of \$3,550,000 to \$17,935,000 beginning July 1, 2017 through July 1, 2029; interest at 2.00% to 4.00%	82,715,000
\$32,810,000 2017 Capital Improvement Serial Bonds due in annual installments of \$970,000 to \$2,390,000 beginning July 1, 2018 through July 1, 2037; interest at 2.00% to 5.00%	32,810,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 366,390,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The following is a summary of total debt service cash requirements to maturity (net of 35% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 33,590,000	\$ 13,420,636	\$ 47,010,636
2019	32,105,000	12,199,716	44,304,716
2020	33,355,000	11,083,703	44,438,703
2021	34,805,000	9,840,830	44,645,830
2022	33,545,000	8,694,667	42,239,667
2023-2027	125,140,000	26,898,363	152,038,363
2028-2032	50,210,000	9,379,167	59,589,167
2033-2037	23,640,000	2,619,650	26,259,650
	<u>\$ 366,390,000</u>	<u>\$ 94,136,732</u>	<u>\$ 460,526,732</u>

The following is a summary of governmental debt service cash requirements to maturity (net of 35% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 14,855,000	\$ 6,235,473	\$ 21,090,473
2019	13,830,000	5,741,491	19,571,491
2020	14,340,000	5,291,534	19,631,534
2021	14,900,000	4,813,728	19,713,728
2022	14,005,000	4,349,899	18,354,899
2023-2027	55,005,000	15,301,498	70,306,498
2028-2032	34,780,000	6,555,793	41,335,793
2033-2037	16,840,000	1,566,649	18,406,649
	<u>\$ 178,555,000</u>	<u>\$ 49,856,065</u>	<u>\$ 228,411,065</u>

The following is a summary of enterprise debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 18,735,000	\$ 7,185,163	\$ 25,920,163
2019	18,275,000	6,458,225	24,733,225
2020	19,015,000	5,792,168	24,807,168
2021	19,905,000	5,027,102	24,932,102
2022	19,540,000	4,344,769	23,884,769
2023-2027	70,135,000	11,596,865	81,731,865
2028-2032	15,430,000	2,823,375	18,253,375
2033-2036	6,800,000	1,053,000	7,853,000
	<u>\$ 187,835,000</u>	<u>\$ 44,280,667</u>	<u>\$ 232,115,667</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Special Assessment Bonds Payable with Governmental Commitment. As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2017, the special assessments receivable of \$18,713,763, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. As of June 30, 2017, there is \$143,492 in delinquent receivables. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. In addition, there are \$365,793 in special assessments that are due to be received upon meeting the conditions in the development agreement.

Special assessment bonds payable with governmental commitment outstanding at June 30, 2017, were as follows (the 7/1/2017 principal payment was deducted as the Fiscal Year 2017 resources were dedicated):

\$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of \$220,000 to \$385,000; interest at 4.10%	\$ 810,000
\$25,190,000 ID 180 Special Assessment Bonds Payable with Governmental Commitment issued February 27, 2008; maturing January 1, 2029; due in annual installments of \$760,000 to \$1,925,000; interest at 5.00%	<u>17,920,000</u>
Total special assessment bonds outstanding	<u><u>\$ 18,730,000</u></u>

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,315,000	\$ 897,190	\$ 2,212,190
2019	1,380,000	831,570	2,211,570
2020	1,445,000	762,768	2,207,768
2021	1,520,000	690,533	2,210,533
2022	1,370,000	619,250	1,989,250
2023-2027	7,940,000	1,971,250	9,911,250
2028-2029	3,760,000	190,250	3,950,250
	<u>\$ 18,730,000</u>	<u>\$ 5,962,811</u>	<u>\$ 24,692,811</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations

Excise Tax Revenue Obligations. On June 17, 2008 the City issued \$30,170,000 of Excise Tax Revenue Obligations. The proceeds were used to fund the costs associated with a portion of the City's light rail project and to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of 0.50% transit excise tax revenues, approved by voters on September 10, 1996, which are restricted to public transit use.

The City covenants and agrees that, so long as any of the Parity Obligations remain outstanding and the principal and interest shall be unpaid, it will not further encumber the Transit Excise Taxes on a parity basis unless the Transit Excise Taxes collected in the immediately preceding fiscal year shall have amounted to at least two times the highest combined principal and interest debt service payments, or any required deposits, for any succeeding fiscal year for with respect to the transit excise tax revenue Parity Obligations. In the following outstanding balance, the 7/1/2017 principal payment was deducted as the fiscal year 2017 resources were dedicated.

\$30,170,000 2008 Excise Tax Revenue Obligations due in annual installments of \$480,000 to \$1,120,000 through July 1, 2038; interest at 3.50% to 5.00% \$ 6,675,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 730,000	\$ 305,888	\$ 1,035,888
2019	760,000	276,688	1,036,688
2020	-	246,288	246,288
2021	-	246,288	246,288
2022	-	246,288	246,288
2023-2027	-	1,231,438	1,231,438
2028-2032	-	1,231,438	1,231,438
2033-2037	3,375,000	1,153,063	4,528,063
2038	1,810,000	85,975	1,895,975
	<u>\$ 6,675,000</u>	<u>\$ 5,023,354</u>	<u>\$ 11,698,354</u>

Excise Tax Revenue Obligations. On June 24, 2009, the City issued \$23,615,000 of Excise Tax Revenue Obligations: \$14,300,000 of tax-exempt obligations (Series 2009A) and \$9,315,000 of taxable obligations (Series 2009B) referred to as Build America Bonds. As an issuer of Build America Bonds, the City qualifies, and intends to apply, for the interest subsidy payment directly from the US Treasury. The amount of the interest subsidy payment is 35.00% of the corresponding interest payable on the Series 2009B taxable obligations on any interest payment date.

The proceeds were used to finance the construction of a public parking garage and various projects for the Tempe Water/Wastewater Department and to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2017 principal payment was deducted as the fiscal year 2017 resources were dedicated.

\$14,300,000 2009A Excise Tax Revenue Obligations due in annual installments of \$770,000 to \$1,340,000 through July 1, 2023; interest at 3.00% to 5.00%	\$ 3,345,000
\$9,315,000 2009B Excise Tax Revenue Obligations due in annual installments of \$1,400,000 to \$1,715,000 through July 1, 2029; interest at 4.23%, net of 35.00% federal credit	9,315,000
Total	<u>\$ 12,660,000</u>

The following is a summary of total debt service cash requirements to maturity (net of 35.00% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,060,000	\$ 560,809	\$ 1,620,809
2019	1,115,000	507,808	1,622,808
2020	1,170,000	452,059	1,622,059
2021	-	393,559	393,559
2022	-	393,559	393,559
2023-2027	5,955,000	1,603,175	7,558,175
2028-2029	3,360,000	214,419	3,574,419
	<u>\$ 12,660,000</u>	<u>\$ 4,125,388</u>	<u>\$ 16,785,388</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

The following is a summary of governmental debt service cash requirements to maturity (net of 35.00% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 310,000	\$ 163,707	\$ 473,707
2019	325,000	148,215	473,215
2020	340,000	131,961	471,961
2021	-	114,941	114,941
2022	-	114,956	114,956
2023-2027	1,740,000	467,936	2,207,936
2028-2029	980,000	62,530	1,042,530
	<u>\$ 3,695,000</u>	<u>\$ 1,204,246</u>	<u>\$ 4,899,246</u>

The following is a summary of enterprise debt service cash requirements to maturity (net of 35.00% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 750,000	\$ 397,101	\$ 1,147,101
2019	790,000	359,593	1,149,593
2020	830,000	320,098	1,150,098
2021	-	278,617	278,617
2022	-	278,603	278,603
2023-2027	4,215,000	1,135,241	5,350,241
2028-2029	2,380,000	151,889	2,531,889
	<u>\$ 8,965,000</u>	<u>\$ 2,921,142</u>	<u>\$ 11,886,142</u>

Excise Tax Revenue Obligations. On June 23, 2011, the City issued \$39,125,000 of Excise Tax Revenue Obligations: \$31,825,000 of tax-exempt obligations (Series 2011A) and \$7,300,000 of taxable obligations (Series 2011B) referred to as Qualified Energy Conservation Bonds. As an issuer of these bonds, the City qualifies, and intends to apply, for the interest subsidy payment directly from the US Treasury. The amount of the interest subsidy payment is 72.38% of the corresponding interest payable on the Series 2011B taxable obligations on any interest payment date.

The proceeds were used to finance the construction of energy retrofit improvements and various projects for the Tempe Water/Wastewater Department and to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2017 principal payment was deducted as the fiscal year 2017 resources were dedicated.

\$31,825,000 2011A Excise Tax Revenue Obligations due in annual installments of \$1,030,000 to \$2,375,000 through July 1, 2022; interest at 2.00% to 5.00%	\$ 7,150,000
\$7,300,000 2011B Excise Tax Revenue Obligations due in one installment of \$7,300,000 on July 1, 2025; interest due semi-annually at 4.87%, net of 72.38% federal credit	7,300,000
Total	<u>\$ 14,450,000</u>

The following is a summary of total debt service cash requirements to maturity (net of 72.38% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,300,000	\$ 452,758	\$ 1,752,758
2019	1,355,000	390,758	1,745,758
2020	1,425,000	323,008	1,748,008
2021	1,500,000	251,758	1,751,758
2022	1,570,000	176,758	1,746,758
2023-2025	7,300,000	294,774	7,594,774
	<u>\$ 14,450,000</u>	<u>\$ 1,889,814</u>	<u>\$ 16,339,814</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

The following is a summary of governmental debt service cash requirements to maturity (net of 72.38% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 30,000	\$ 107,308	\$ 137,308
2019	35,000	105,758	140,758
2020	35,000	104,008	139,008
2021	35,000	102,258	137,258
2022	40,000	100,258	140,258
2023-2025	7,300,000	294,774	7,594,774
	<u>\$ 7,475,000</u>	<u>\$ 814,364</u>	<u>\$ 8,289,364</u>

The following is a summary of enterprise debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,270,000	\$ 345,450	\$ 1,615,450
2019	1,320,000	285,000	1,605,000
2020	1,390,000	219,000	1,609,000
2021	1,465,000	149,500	1,614,500
2022	1,530,000	76,500	1,606,500
	<u>\$ 6,975,000</u>	<u>\$ 1,075,450</u>	<u>\$ 8,050,450</u>

Excise Tax Revenue Refunding Obligations. On August 31, 2011, the City issued \$18,300,000 of Excise Tax Revenue Refunding Obligations. The Obligations were issued for the purpose of providing funds (i) to refund in advance of maturity portions of certain outstanding Performing Arts Center Excise Tax Revenue Obligations (the "Obligations Being Refunded") and (ii) to pay the costs and expenses relating to the issuance of the Obligations.

The City has collateralized the obligations by a pledge of 0.10% performing arts center tax, approved by voters on May 16, 2000, which are restricted to the Tempe Center for the Performing Arts Project. Additionally, the payments to be made by the City are secured by a subordinate lien pledge by the City of all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing, including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The general Excise Taxes do not include the Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

The City covenants and agrees that the Performing Arts Center Excise Taxes and the Excise Taxes which it presently imposes will continue to be imposed in each Fiscal Year so that the sum of (A) the Performing Arts Center Excise Taxes for such Fiscal Year plus (B) the excess of the Excise Taxes for such Fiscal Year over the Debt Service requirements on the Outstanding Senior Excise Tax Obligations for such Fiscal Year, shall be equal to at least three times the total of the Debt Service with respect to Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations.

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. In the following outstanding balance, the 7/1/2017 principal payment was deducted as the fiscal year 2017 resources were dedicated.

\$18,300,000 2011 Excise Tax Revenue Refunding Obligations due in annual installments
of \$100,000 to \$3,295,000 through July 1, 2020; interest at 2.00% to 5.00% \$ 9,465,000

The following is a summary of debt service cash requirements to maturity:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,025,000	\$ 403,850	\$ 3,428,850
2019	3,145,000	283,100	3,428,100
2020	3,295,000	138,850	3,433,850
	<u>\$ 9,465,000</u>	<u>\$ 825,800</u>	<u>\$ 10,290,800</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

Excise Tax Revenue and Refunding Obligations. On June 11, 2012, the City issued \$30,500,000 of Excise Tax Revenue and Revenue Refunding Obligations: \$8,390,000 of revenue obligations and \$22,110,000 of revenue refunding obligations.

The proceeds were used (i) to refund in advance of maturity certain outstanding Excise Tax Revenue Obligations of the City, (ii) finance the construction and acquisition of certain water and wastewater improvements, and (iii) to pay the costs of execution and delivery of the obligations.

The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the taxes collected and paid to the City under the 0.50% transportation privilege (sales) and use tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, the 0.10% Performing Arts Center Excise Taxes approved by voters of the City on May 16, 2000, which are restricted to the Tempe Center for the Arts Project, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2017 principal payment was deducted as the fiscal year 2017 resources were dedicated.

\$30,500,000 2012 Excise Tax Revenue and Refunding Obligations due in annual installments of \$280,000 to \$5,125,000 through July 1, 2032; interest at 1.50% to 5.00%	<u>\$ 23,825,000</u>
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The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,805,000	\$ 1,127,375	\$ 2,932,375
2019	1,895,000	1,037,125	2,932,125
2020	1,995,000	942,375	2,937,375
2021	2,090,000	842,625	2,932,625
2022	2,195,000	738,125	2,933,125
2023-2027	11,080,000	1,484,075	12,564,075
2028-2032	<u>2,765,000</u>	<u>290,413</u>	<u>3,055,413</u>
	<u>\$ 23,825,000</u>	<u>\$ 6,462,113</u>	<u>\$ 30,287,113</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

The following is a summary of governmental debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,475,000	\$ 846,500	\$ 2,321,500
2019	1,550,000	772,750	2,322,750
2020	1,630,000	695,250	2,325,250
2021	1,710,000	613,750	2,323,750
2022	1,795,000	528,250	2,323,250
2023-2025	8,770,000	745,750	9,515,750
	<u>\$ 16,930,000</u>	<u>\$ 4,202,250</u>	<u>\$ 21,132,250</u>

The following is a summary of enterprise debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 330,000	\$ 280,875	\$ 610,875
2019	345,000	264,375	609,375
2020	365,000	247,125	612,125
2021	380,000	228,875	608,875
2022	400,000	209,875	609,875
2023-2027	2,310,000	738,325	3,048,325
2028-2032	2,765,000	290,413	3,055,413
	<u>\$ 6,895,000</u>	<u>\$ 2,259,863</u>	<u>\$ 9,154,863</u>

Excise Tax Revenue Refunding Obligations. On September 12, 2012, the City issued \$41,390,000 of Excise Tax Revenue Obligations. The proceeds (including the premium) were used to refund \$45,295,000 of the 2007 Variable Rate Demand Excise Tax Revenue Obligations and pay costs incurred to issue the obligations.

The payments required to be made by the City to the Trustee under the Purchase Agreement are payable from and secured by a pledge of revenues from an excise tax collected by the City under a 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which is restricted to public transit use (the "Transit Excise Taxes"). Such tax is levied by the City upon persons on account of their business activities within the City. The amount of taxes due are calculated by applying the 0.50% tax rate against the gross proceeds of sales or gross income derived from the business activities. Such taxes are collected by the City on a monthly basis.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

Such lien on and pledge of the Transit Excise Taxes is on parity with that for the City's Transit Excise Tax Revenue Obligations, Series 2008, currently outstanding in the aggregate principal amount of \$6,675,000.

\$41,390,000 2012 Excise Tax Revenue Refunding Obligations due in annual installments of \$430,000 to \$2,645,000 through July 1, 2037; interest at 1.50% to 5.00%

\$ 36,515,000

The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,170,000	\$ 1,596,194	\$ 2,766,194
2019	1,215,000	1,549,394	2,764,394
2020	1,265,000	1,500,794	2,765,794
2021	1,310,000	1,450,194	2,760,194
2022	1,375,000	1,384,694	2,759,694
2023-2027	8,000,000	5,819,219	13,819,219
2028-2032	10,045,000	3,782,906	13,827,906
2033-2037	<u>12,135,000</u>	<u>1,684,050</u>	<u>13,819,050</u>
	<u>\$ 36,515,000</u>	<u>\$ 18,767,445</u>	<u>\$ 55,282,445</u>

Excise Tax Revenue Obligations. On June 26, 2013, the City issued \$27,240,000 of Excise Tax Revenue Obligations to finance the construction and acquisition of various water and wastewater improvements for the City and to pay the costs of execution and delivery of the Obligations.

The payments to be made by the City will be secured by a pledge by the City of all unrestricted excise, transaction, franchise, privilege and business taxes, State-shared sales and income taxes, fees for licenses and permits, and State revenue-sharing now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose, including, without limitation, all fines and forfeitures (all such taxes and receipts herein referred to as "Excise Taxes"), but not (i) excise taxes collected and paid to the City under the 0.50% transaction privilege (sales) and use tax approved by the voters of the City on September 10, 1996, which are restricted to improvement and operation of the public transit system (such taxes and receipts herein referred to as "Transit Excise Taxes"), (ii) excise taxes collected and paid to the City under the 0.10% transaction privilege (sales) and use tax approved by the voters of the City on May 16, 2000, the use of which is restricted to the construction and operation of a performing arts center (such taxes and receipts herein referred to as the "Performing Arts Center Excise Taxes"), (iii) excise taxes collected and paid to the City under the 1.00% increase in the transient lodging tax on hotels approved by the voters of the City on September 10, 2002, which are restricted to funding programs of the Tempe Convention and Visitor's Bureau (such taxes and receipts herein referred to as "Convention and Visitor's Bureau Taxes") or (iv) any other similar tax restricted as to its use. The pledge of the Excise Taxes is on a parity pledge with the Existing Obligations.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

\$27,240,000 2013 Excise Tax Revenue Obligations due in annual installments of \$905,000 to \$2,025,000 through July 1, 2033; interest at 1.75% to 5.00%

\$ 23,355,000

The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,030,000	\$ 1,085,900	\$ 2,115,900
2019	1,045,000	1,067,875	2,112,875
2020	1,090,000	1,026,075	2,116,075
2021	1,140,000	971,575	2,111,575
2022	1,200,000	914,575	2,114,575
2023-2027	6,965,000	3,610,125	10,575,125
2028-2032	8,860,000	1,713,125	10,573,125
2033	2,025,000	91,125	2,116,125
	<u>\$ 23,355,000</u>	<u>\$ 10,480,375</u>	<u>\$ 33,835,375</u>

Excise Tax Revenue and Refunding Obligations. On June 22, 2016, the City issued \$42,485,000 of Excise Tax Revenue and Revenue Refunding Obligations: \$21,770,000 of revenue obligations and \$20,715,000 of revenue refunding obligations.

The proceeds were used (i) to refund in advance of maturity certain outstanding Excise Tax Revenue Obligations of the City, (ii) finance the construction and acquisition of certain water and wastewater improvements, and (iii) to pay the costs of execution and delivery of the obligations.

The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the taxes collected and paid to the City under the 0.50% transportation privilege (sales) and use tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, the 0.10% Performing Arts Center Excise Taxes approved by voters of the City on May 16, 2000, which are restricted to the Tempe Center for the Arts Project, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2017 principal payment was deducted as the fiscal year 2017 resources were dedicated.

\$42,485,000 2016 Excise Tax Revenue and Refunding Obligations due in annual installments of \$1,135,000 to \$7,510,000 through July 1, 2031; interest at 2.00% to 5.00% \$ 35,435,000

The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 7,210,000	\$ 1,709,500	\$ 8,919,500
2019	7,510,000	1,411,250	8,921,250
2020	-	1,035,750	1,035,750
2021	1,135,000	1,035,750	2,170,750
2022	1,190,000	979,000	2,169,000
2023-2027	9,900,000	3,518,000	13,418,000
2028-2031	8,490,000	1,087,000	9,577,000
	<u>\$ 35,435,000</u>	<u>\$ 10,776,250</u>	<u>\$ 46,211,250</u>

The following is a summary of governmental debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ -	\$ 57,950	\$ 57,950
2019	-	57,950	57,950
2020	-	57,950	57,950
2021	332,000	57,950	389,950
2022	345,000	41,350	386,350
2023-2025	482,000	30,350	512,350
	<u>\$ 1,159,000</u>	<u>\$ 303,500</u>	<u>\$ 1,462,500</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

The following is a summary of enterprise debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 7,210,000	\$ 1,651,550	\$ 8,861,550
2019	7,510,000	1,353,300	8,863,300
2020	-	977,800	977,800
2021	803,000	977,800	1,780,800
2022	845,000	937,650	1,782,650
2023-2027	9,418,000	3,487,650	12,905,650
2028-2031	8,490,000	1,087,000	9,577,000
	<u>\$ 34,276,000</u>	<u>\$ 10,472,750</u>	<u>\$ 44,748,750</u>

Transit Excise Tax Revenue Refunding Obligations. On March 29, 2017, the City issued \$19,305,000 of Excise Tax Revenue Refunding Obligations. The proceeds were used to refund \$18,050,000 of the 2008 Excise Tax Revenue Obligations and pay costs incurred to issue the obligations.

The City covenants and agrees that, so long as any of the Parity Obligations remain outstanding and the principal and interest shall be unpaid, it will not further encumber the Transit Excise Taxes on a parity basis unless the Transit Excise Taxes collected in the immediately preceding fiscal year shall have amounted to at least two times the highest combined principal and interest debt service payments, or any required deposits, for any succeeding fiscal year for with respect to the transit excise tax revenue Parity Obligations.

\$19,305,000 2017 Transit Excise Tax Revenue Refunding Obligations due in annual installments of \$150,000 to \$1,460,000 through July 1, 2035; interest at 2.87%

\$ 19,305,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 150,000	\$ 554,054	\$ 704,054
2019	155,000	549,749	704,749
2020	950,000	545,300	1,495,300
2021	980,000	518,035	1,498,035
2022	1,010,000	489,909	1,499,909
2023-2027	5,490,000	1,998,238	7,488,238
2028-2032	6,320,000	1,164,216	7,484,216
2033-2035	4,250,000	246,390	4,496,390
	<u>\$ 19,305,000</u>	<u>\$ 6,065,891</u>	<u>\$ 25,370,891</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

Excise Tax Revenue Refunding Obligations. On April 5, 2017, the City issued \$14,790,000 of Excise Tax Revenue Refunding Obligations. The proceeds were used to refund \$14,275,000 of the 2007R Excise Tax Refunding Revenue Obligations and pay costs incurred to issue the obligations.

The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, State-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$14,790,000 2017 Excise Tax Revenue Refunding Obligations due in annual installments of \$2,655,000 to \$3,200,000 through July 1, 2022; interest at 1.97%

\$ 14,790,000

The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,080,000	\$ 291,363	\$ 3,371,363
2019	3,145,000	230,687	3,375,687
2020	3,200,000	168,731	3,368,731
2021	2,655,000	105,691	2,760,691
2022	2,710,000	53,387	2,763,387
	<u>\$ 14,790,000</u>	<u>\$ 849,859</u>	<u>\$ 15,639,859</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Section 108 Guaranteed Loan. In July 2004, the City entered into a Section 108 guaranteed loan agreement with the U.S. Department of Housing and Urban Development (HUD) for funding of \$7,000,000 for on-site environmental remediation of the University/Hayden Butte Redevelopment Area 5 (Rio Salado Marketplace Redevelopment). The note required interest only payments until August 2007. At that time the note was due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 5.37% to 6.01%. On May 28, 2015, HUD refinanced the loan lowering the interest rate to 1.25% to 2.35%. The City has pledged its Community Development Block Grants as security for HUD's guaranteed loan. The City was awarded a \$1,000,000 HUD Brownfield Economic Development Initiative grant to be used to pay interest on the HUD Section 108 loan until such time the development generates sufficient tax revenue to cover the debt service of the development.

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 1.25% to 2.35% \$ 3,794,000

The following discloses debt service requirements as of June 30, 2017 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 405,000	\$ 79,044	\$ 484,044
2019	423,000	74,348	497,348
2020	442,000	67,380	509,380
2021	462,000	58,651	520,651
2022	482,000	48,414	530,414
2023-2025	1,580,000	67,423	1,647,423
	<u>\$ 3,794,000</u>	<u>\$ 395,260</u>	<u>\$ 4,189,260</u>

Water Infrastructure Finance Authority Loans. In September 2009, the City signed two capitalization grant agreements with the Water Infrastructure Finance Authority (WIFA). The funding from these agreements was derived from the United States Environmental Protection Agency pursuant to the federal American Recovery and Reinvestment Act (ARRA) of 2009, Public Law 111-5.

The loan agreement for Loan #92A174-10 is in the principal amount of \$4,084,503 of which \$2,200,000 will be forgivable principal and the remaining balance bears interest and administrative fees at a combined rate of 3.06%.

\$1,884,503 Water Infrastructure Finance Authority Loan #92A174-10 due in annual installments of \$69,678 to \$123,631 through July 1, 2029; interest at 1.56% and administrative fee at 1.50% \$ 1,263,496

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Water Infrastructure Finance Authority Loans (Continued)

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2017 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest and Administrative Fee	Total
2018	\$ 88,705	\$ 38,714	\$ 127,419
2019	91,423	35,996	127,419
2020	94,225	33,194	127,419
2021	97,112	30,307	127,419
2022	100,087	27,332	127,419
2023-2027	548,358	88,736	637,094
2028-2029	243,586	11,252	254,838
	<u>\$ 1,263,496</u>	<u>\$ 265,531</u>	<u>\$ 1,529,027</u>

The loan agreement for Loan #92A175-10 is in the principal amount of \$14,045,799 and bears interest and administrative fees at a reduced ARRA rate of 2.00%.

\$14,045,799 Water Infrastructure Finance Authority Loan #92A175-10 due in annual installments of \$578,079 to \$842,152 through July 1, 2029; interest at .50% and administrative fee at 1.50%

\$ 9,084,165

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2017 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest and Administrative Fee	Total
2018	\$ 677,312	\$ 181,683	\$ 858,995
2019	690,858	168,137	858,995
2020	704,675	154,320	858,995
2021	718,769	140,226	858,995
2022	733,144	125,851	858,995
2023-2027	3,891,617	403,358	4,294,975
2028-2029	1,667,790	50,199	1,717,989
	<u>\$ 9,084,165</u>	<u>\$ 1,223,774</u>	<u>\$ 10,307,939</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Leases. The City has entered into capital lease agreements for equipment. These lease agreements generally require annual payments and the lease term varies from 4 to 5 years. The 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 date of inception.

The governmental assets acquired through capital leases are for equipment with an original cost of \$111,827. Accumulated depreciation as of June 30, 2017 totaled \$67,096. The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2017. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2018	\$ 28,490
	2019	7,123
		35,613
Less: remaining interest at 6.33%		(870)
Present value of future minimum lease payments		<u>\$ 34,743</u>

The proprietary assets acquired through capital leases are for equipment with an original cost of \$395,432. Accumulated depreciation as of June 30, 2017 totaled \$6,403. The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2017. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2018	\$ 109,811
	2019	109,811
	2020	109,811
Total minimum lease payments		329,433
Less: remaining interest at 1.24% to 2.90%		(10,599)
Present value of future minimum lease payments		<u>\$ 318,834</u>

Statutory Debt Limitation. In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, wastewater, open space preserves, artificial lighting, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities and 6 percent of the secondary assessed valuation for all other purposes.

At June 30, 2017, the 20 percent debt limitation was \$425,141,029 with \$337,734,652 of outstanding debt. This provided a 20 percent debt margin of \$87,406,377. The 6 percent debt limitation was \$127,542,309 with \$80,243,108 of outstanding debt. This provided a 6 percent debt margin of \$47,299,201. With the successful passing of the bond election in November 2016, the program increased by \$254,000,000. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2017, was \$318,759,698.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Bond Covenants. The various bond indentures contain certain limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages.

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2017.

Debt Service Coverage for Governmental General Obligation Bonds. The governmental general obligations are payable from ad valorem tax revenues to be levied on all taxable property within the City. A total of \$178,555,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2037. Annual principal and interest payments on the bonds are expected to require less than 79.26% of total 2017 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$228,411,065. Principal and interest paid for the current year and total ad valorem tax revenues were \$20,911,077 and \$26,381,781, respectively.

Debt Service Coverage for Business-type Activities General Obligation Bonds. The business-type general obligations are paid from the water and wastewater utility system revenues of the City. A total of \$187,835,000 is outstanding in business-type general obligation bonds. Proceeds of the bonds were used for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2037. Annual principal and interest payments on the bonds are expected to require less than 28.83% of 2017 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$232,115,667. Principal and interest paid for the current year and water and wastewater system revenues were \$24,868,496 and \$86,273,324, respectively

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$44,049,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 3.96% of total 2017 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$51,423,218. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$6,576,521 and \$166,058,633, respectively.

Debt Service Coverage for Business-type Activities Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$80,466,000 in outstanding business-type activities excise tax obligations. Proceeds of the bonds were used for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2033. Annual principal and interest payments on the bonds are expected to require less than 9.34% of total 2017 excise taxes. The total principal and interest remaining to be paid on the bonds is \$107,675,580. Principal and interest paid for the current year and total excise taxes were \$15,503,905 and \$166,058,633, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Debt Service Coverage for Transit Excise Tax Obligations. For the repayment of transit excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 0.50% transportation excise tax. Proceeds of the bonds were used for the construction of the City's portion of the light rail system. The current balance outstanding is \$62,495,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 11.07% of total 2017 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$92,351,682. Principal and interest paid for the current year and transit excise taxes were \$4,372,288 and \$39,512,636 respectively.

Debt Service Coverage for Performing Arts Center Excise Taxes. For repayment of performing arts excise tax obligations, the City has pledged all future excise taxes collected and paid under a 0.10% performing arts center tax. Proceeds of the bonds were used for the construction of the Tempe Performing Arts Center. The bonds are payable primarily from performing arts excise taxes and are secured by a subordinate lien pledge of all future unrestricted excise taxes. The current balance outstanding is \$9,465,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be less than 42.40% of total 2017 performing arts excise taxes. The total principal and interest remaining to be paid on the bonds is \$10,290,800. Principal and interest paid for the current year and total available excise taxes were \$3,427,850 and \$137,788,099, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2017 (the ending balance does not include 7/1/2017 "matured" payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$180,750,000	\$ 12,290,000	\$ (14,485,000)	\$178,555,000	\$14,855,000
Special assessments	19,980,000	-	(1,250,000)	18,730,000	1,315,000
2007 Excise tax refunding obligations	16,950,000	-	(16,950,000)	-	-
2008 Excise tax obligations	25,430,000	-	(18,755,000)	6,675,000	730,000
2009 Excise tax obligations	3,990,000	-	(295,000)	3,695,000	310,000
2011 Excise tax obligations	7,505,000	-	(30,000)	7,475,000	30,000
2011 Excise tax refunding obligations	12,345,000	-	(2,880,000)	9,465,000	3,025,000
2012 Excise tax obligations	18,345,000	-	(1,415,000)	16,930,000	1,475,000
2012 Excise tax refunding obligations	37,665,000	-	(1,150,000)	36,515,000	1,170,000
2016 Excise tax refunding obligations	1,159,000	-	-	1,159,000	-
2017 Excise tax refunding obligations	-	19,305,000	-	19,305,000	150,000
2017 Excise tax refunding obligations	-	14,790,000	-	14,790,000	3,080,000
Premium on debt payable	22,291,058	1,754,028	(3,529,786)	20,515,300	-
2004 HUD Section 108 loan	4,181,000	-	(387,000)	3,794,000	405,000
	<u>350,591,058</u>	<u>48,139,028</u>	<u>(61,126,786)</u>	<u>337,603,300</u>	<u>26,545,000</u>
Capital leases	61,399	-	(26,656)	34,743	27,665
Compensated absences	28,722,233	14,123,909	(11,658,274)	31,187,868	12,201,518
Claims and judgments	6,771,524	2,980,921	(3,047,911)	6,704,534	2,786,747
OPEB	47,833,811	5,483,994	(5,789,600)	47,528,205	-
Net pension liability	327,555,534	53,624,143	-	381,179,677	-
Governmental activities long-term	<u>\$761,535,559</u>	<u>\$ 124,351,995</u>	<u>\$ (81,649,227)</u>	<u>\$804,238,327</u>	<u>\$ 41,560,930</u>
Business-type activities:					
General obligation bonds payable	\$185,025,000	\$ 20,520,000	\$ (17,710,000)	\$187,835,000	\$18,735,000
General obligation premium	14,937,987	2,924,614	(1,977,859)	15,884,742	-
2009 Excise tax obligations	9,680,000	-	(715,000)	8,965,000	750,000
2011 Excise tax obligations	8,190,000	-	(1,215,000)	6,975,000	1,270,000
2012 Excise tax obligations	7,215,000	-	(320,000)	6,895,000	330,000
2013 Excise tax obligations	24,365,000	-	(1,010,000)	23,355,000	1,030,000
2015 Excise tax obligations	1,100,000	-	(1,100,000)	-	-
2016 Excise tax obligations	41,326,000	-	(7,050,000)	34,276,000	7,210,000
Excise premium	11,797,493	-	(1,034,064)	10,763,429	-
2010 WIFA Loan	1,349,565	-	(86,070)	1,263,495	88,705
2010 WIFA Loan	9,748,196	-	(664,031)	9,084,165	677,312
Capital leases	63,750	384,200	(129,116)	318,834	105,567
OPEB	5,992,038	892,613	(969,618)	5,915,033	-
Net pension liability	22,536,474	676,601	-	23,213,075	-
Business-type activities long-term	<u>\$343,326,503</u>	<u>\$ 25,398,028</u>	<u>\$ (33,980,758)</u>	<u>\$334,743,773</u>	<u>\$30,196,584</u>

The long-term liabilities at June 30, 2017 have been reduced by deposits made with the City's fiscal agent for July 1, 2017 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 10 - BONDS TO BE PAID FROM ASSETS HELD IN TRUST

Advance Bond Refundings

Future debt service on refunded bonds has been provided through advance refunding bond issues. Under an advance refunding arrangement, refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued or guaranteed by the United States government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

On December 17, 2014, the City issued \$45,675,000 of general obligation refunding bonds with a premium of \$4,502,008 to partially advance refund \$5,620,000 of Series 2006 and \$28,865,000 of Series 2007 outstanding general obligation bonds. In addition, the proceeds were utilized for a current refunding of \$11,190,000 of Series 2005 general obligation bonds. The bonds were issued with an average interest rate of 3.64%. The net proceeds of \$49,715,783 after the payment of \$141,500 in issuance costs and an underwriter's discount of \$319,725 were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Water and Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$2,720,528, which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$2,399,755.

On June 22, 2016, the City issued \$20,715,000 of excise tax revenue refunding obligation with a premium of \$5,179,065 to partially advance refund \$3,860,000 of Series 2009 and \$17,850,000 of Series 2011A outstanding excise tax revenue obligations. The bonds were issued with an average interest rate of 4.93%. The net proceeds of \$25,894,065 after the payment of \$77,916 in issuance costs and an underwriter's discount of \$134,648 were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's Debt Service and Water and Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$1,818,444, which resulted in an economic gain of \$1,631,429.

On June 23, 2016, the City issued \$86,440,000 of general obligation refunding bonds with a premium of \$12,092,091 to partially advance refund \$11,445,000 of Series 2007A, \$37,920,000 of Series 2008A and \$31,190,000 of Series 2009A outstanding general obligation bonds. In addition, the proceeds were utilized for a current refunding of \$9,890,000 of Series 2006 general obligation bonds. The bonds were issued with an average interest rate of 4.10%. The net proceeds of \$98,532,091 after the payment of \$255,831 in issuance costs, an underwriter's discount of \$497,030 and \$2,665 deposited into the debt service fund were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Water and Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$9,822,425, which resulted in an economic gain of \$8,858,944.

On March 29, 2017, the City issued \$19,305,000 of Transit excise tax revenue refunding obligation to partially advance refund \$18,050,000 of Series 2008 outstanding excise tax revenue obligations. The bonds were issued with an average interest rate of 2.87%. The net proceeds of \$19,082,453 after the payment of \$217,047 in issuance costs and a bank counsel fee of \$5,500 were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's Transit Special Revenue fund. As a result of the advance refunding, the City reduced its total debt service requirements by \$2,985,742, which resulted in an economic gain of \$2,375,840.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 10 - BONDS TO BE PAID FROM ASSETS HELD IN TRUST (Continued)

Advance Bond Refundings (Continued)

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2017 are as follows:

\$76,485,000 general obligation bonds issued in 2007 and partially refunded in 2015 (final redemption date is 7/1/2017)	\$ 28,865,000
\$23,615,000 excise tax revenue obligations issued in 2009 and partially refunded in 2016 (final redemption date is 7/1/2019)	3,860,000
\$31,825,000 excise tax revenue obligations issued in 2011 and partially refunded in 2016 (final redemption date is 7/1/2021)	17,850,000
\$76,485,000 general obligation bonds issued in 2007 and partially refunded in 2016 (final redemption date is 7/1/2017)	11,445,000
\$66,365,000 general obligation bonds issued in 2008 and partially refunded in 2016 (final redemption date is 7/1/2018)	37,920,000
\$56,055,000 general obligation bonds issued in 2009 and partially refunded in 2016 (final redemption date is 7/1/2019)	31,190,000
\$30,170,000 Transit excise tax revenue obligations issued in 2008 and partially refunded in 2017 (final redemption date is 7/1/2018)	18,050,000
Total bonds advance refunded	<u>\$ 149,180,000</u>

NOTE 11 – FUND BALANCE CLASSIFICATIONS

During the year ended June 30, 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The classifications of fund balance are *Non-spendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. *Committed*, *Assigned*, and *Unassigned* represent the amount that is available for discretionary spending.

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

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

Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval (through ordinance or resolution, both of which are considered the highest level of decision making authority of the City) is required to commit resources or to rescind the commitment.

Assigned fund balance represents limitations imposed by management. In June 2011, through resolution 2011.56, the Mayor and Council authorized the Chief Financial Officer to assign fund balance amounts for specific purposes.

Unassigned fund balance represents the residual net resources in excess of the other classifications.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

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

As of June 30, 2017, the fund balance details by classification are listed as follows:

The Mayor and Council have established a minimum unassigned fund balance policy for the General Fund of 20% to 30% of current year operating revenues. As of June 30, 2017, the aggregate balance is 38.29% of General Fund revenues.

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
Fund balances:							
Non-spendable:							
Inventories	\$ 388,685	\$ -	\$ -	\$ -	\$ -	\$ 921,208	\$ 1,309,893
Prepaid items	-	-	-	-	-	702,591	702,591
Capital improvements notes receivable	250,000	-	-	-	-	-	250,000
	638,685	-	-	-	-	1,623,799	2,262,484
Restricted:							
Debt Service reserve	-	-	21,456,909	312,691	-	-	21,769,600
Police	-	-	-	-	-	801,833	801,833
Fire	-	-	-	-	-	515,107	515,107
Community services	-	-	-	-	-	941,456	941,456
Public works	-	28,238,205	-	-	21,295,767	12,094,085	61,628,057
Community development	100,000	-	-	-	-	2,055,328	2,155,328
Human services	-	-	-	-	-	353,134	353,134
Municipal court	-	-	-	-	-	387,432	387,432
City manager	-	-	-	-	-	127,172	127,172
Strategic Mgmt + Diversity	-	-	-	-	-	2,000	2,000
	100,000	28,238,205	21,456,909	312,691	21,295,767	17,277,547	88,681,119
Committed to:							
Police	104,588	-	-	-	-	137,242	241,830
Fire	-	-	-	-	-	510,103	510,103
Community services	-	-	-	-	-	-	-
Public works	360,433	6,981,234	-	-	-	9,607,676	16,949,343
Community development	3,146	-	-	-	-	4,763,943	4,767,089
Municipal court	-	-	-	-	-	524,421	524,421
City clerk	35	-	-	-	-	-	35
Internal Services	7,329	-	-	-	-	-	7,329
Debt Service	-	4,220,265	-	-	-	-	4,220,265
	475,531	11,201,499	-	-	-	15,543,385	27,220,415
Assigned to:							
Self-insurance purposes	6,841,391	-	-	-	-	-	6,841,391
Capital projects	1,360,593	-	-	-	-	5,216,876	6,577,469
Reserved property lease land	5,959,742	-	-	-	-	-	5,959,742
Reserved property lease revenue	600,941	-	-	-	-	-	600,941
Billboard revenue	-	-	-	-	-	-	-
Other	-	-	-	-	-	187,343	187,343
Transit	-	7,447,479	-	-	-	-	7,447,479
TSA	-	-	2,923,129	-	-	-	2,923,129
	14,762,667	7,447,479	2,923,129	-	-	5,404,219	30,537,494
Unassigned:							
	80,099,820	-	-	-	-	-	80,099,820
Total fund balances	\$96,076,703	\$46,887,183	\$24,380,038	\$ 312,691	\$ 21,295,767	\$ 39,848,950	\$ 228,801,332

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 12 - COMMITMENTS

In the Governmental fund financial statements, construction commitments (encumbrances) are included in either the restricted or committed fund balances.

At June 30, 2017 the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
Governmental funds:		
Transit	\$ 1,604,525	\$ 1,106,516
Non-major funds	6,621,248	5,312,617
	<u>\$ 8,225,773</u>	<u>\$ 6,419,133</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
Proprietary funds:		
Water/wastewater	\$ 8,142,388	\$ 12,638,580
	<u>\$ 8,142,388</u>	<u>\$ 12,638,580</u>

In addition, there were non-construction related commitments as follows:

	<u>Commitment</u>
Governmental funds:	
General	\$ 472,386
Non-major funds	119,163
	<u>\$ 591,549</u>
	<u>Commitment</u>
Proprietary funds:	
Water/wastewater	\$ 603,879
Solid waste	425,000
	<u>\$ 1,028,879</u>

NOTE 13 - OPERATING LEASES

The City leases copiers under certain non-cancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Current year lease costs for the fiscal year ended June 30, 2017 were \$87,959. The following is a schedule by year of future minimum lease payments:

Fiscal Year Ending June 30,	<u>Amount</u>
2018	\$ 87,959
2019	86,827
2020	25,535
2021	1,408
2022	<u>1,056</u>
Total minimum payments required	<u>\$ 202,785</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS

The City contributes to the pension plans described below. The City also contributes to the Elected Officials Retirement Plan; however the plan is not described below because of its relative insignificance to the financial statements. The plans are component units of the State of Arizona.

The City reported \$27,362,376 of pension expenditures related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description. City employees not covered by the other pension plans described after this section participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

Benefits Provided. The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% 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 11.48% (10.78% for retirement, 0.56% for health insurance premium benefit, and 0.14% for long-term disability) of the members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2017 were \$7,877,785.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47% (9.38% for retirement and 0.09% for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

The City's contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

Fiscal Year Ending June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$ 404,502	\$ 106,304
2016	352,392	86,816
2015	419,272	85,276

Pension Liability. At June 30, 2017, the City reported a liability of \$ 126,045,105 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 0.78%, which was an increase of 0.02% from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$ 5,305,852 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 765,968	\$ 8,670,982
Changes of assumptions and other inputs	-	6,668,793
Net difference between projected and actual earnings on pension plan investments	13,659,094	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	2,068,837	553,778
City contributions subsequent to the measurement date	7,887,785	-
Total	\$ 24,381,684	\$ 15,893,553

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

The \$ 7,887,785 reported as deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2018	\$ (5,435,497)
2019	(3,521,567)
2020	5,727,440
2021	3,829,970

Actuarial Assumptions. The significant actuarial assumptions used to measure the total ASRS pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Discount rate	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.73%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.84
Total	<u>100%</u>	

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0%, which is less than the long-term expected rate of return of 8.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(7.0%)</u>	Current Discount Rate <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
The City's Proportionate share of the net pension liability	\$ 160,717,080	\$ 126,045,105	\$ 98,245,760

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Retirees and beneficiaries	241	128
Inactive, non-retired members	48	25
Active members	320	134
Total	609	287

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members – pension	7.65%	7.65%
City:		
Pension	44.93	53.67
Health insurance	0.75	-

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

In addition, the City was required by statute to contribute at the actuarially determined rate of 33.89% for police and 41.05% for fire of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	PSPRS Police	PSPRS Fire
Pension:		
Contributions made	\$ 12,852,861	\$ 6,621,730
Health insurance premium benefit:		
Annual OPEB cost	214,548	-
Contributions made	214,548	-

Pension Liability. At June 30, 2017, the City reported \$178,861,508 for police and \$99,486,139 for fire in net pension liability. The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of two percent. In addition, Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017. The final change that impacted the actuarial assumptions was a decrease from 7.85% to 7.50% on the investment rate of return.

The net pension liability measured as of June 30, 2017 will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liability as a result of these changes is not known.

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability are as follows:

	PSPRS
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Asset valuation	Market Value of Assets
Discount rate	7.50%
Projected salary increases	4.0 - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class for all agent pension plans are summarized in the following table:

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	16%	6.23%
Non-U.S. equity	14	8.25
Private equity	11	9.50
Fixed income	7	2.92
Credit opportunities	13	7.08
Absolute return	5	4.11
GTAA	10	4.38
Real assets	8	4.77
Real estate	10	4.48
Risk parity	4	5.13
Short-term investments	2	0.75
Total	100%	

Pension Discount Rates. The discount rate of 7.50% was used to measure the total pension liability.

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

Changes in the Agent Plans Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Police:			
Balances at June 30, 2016	\$ 258,046,807	\$ 105,933,583	\$ 152,113,224
Changes for the year:			
Service cost	5,378,159	-	5,378,159
Interest on the total pension liability	19,846,810	-	19,846,810
Changes of benefit terms	13,183,597	-	13,183,597
Differences between expected and actual experience in the measurement of the pension liability	(5,746,957)	-	(5,746,957)
Changes of assumptions or other inputs	10,622,755	-	10,622,755
Contributions – employer		12,552,708	(12,552,708)
Contributions – employee	-	3,597,316	(3,597,316)
Net investment income	-	653,674	(653,674)
Benefit payments, including refunds of employee contributions	(15,820,570)	(15,820,570)	-
Administrative expense	-	(94,459)	94,459
Other changes	-	(173,159)	173,159
Net changes	27,463,794	715,510	26,748,284
Balances at June 30, 2017	\$ 285,510,601	\$ 106,649,093	\$ 178,861,508

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Changes in the Agent Plans Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Fire:			
Balances at June 30, 2016	\$ 150,002,751	\$ 71,208,968	\$ 78,793,783
Changes for the year:			
Service cost	2,601,714	-	2,601,714
Interest on the total pension liability	11,454,692	-	11,454,692
Changes of benefit terms	9,445,952	-	9,445,952
Differences between expected and actual experience in the measurement of the pension liability	177,366	-	177,366
Changes of assumptions or other inputs	5,723,255	-	5,723,255
Contributions – employer	-	6,665,926	(6,665,926)
Contributions – employee	-	1,620,334	(1,620,334)
Net investment income	-	420,827	(420,827)
Benefit payments, including refunds of employee contributions	(10,767,917)	(10,767,917)	-
Administrative expense	-	(60,954)	60,954
Other changes	-	64,490	(64,490)
Net changes	<u>18,635,062</u>	<u>(2,057,294)</u>	<u>20,692,356</u>
Balances at June 30, 2017	<u>\$ 168,637,813</u>	<u>\$ 69,151,674</u>	<u>\$ 99,486,139</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	Police:		
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 217,333,308	\$ 178,861,508	\$ 147,338,978
Fire:			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 120,439,284	\$ 99,486,139	\$ 82,118,064

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

Pension Expense. For the year ended June 30, 2017, the City's recognized \$ 33,093,280 as pension expense for police and \$ 19,173,950 as pension expense for fire.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Pension Deferred Outflows/Inflows of Resources. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police:		
Differences between expected and actual experience	\$ -	\$ 7,241,161
Changes of assumptions or other inputs	19,069,165	-
Net difference between projected and actual earnings on pension plan investments	6,617,835	-
Contributions subsequent to the measurement date	12,852,861	-
Total	<u>\$ 38,539,861</u>	<u>\$ 7,241,161</u>
Fire:		
Differences between expected and actual experience	\$ -	\$ 1,392,880
Changes of assumptions or other inputs	10,985,582	-
Net difference between projected and actual earnings on pension plan investments	4,350,427	-
Contributions subsequent to the measurement date	6,621,730	-
Total	<u>\$ 21,957,739</u>	<u>\$ 1,392,880</u>

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PSPRS Police	PSPRS Fire
2018	\$ 6,280,593	\$ 3,386,392
2019	6,280,595	3,386,394
2020	3,409,420	4,125,022
2021	2,471,234	2,123,433
Thereafter	3,998	921,889
Total	<u>\$ 18,445,840</u>	<u>\$ 13,943,130</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Agent Plan OPEB Trend Information. The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Police:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2017	\$ 214,548	100%	\$ -
2016	191,805	100	-
2015	418,902	100	-

Fire:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2017	\$ -	100%	\$ -
2016	-	100	-
2015	184,100	100	-

Agent Plan OPEB Actuarial Assumptions. Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear 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.

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits inforce at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The significant actuarial methods and assumptions used are the same for both PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

	PSPRS
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.0%-8.0% 4.0%

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

The funded status of both the PSPRS health insurance premium benefit plans in the June 30, 2016, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	PSPRS
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases includes inflation at	4%-8% 4%

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2016.

	PSPRS Police	PSPRS Fire
Actuarial value of assets	\$ 4,179,449	\$ 3,777,423
Actuarial accrued liability	6,732,069	3,376,002
Unfunded actuarial accrued liability (funding excess)	2,552,620	(401,421)
Funded ratio	62.1%	111.9%
Annual covered payroll	\$ 28,069,721	\$12,995,575
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	9.09%	- %

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS

Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Similar to pension benefits, the cost of other post-employment benefits (OPEB) generally should be associated with the periods in which the exchange occurs rather than in future periods in which the benefits are provided. GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", requires the City to measure and recognize the OPEB cost while employee services are rendered, report the accumulated liability from prior years and provide information about the potential demands on the City's future cash flows. Recognition of the liability, from the plan described below, accumulated from prior years, is being amortized over 30 years with the first period beginning with the fiscal year ending June 30, 2008. GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", effective with fiscal years beginning after June 15, 2016, requires certain financial reporting disclosures by plans that administer OPEB benefits; those disclosures have been incorporated throughout this report.

A. Plan Description

The City offers (through a single-employer plan, the "City of Tempe Post-Employment Health Plan") the continuation of group health insurance benefits administered by the City's Human Resources Division, in accordance with Resolution 2009.86 of the City Council, to all retired, benefitted employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Due to changes effective July 1, 2009, benefitted employees hired after June 30, 1999 are not eligible to participate in the post-employment benefit plan subject to the requirements of GASB Statement No. 45.

As of June 30, 2017, 889 retirees met those eligibility requirements to receive post-employment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	889
Active employees eligible	<u>506</u>
Total	<u>1,395</u>

Effective with changes implemented on October 1, 2011, this OPEB plan provides medical coverage for qualified, pre-Medicare retired employees through a single-employer defined *contribution* plan; prior to this change, coverage was provided through a defined *benefit* plan. The plan provides benefits to eligible retirees (as outlined above), their spouses and dependents through monthly City contributions to a health reimbursement account established for each retiree. The plan benefits and contribution rates are determined by the City's Human Resources Division based on the costs of coverage that is available through the health plan offered by the ASRS. Coverage for Medicare-eligible retirees is provided through fully-insured, City-sponsored Medicare Supplemental plans. Effective August 2015, Medicare-eligible retirees who formally waive the coverage of the Medicare Supplemental plans are eligible to receive a \$100 monthly contribution to a health reimbursement account established for the retiree.

B. Basis of Accounting and Valuation of Investments

The Other Post Employment Benefit Trust financial statements are prepared on the accrual basis of accounting. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable in accordance with the terms of the plan. All trust investments are reported at fair value. Fair value is determined based on quoted market prices.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Benefits Provided

For those retirees/dependents who have not reached Medicare eligibility, the City makes monthly contributions to the retiree/dependents' health reimbursement account. For coverage to be continued for retirees and dependents reaching Medicare eligibility, beneficiaries are required to either enroll in a City-sponsored Medicare Supplemental Plan, or formally waive coverage of the supplemental plans to receive a monthly contribution to a health reimbursement account.

D. Funding Policy

The pre-Medicare plan contributions are determined annually by the City's Human Resources Division. Contributions for retirees/dependents are determined based on a review of the premiums (and changes thereto) for health care coverage that is available through the ASRS. For the City-sponsored Medicare Supplemental Plans, premiums are determined annually by the outside insurance company. Retirees/dependents are not required to enroll in the health plan offered through the ASRS. The current employer contribution rate is 16.31% of annual covered payroll. Because retired employees and their dependents are enrolled in a completely separate plan than active employees, there are no implicit rate subsidies. An irrevocable trust fund (Other Post Employment Benefit Trust) has been established for the purpose of advance funding the obligation; the trust has an \$12.3 million balance as of June 30, 2017. The investments of the trust are overseen by the OPEB Retirement Investment Committee, consisting of three city employees appointed by the City's Deputy City Manager/Chief Financial Officer. Separate financial statements are not available for the trust.

Both the Arizona State Retirement and Arizona Public Safety Personnel Retirement systems subsidize the health insurance premium of eligible retirees depending on type of health plan chosen, coverage selected, and years of service.

For both the governmental and proprietary activities, the corresponding fund is used to liquidate the OPEB liability.

E. Annual OPEB Cost, Net OPEB Obligation and Net OPEB Liability

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the City's net OPEB obligation under GASB Statement No. 45:

ARC	\$ 7,171,851
ARC adjustment	(4,293,924)
Interest on the net OPEB obligation	3,498,680
Annual OPEB cost	<u>6,376,607</u>
Contributions made	<u>(6,759,218)</u>
Decrease in net OPEB obligation	(382,611)
Net OPEB obligation – beginning of year	<u>53,825,849</u>
Net OPEB obligation – end of year	<u><u>\$ 53,443,238</u></u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

E. Annual OPEB Cost, Net OPEB Obligation and Net OPEB Liability (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the new OPEB obligation for the fiscal years ended June 30, 2017, 2016, and 2015 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 5,934,935	\$ 6,430,514	108.4 %	\$ 54,146,452
2016	6,034,357	6,354,960	105.7	53,825,849
2017	6,376,607	6,759,218	106.0	53,443,238

GASB Statement No. 74 requires the disclosure of the Changes in Net OPEB Liability for the OPEB benefit plan as follows:

	Changes in Net OPEB Liability		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2016	\$ 91,423,513	\$ 11,117,487	\$ 80,306,026
Changes for the year:			
Service cost	300,495	-	300,495
Interest	5,742,386	-	5,742,386
Contributions- employer	-	6,759,218	(6,759,218)
Investment income	-	1,266,126	(1,266,126)
Investment expenses	-	(55,033)	55,033
Benefit payments	(6,759,218)	(6,759,218)	-
Net changes	(716,337)	(1,211,093)	(1,927,430)
Balance at 6/30/2017	\$ 90,707,176	\$ 12,328,580	\$ 78,378,596

Plan fiduciary net position as a percentage of total OPEB liability is 13.59% as of June 30, 2017.

F. Health Care Cost Trend Rate

The following minimum and maximum annual trend rates are applied for this projection:

Benefit	Minimum	Maximum
ASRS/PSPRS Pre-medicare	5.0%	8.98%
Medicare supplement	2.50	8.64

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

G. Funded Status and Funding Progress (most recent information available)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
7/1/2015	\$ 10,953,086	\$ 91,709,697	\$ 80,756,611	11.9%	\$ 40,237,602	200.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions and actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress immediately following the notes presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City will obtain a comprehensive actuarial valuation on a biannual basis.

H. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The investment rate reflects the expected long-term rate of return for the assets expected to pay the post-employment benefits. Significant methods and assumptions used for this fiscal year valuation, including calculation of the AAL for the Total OPEB Liability, were as follows:

Measurement date	June 30, 2017
Actuarial valuation date	July 1, 2015
Actuarial cost method	Entry age normal
Remaining amortization period	22 years, closed
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	See F. Health Care Cost Trend Rate
Investment rate of return	6.5%
Discount rate	6.5%
Projected payroll increases	3% per annum
Mortality rates	Based on the RP 2000 Employee Mortality Table, Projected to 2017 using Scale AA for active employees and RP 2000 Healthy Annuitant Mortality Table, Projected to 2017 using Scale AA for retirees
Amortization method	Level dollar

The Total OPEB Liability was adjusted from the actuarial valuation date to the measurement date using standard actuarial roll-forward techniques.

The long-term rate of return on OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

H. Actuarial Methods and Assumptions (Continued)

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rates of Return</u>
Cash & Equivalents	0%	Not applicable
Equity	65%	5.0%
Fixed Income	35%	2.5%
Real Estate	0%	Not applicable
Other	0%	<u>Not applicable</u>
Total	100%	4.13%

Discount rate. The discount rate used to measure the Total OPEB Liability is 6.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's Fiduciary Net Position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

I. Investments

Investment policy. The City's policy in regard to the allocation of invested assets is established and may be amended by the OPEB Retirement Investment Committee by a majority of vote of its members. It is the policy of the committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio. For the committee's adopted target asset allocation as of June 30, 2017, please refer to footnote H, "Actuarial Methods and Assumptions".

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.41%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

J. Sensitivity of the Net OPEB Liability

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Discount Rate:	\$88,038,036	\$78,378,596	\$71,441,175
Healthcare Cost Trend Rates:	63,266,315	78,378,596	89,063,198

NOTE 16 - DEFERRED COMPENSATION PLANS

The City offers its employees three compensation plans created in accordance with Internal Revenue Code, Section 457 and 401(K). The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator.

Federal legislation requires that Section 457 plan assets be held in trust for employees. As a result, the employee assets held in Section 457 plans are neither the property of the City nor subject to claims of the City's general creditors. Therefore, the plan assets are not included in the City's basic financial statements.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES

The City is exposed to risks arising from general liability, automobile liability (physical damage and bodily injury), property liability, workers compensation, and employee health claims.

The City has established a Risk Management Fund, Worker's Compensation Fund and Health Fund (all internal service funds) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service funds by all other funds and are available to pay claims and to fund claim reserves. As with any risk retention program, the City is contingently liable in respect to claims beyond those actuarially projected. These interfund premiums are used to cover the amount of claim expenditures reported in the internal service funds.

The City is a self-insured entity with excess commercial insurance coverage purchased for general and automobile liability, property, workers' compensation/employers' liability, crime and group health coverage. The coverage is as follows: for general and automobile liability the first \$2.0 million per occurrence is self-insured and excess coverage of \$40.0 million is provided; for property the self-insurance retention is the first \$100,000 per occurrence of all perils with a policy limit of \$870 million; for workers' compensation the first \$750,000 for police, firefighters, and EMTs' and \$500,000 for all others of each claim is self-insured, with excess coverage per the Arizona statutory workers' compensation requirements and \$2.0 million per occurrence in employer's liability; and for group health the self-insurance retention is \$275,000 per occurrence, with an aggregate stop loss deductible of \$18.1 million. During the year there were no significant reductions in the amounts of excess coverage purchased.

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2017, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

The following is a summary of changes in insurance claims liabilities, accounted for in the governmental and proprietary funds, for the last two fiscal years:

	June 30, 2016	Claims Incurred Net of Change in Estimates	Payments	June 30, 2017
General liability	\$ 2,471,692	\$ 479,927	\$ (750,737)	\$ 2,200,882
Automobile liability	-	941,848	(140,513)	801,335
Property liability	95,729	430,892	(123,621)	403,000
Workers' compensation	3,476,263	1,238,758	(2,033,041)	2,681,980
Health insurance	1,167,879	18,702,903	(18,517,053)	1,353,729
	<u>\$ 7,211,563</u>	<u>\$ 21,794,328</u>	<u>\$(21,564,965)</u>	<u>\$ 7,440,926</u>

	June 30, 2015	Claims Incurred Net of Change in Estimates	Payments	June 30, 2016
General liability	\$ 2,926,113	\$ 203,790	\$ (658,211)	\$ 2,471,692
Automobile liability	22,975	117,027	(140,002)	-
Property liability	104,007	257,542	(265,820)	95,729
Workers' compensation	3,124,925	2,630,513	(2,279,175)	3,476,263
Health insurance	1,210,970	15,692,734	(15,735,825)	1,167,879
	<u>\$ 7,388,990</u>	<u>\$ 18,901,606</u>	<u>\$(19,079,033)</u>	<u>\$ 7,211,563</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

At June 30, 2017, the Risk Management Fund accrued expenses totaled \$3,416,616. This balance includes the general liability, automobile liability and property liability of \$3,405,216 and other accrued expenses of \$11,400. The Worker's Compensation Fund had accrued expenses totaling \$2,681,980. The Health Fund had accrued expenses totaling \$1,353,729. Additionally, at June 30, 2017, the City had \$6,841,391 of General Fund assigned fund balance for self-insurance purposes.

NOTE 18 - CONTINGENT LIABILITIES

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

The City participates in federally-funded and state-funded programs administered by various government agencies. The programs included in these financial statements may be subject to program compliance and/or financial monitoring by the granting agency or its representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

On October 18, 2017 HUD issued Notice CPD-17-09 providing further clarification and guidance on the Management of Community Development Block Grant Assisted Real Property. This notice defines the expectations for the acquisition, management and disposition of Real Property. The City must be in compliance and have all currently held properties fulfilling a National Objective within the specified timeframes or the expenditures would be deemed invalid and the City would be required to reimburse HUD.

NOTE 19 - RELATED ORGANIZATION

The Industrial Development Authority (IDA) is a non-profit corporation established by the City in 1981 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Tempe. The Board of Directors of the IDA is appointed by the City Council; however, the City does not have a financial benefit/burden relationship nor is the City able to impose its will on the IDA as defined in GASB Statement No. 14; therefore, data for the IDA is not included in the City's basic financial statements. Separately issued financial statements are not available for the IDA.

NOTE 20 – TAX ABATEMENTS

The City has made commitments as part of our economic development programs to reimburse certain public improvement costs through transaction privilege taxes generated out of the respective development area. The total amount rebated in FY 2017 is \$3,965,622. Detailed information on such commitments is prohibited from disclosure under Arizona Revised Statute 42-2002 *Disclosure of Confidential Information Prohibited*.

In addition, the City enters into property tax abatement agreements with local businesses under Arizona Revised Statutes 42-6201 through 42-6210- Government Property Lease Excise Tax (GPLET). State law imposes an excise tax on buildings that are owned by the City, leased by a private party and occupied/used for commercial, residential rental or industrial purposes. The City is allowed to abate the tax for a period of eight years for both existing and new projects within redevelopment areas that are part of a single central business district.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

NOTE 20 – TAX ABATEMENTS (Continued)

For the fiscal year ended June 30, 2017, the difference between property taxes assessed and the GPLET collected totaled \$1,784,049 under this program, including the following tax abatement agreements that each exceed 10% of the total amount:

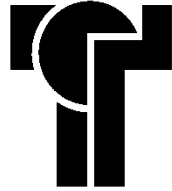
- A 27.4% property tax GPLET to a retail development for constructing a retail complex in the City. The GPLET amounted to \$488,659.
- A 14.0% property tax GPLET to a retail development in the downtown area. The difference between property taxes assessed and the GPLET collected amounted to \$250,030.

NOTE 21 - DEFICIT IN NET POSITION

The Worker's Compensation Fund had a deficit net position of \$9,195 at June 30, 2017. The deficit will be covered by future transfers from operating funds.

NOTE 22 – CLAIMS AND JUDGEMENTS

During the fiscal year, the Arizona Supreme Court ruled on the Hall v. Elected Officials Retirement Plan (EORP) and the Parker v. Public Safety Personnel Retirement System Plan lawsuits. The courts found that a 2011 law's increases in employee contribution rates for active PSPRS plan and EORP members hired prior to the law's effective date were unconstitutional. As a result, these members are entitled to refunds of their excess employee contributions, plus interest. Employers must provide these refunds because Internal Revenue Service regulations prevent PSPRS from issuing them from the plan's trusts. As such, the City refunded the excess contributions in August 2017. The excess contributions and interest totaling \$6,012,788 is reflected on the Statement of Net Position in Accrued Expenses and Statement of Activities within the respective function.



Required Supplementary Information

Schedule of Contributions

All Pension Plans

Last Three Fiscal Years

City of Tempe, Arizona

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:			
Actuarially determined contribution	\$ 7,887,785	\$ 7,731,482	\$ 7,738,771
Contributions in relation to the actuarially determined contribution	<u>7,887,785</u>	<u>7,731,482</u>	<u>7,738,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 73,170,548	\$ 71,257,899	\$ 71,063,096
Contributions as a percentage of covered-employee payroll	10.78%	10.85%	10.89%
Public Safety Personnel Retirement System			
Police:			
Actuarially determined contribution	\$ 12,852,861	\$ 12,604,739	\$ 9,727,183
Contributions in relation to the actuarially determined contribution	<u>12,852,861</u>	<u>12,604,739</u>	<u>9,727,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 28,606,412	\$ 28,627,615	\$ 28,889,762
Contributions as a percentage of covered-employee payroll	44.93%	44.03%	33.67%
Public Safety Personnel Retirement System			
Fire:			
Actuarially determined contribution	\$ 6,621,730	\$ 6,067,633	\$ 4,066,636
Contributions in relation to the actuarially determined contribution	<u>6,621,730</u>	<u>6,067,633</u>	<u>4,066,636</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 12,337,861	\$ 12,215,891	\$ 10,958,329
Contributions as a percentage of covered-employee payroll	53.67%	49.67%	37.11%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of the Proportionate Share of the Net Pension Liability

Arizona State Retirement System

Last Three Fiscal Years

City of Tempe, Arizona

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.78%	0.77%	0.76%
City's proportion share of the net pension liability	\$ 126,045,105	\$ 119,185,001	\$ 112,524,308
City's covered-employee payroll	\$ 71,257,899	\$ 71,063,096	\$ 69,182,112
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.89%	167.72%	162.65%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Police

Last Three Fiscal Years

City of Tempe, Arizona

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 5,378,159	\$ 5,468,695	\$ 5,447,093
Interest	19,846,810	19,315,142	16,537,700
Changes of benefit terms	13,183,597	-	4,426,439
Differences between expected and actual	(5,746,957)	(2,753,278)	(2,351,309)
Changes of assumptions	10,622,755	-	25,455,442
Benefit payments, including refunds	(15,820,570)	(14,604,348)	(13,685,124)
Net change in total pension liability	<u>27,463,794</u>	<u>7,426,211</u>	<u>35,830,241</u>
Total pension liability- beginning	258,046,807	250,620,596	214,790,355
Total pension liability- ending	<u>\$ 285,510,601</u>	<u>\$ 258,046,807</u>	<u>\$ 250,620,596</u>
Plan fiduciary net position			
Contributions- employer	\$ 12,552,708	\$ 9,804,542	\$ 9,132,346
Contributions- employee	3,597,316	3,641,788	3,253,980
Net investment income	653,674	3,769,779	12,456,186
Benefit payments, including refunds	(15,820,570)	(14,604,348)	(13,685,124)
Administrative expense	(94,459)	(92,360)	-
Other	(173,159)	(36,082)	(3,260,002)
Net change in plan fiduciary net position	<u>\$ 715,510</u>	<u>\$ 2,483,319</u>	<u>\$ 7,897,386</u>
Plan fiduciary net position- beginning	105,933,583	103,450,264	95,552,878
Plan fiduciary net position- ending	<u>\$ 106,649,093</u>	<u>\$ 105,933,583</u>	<u>\$ 103,450,264</u>
Net pension liability- ending	<u>\$ 178,861,508</u>	<u>\$ 152,113,224</u>	<u>\$ 147,170,332</u>
Plan fiduciary net position as a percentage of the total pension liability	37.35%	41.05%	41.28%
Covered-employee payroll	\$ 28,069,721	\$ 29,044,518	\$ 28,717,534
Net pension liability as a percentage of covered-employee payroll	637.20%	523.72%	512.48%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Fire

Last Three Fiscal Years

City of Tempe, Arizona

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 2,601,714	\$ 2,527,186	\$ 2,541,502
Interest	11,454,692	11,256,214	9,938,885
Changes of benefit terms	9,445,952	-	2,317,758
Differences between expected and actual	177,366	(1,631,037)	(861,599)
Changes of assumptions	5,723,255	-	12,031,993
Benefit payments, including refunds	(10,767,917)	(8,554,561)	(9,805,679)
Net change in total pension liability	<u>18,635,062</u>	<u>3,597,802</u>	<u>16,162,860</u>
Total pension liability- beginning	<u>150,002,751</u>	<u>146,404,949</u>	<u>130,242,089</u>
Total pension liability- ending	<u><u>\$ 168,637,813</u></u>	<u><u>\$ 150,002,751</u></u>	<u><u>\$ 146,404,949</u></u>
Plan fiduciary net position			
Contributions- employer	\$ 6,665,926	\$ 4,553,293	\$ 4,587,619
Contributions- employee	1,620,334	1,627,959	1,461,331
Net investment income	420,827	2,537,356	8,786,886
Benefit payments, including refunds	(10,767,917)	(8,554,561)	(9,805,679)
Administrative expense	(60,954)	(62,287)	-
Other	64,490	(36,284)	(3,124,665)
Net change in plan fiduciary net position	<u>\$ (2,057,294)</u>	<u>\$ 65,476</u>	<u>\$ 1,905,492</u>
Plan fiduciary net position- beginning	<u>71,208,968</u>	<u>71,143,492</u>	<u>69,238,000</u>
Plan fiduciary net position- ending	<u><u>\$ 69,151,674</u></u>	<u><u>\$ 71,208,968</u></u>	<u><u>\$ 71,143,492</u></u>
Net pension liability- ending	<u><u>\$ 99,486,139</u></u>	<u><u>\$ 78,793,783</u></u>	<u><u>\$ 75,261,457</u></u>
Plan fiduciary net position as a percentage of the total pension liability	41.01%	47.47%	48.59%
Covered-employee payroll	\$ 12,995,575	\$ 12,133,956	\$ 12,719,039
Net pension liability as a percentage of covered-employee payroll	765.54%	649.37%	591.72%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Funding Progress

Other Post Employment Benefits

Last Three Actuarial Valuations

City of Tempe, Arizona

Funded Status and Funding Progress (most recent information)

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll</u>
PSPRS- Police:						
2016	\$ 4,179,449	\$ 6,732,069	\$ 2,522,620	62.10 %	\$ 28,069,721	9.09 %
2015	4,145,779	6,270,573	2,124,794	66.11	29,044,518	7.32
2014	3,908,102	5,881,593	1,973,491	66.45	28,717,531	6.87
PSPRS- Fire:						
2016	\$ 3,777,423	\$ 3,376,002	\$ (401,421)	111.90 %	\$ 12,995,575	- %
2015	3,764,839	3,215,455	(549,384)	117.09	12,133,956	-
2014	3,600,744	3,168,939	(431,805)	113.63	12,719,049	-
Single Employer Plan:						
2015	\$ 10,953,086	\$ 91,709,697	\$ 80,756,611	11.9 %	\$ 40,237,602	200.7 %
2014	9,927,658	81,803,527	71,875,869	12.1	39,324,207	182.8
2013	4,530,000	77,305,345	72,775,345	5.9	44,539,774	163.4

Schedule of Contributions

OPEB Plan

Current Fiscal Year

City of Tempe, Arizona

	<u>2017</u>
Actuarially determined contribution	\$ 7,171,851
Contributions in relation to the actuarially determined contribution	<u>6,759,218</u>
Contribution deficiency (excess)	<u>\$ 412,633</u>
City's covered payroll	\$ 41,444,730
Contributions as a percentage of covered-employee payroll	16.31%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Changes in the Net OPEB Liability and Related Ratios

Current Fiscal Year

City of Tempe, Arizona

	<u>2017</u>
Total pension liability	
Service cost	\$ 300,495
Interest	5,742,386
Changes of benefit terms	-
Differences between expected and actual	-
Changes of assumptions	-
Benefit payments, including refunds	(6,759,218)
Net change in total OPEB liability	<u>(716,337)</u>
Total OPEB liability- beginning	91,423,513
Total OPEB liability- ending	<u>\$ 90,707,176</u>
Plan fiduciary net position	
Contributions- employer	\$ 6,759,218
Net investment income	1,211,093
Benefit payments, including refunds	(6,759,218)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	<u>1,211,093</u>
Plan fiduciary net position- beginning	11,117,487
Plan fiduciary net position- ending	<u>\$ 12,328,580</u>
Net OPEB liability- ending	<u>\$ 78,378,596</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.59%
Covered-employee payroll	\$ 41,444,730
Net OPEB liability as a percentage of covered-employee payroll	189.12%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Schedule of Investment Returns

OPEB Plan

Current Fiscal Year

City of Tempe, Arizona

2017

Annual money-weighted rate of return,
net of investment expense

11.41%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

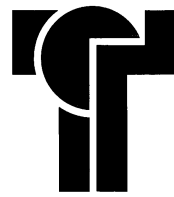
Notes to Required Supplementary Information

June 30, 2017

City of Tempe, Arizona

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2015 valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2016 valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues used to finance certain projects or activities as required by law or contractual agreement.

- **Performing Arts Fund.** To account for the receipt and expenditure of the Performing Arts Tax monies. These monies are restricted to financing the performing and visual arts center.
- **Highway User Revenue Fund.** To account for the receipt and expenditure of the City's share of the highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related general obligation debt.
- **Community Development Fund.** To account for the receipt and expenditure of U.S. Department of Housing and Urban Development Community Development Block Grant and Home Program monies.
- **Housing Assistance Fund.** To account for the receipt and expenditure of U.S. Department of Housing and Urban Development Lower Income Housing Assistance Program grant monies.
- **Housing Affordability Fund.** To account for the receipt and expenditure from contributions to assist in the development of long-term housing affordability solutions.
- **Donations and Court Awards.** To account for the receipt and expenditure of miscellaneous donations and revenue received from court awarded confiscated property under both the Federal and State Organized Crime Acts.
- **Grants.** To account for the receipt and expenditure of miscellaneous grant monies.
- **Community Facilities District.** To account for the receipt and expenditure of monies for the Rio Salado Community Facilities District.

NON-MAJOR GOVERNMENTAL FUNDS (continued)

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for all current financial resources used for the acquisition of capital facilities except those financed by Enterprise Funds. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major sources of financing are derived from bond proceeds and special revenues.

- **Streets Fund.** Used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- **Police Fund.** Used for purchasing, constructing and equipping public safety buildings.
- **Fire Fund.** Used for purchasing, constructing and equipping fire stations.
- **Storm Sewers Fund.** Used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- **Parks Fund.** Used for acquiring, developing and equipping parks, playgrounds and recreation facilities.
- **Rio Salado Fund.** Used for consulting and engineering studies necessary for the design of the Rio Salado projects and for constructing a wildlife habitat.
- **Community Development Fund.** Used for acquiring, reconstructing, remodeling, renovating and equipping existing buildings that house municipal departments, and for acquiring and constructing housing for the elderly and the redevelopment of the downtown area.
- **Signals Fund.** Used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.
- **Community Facilities District.** Used for the improving and constructing in the Rio Salado Community Facilities District.

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2017

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
Assets				
Pooled cash and investments	\$ -	\$ 9,704,366	\$ 127,698	\$ 210,713
Receivables:				
Taxes	1,056,999	1,052,441	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	545,740	-
Inventories	-	921,208	-	-
Prepaid items	-	-	-	702,591
Restricted cash and investments	3,153,926	-	15,991	-
Total assets	<u>\$ 4,210,925</u>	<u>\$ 11,678,015</u>	<u>\$ 689,429</u>	<u>\$ 913,304</u>
Liabilities				
Accounts payable	\$ 61,545	\$ 246,505	\$ 223,951	\$ 23,174
Deposits	-	-	-	-
Accrued expenditures	132,866	78,101	5,448	187,539
Due to other funds	276,938	-	-	-
Unearned revenue	-	-	-	-
Matured bonds payable	2,880,000	-	-	-
Matured interest payable	273,925	-	33,720	-
Total liabilities	<u>3,625,274</u>	<u>324,606</u>	<u>263,119</u>	<u>210,713</u>
Deferred Inflows of Resources				
Unavailable revenue- federal grants	-	-	309,692	-
Unavailable revenue- grants	-	-	-	-
Unavailable revenue- other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>309,692</u>	<u>-</u>
Fund Balances				
Fund balance:				
Non-spendable	-	921,208	-	702,591
Restricted	585,651	10,432,201	116,618	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	<u>585,651</u>	<u>11,353,409</u>	<u>116,618</u>	<u>702,591</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,210,925</u>	<u>\$ 11,678,015</u>	<u>\$ 689,429</u>	<u>\$ 913,304</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ 50,752	\$ 2,259,750	\$ 461,499	\$ 2,111,004	\$ 14,925,782
-	-	-	-	2,109,440
56	4,704	-	-	4,760
-	10,399	1,294,257	-	1,850,396
-	-	-	-	921,208
-	-	-	-	702,591
-	15,995	-	2,378,266	5,564,178
<u>\$ 50,808</u>	<u>\$ 2,290,848</u>	<u>\$ 1,755,756</u>	<u>\$ 4,489,270</u>	<u>\$ 26,078,355</u>
\$ -	\$ 56,237	\$ 134,440	\$ 58,156	\$ 804,008
-	-	89,670	-	89,670
-	509	2,910	2,836	410,209
-	-	-	-	276,938
-	-	946,754	-	946,754
-	-	-	2,190,000	5,070,000
-	-	-	186,450	494,095
<u>-</u>	<u>56,746</u>	<u>1,173,774</u>	<u>2,437,442</u>	<u>8,091,674</u>
-	-	96,231	-	405,923
-	-	30,604	-	30,604
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>126,835</u>	<u>-</u>	<u>436,527</u>
-	-	-	-	1,623,799
50,808	1,154,706	455,147	2,051,828	14,846,959
-	892,053	-	-	892,053
-	187,343	-	-	187,343
<u>50,808</u>	<u>2,234,102</u>	<u>455,147</u>	<u>2,051,828</u>	<u>17,550,154</u>
<u>\$ 50,808</u>	<u>\$ 2,290,848</u>	<u>\$ 1,755,756</u>	<u>\$ 4,489,270</u>	<u>\$ 26,078,355</u>

(continued)

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2017

Capital Projects

	Streets	Police	Fire	Storm Sewers	Parks
Assets					
Pooled cash and investments	\$ 3,991,532	\$ 1,454,030	\$ 1,403,271	\$ 28,568	\$ 9,272,722
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	55,007	-	60,156
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 3,991,532</u>	<u>\$ 1,454,030</u>	<u>\$ 1,458,278</u>	<u>\$ 28,568</u>	<u>\$ 9,332,878</u>
Liabilities					
Accounts payable	\$ 995,226	\$ 665,623	\$ 11,724	\$ -	\$ 538,682
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>995,226</u>	<u>665,623</u>	<u>11,724</u>	<u>-</u>	<u>538,682</u>
Deferred Inflows of Resources					
Unavailable revenue- federal grants	-	-	-	-	-
Unavailable revenue- grants	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	60,156
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,156</u>
Fund Balances					
Fund balance:					
Non-spendable	-	-	-	-	-
Restricted	71,022	346,686	423,858	-	1,375,740
Committed	2,425,022	137,242	510,103	4,420	7,102,850
Assigned	500,262	304,479	512,593	24,148	255,450
Total fund balances	<u>2,996,306</u>	<u>788,407</u>	<u>1,446,554</u>	<u>28,568</u>	<u>8,734,040</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,991,532</u>	<u>\$ 1,454,030</u>	<u>\$ 1,458,278</u>	<u>\$ 28,568</u>	<u>\$ 9,332,878</u>

Capital Projects

Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Non-major Governmental Funds
\$ 1,075,606	\$ 5,255,384	\$ 1,005,003	\$ 1,564,709	\$ 25,050,825	\$ 39,976,607
-	-	-	-	-	2,109,440
-	-	633	-	115,796	115,796
-	-	-	-	-	4,760
-	-	215,393	-	215,393	2,065,789
-	-	-	-	-	921,208
-	-	-	-	-	702,591
-	-	-	-	-	5,564,178
<u>\$ 1,075,606</u>	<u>\$ 5,255,384</u>	<u>\$ 1,221,029</u>	<u>\$ 1,564,709</u>	<u>\$ 25,382,014</u>	<u>\$ 51,460,369</u>
\$ 36,817	\$ 387,222	\$ 172,375	\$ -	\$ 2,807,669	\$ 3,611,677
-	-	-	-	-	89,670
-	-	-	-	-	410,209
-	-	-	-	-	276,938
-	-	-	-	-	946,754
-	-	-	-	-	5,070,000
-	-	-	-	-	494,095
<u>36,817</u>	<u>387,222</u>	<u>172,375</u>	<u>-</u>	<u>2,807,669</u>	<u>\$ 10,899,343</u>
-	-	215,393	-	215,393	621,316
-	-	-	-	-	30,604
-	-	-	-	60,156	60,156
-	-	215,393	-	275,549	712,076
-	-	-	-	-	1,623,799
-	-	213,282	-	2,430,588	17,277,547
177,973	2,763,008	75,384	1,455,330	14,651,332	15,543,385
860,816	2,105,154	544,595	109,379	5,216,876	5,404,219
<u>1,038,789</u>	<u>4,868,162</u>	<u>833,261</u>	<u>1,564,709</u>	<u>22,298,796</u>	<u>39,848,950</u>
<u>\$ 1,075,606</u>	<u>\$ 5,255,384</u>	<u>\$ 1,221,029</u>	<u>\$ 1,564,709</u>	<u>\$ 25,382,014</u>	<u>\$ 51,460,369</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
Revenues:				
Sales taxes	\$ 8,084,891	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	2,701,799	8,714,550
State grants	-	-	-	-
State sales tax	-	11,336,801	-	-
Other	-	-	-	-
Investment income	-	-	19	-
Charges for services	785,286	131,261	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	403,470	-	-	-
Miscellaneous	23,042	3,506	473,559	61,501
Total revenues	<u>9,296,689</u>	<u>11,471,568</u>	<u>3,175,377</u>	<u>8,776,051</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	3,766,752	-	-	-
Public works	-	9,191,444	-	-
Community development	-	-	-	-
Human services	-	-	2,619,170	9,387,893
Municipal court	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Office of strategic management and diversity	-	-	-	-
Debt service:				
Principal retirement	2,880,000	-	387,000	-
Interest	558,073	-	81,195	-
Fiscal fees	4,746	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,209,571</u>	<u>9,191,444</u>	<u>3,087,365</u>	<u>9,387,893</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>2,087,118</u>	<u>2,280,124</u>	<u>88,012</u>	<u>(611,842)</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	1,115,956	-	1,381,401
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
Special revenue funds	-	-	-	-
Debt service funds	-	(4,922)	-	-
Capital projects funds	(1,058,014)	(2,319,000)	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from sale of capital assets	20,455	126,255	-	-
Issuance of refunding bonds	-	-	-	-
Total other financing sources (uses)	<u>(1,037,559)</u>	<u>(1,081,711)</u>	<u>-</u>	<u>1,381,401</u>
Net change in fund balances	1,049,559	1,198,413	88,012	769,559
Fund balance at beginning of year	(463,908)	10,154,996	28,606	(66,968)
Fund balance at end of year	<u>\$ 585,651</u>	<u>\$ 11,353,409</u>	<u>\$ 116,618</u>	<u>\$ 702,591</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,084,891
-	-	1,771,887	-	13,188,236
-	-	452,168	-	452,168
-	-	-	-	11,336,801
-	3,324	4,414,644	-	4,417,968
167	4,556	69	-	4,811
-	264,650	18,519	2,719,403	3,919,119
-	493,214	394,414	-	887,628
-	-	-	-	403,470
-	419,289	42,569	-	1,023,466
<u>167</u>	<u>1,185,033</u>	<u>7,094,270</u>	<u>2,719,403</u>	<u>43,718,558</u>
-	-	3,756,152	-	3,756,152
-	7,893	279,183	-	287,076
-	243,085	592,737	-	4,602,574
-	-	37,952	-	9,229,396
-	37,708	6,872	2,156,487	2,201,067
-	227,703	519,180	-	12,753,946
-	397,322	91,080	-	488,402
-	112,722	500,000	-	612,722
-	-	20,532	-	20,532
-	(2,000)	12,422	-	10,422
-	-	-	14,840,000	18,107,000
-	-	-	902,755	1,542,023
-	-	-	168,580	173,326
-	-	-	-	-
<u>-</u>	<u>1,024,433</u>	<u>5,816,110</u>	<u>18,067,822</u>	<u>53,784,638</u>
<u>167</u>	<u>160,600</u>	<u>1,278,160</u>	<u>(15,348,419)</u>	<u>(10,066,080)</u>
-	-	-	-	2,497,357
-	-	200,000	-	200,000
-	-	-	3,045,950	3,045,950
-	-	-	-	-
-	-	-	-	-
-	(200,000)	-	-	(200,000)
-	-	-	-	(4,922)
-	-	-	-	(3,377,014)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	146,710
-	-	-	13,106,375	13,106,375
<u>-</u>	<u>(200,000)</u>	<u>200,000</u>	<u>16,152,325</u>	<u>15,414,456</u>
167	(39,400)	1,478,160	803,906	5,348,376
50,641	2,273,502	(1,023,013)	1,247,922	12,201,778
<u>\$ 50,808</u>	<u>\$ 2,234,102</u>	<u>\$ 455,147</u>	<u>\$ 2,051,828</u>	<u>\$ 17,550,154</u>

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2017

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	296,554
Investment income	1,668	1,610	1,448	-	9,142
Charges for services	475,831	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	38,089	252,506	193,564	-	284,755
Miscellaneous	-	-	-	-	-
Total revenues	<u>515,588</u>	<u>254,116</u>	<u>195,012</u>	<u>-</u>	<u>590,451</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Human services	-	-	-	-	-
Municipal court	-	-	-	-	-
City manager	-	-	-	-	-
City attorney	-	-	-	-	-
Office of strategic management and diversity	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Fiscal fees	-	-	-	-	-
Capital outlay	6,307,853	2,392,099	1,461,010	236,773	6,139,306
Total expenditures	<u>6,307,853</u>	<u>2,392,099</u>	<u>1,461,010</u>	<u>236,773</u>	<u>6,139,306</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(5,792,265)	(2,137,983)	(1,265,998)	(236,773)	(5,548,855)
Other financing sources (uses):					
Transfers in:					
General fund	90,000	-	-	-	1,390,524
Special revenue funds	2,000,000	-	-	-	-
Debt service funds	-	-	-	-	1,848,149
Capital projects funds	-	20,400	74,320	-	73,524
Enterprise funds	-	-	-	-	133,058
Transfers out:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	(20,400)	-	(230,003)
Issuance of debt	774,000	2,065,000	1,575,000	236,000	4,357,300
Premium on issuance of debt	320,000	275,000	205,000	-	610,000
Proceeds from sale of capital assets	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Total other financing sources (uses)	<u>3,184,000</u>	<u>2,360,400</u>	<u>1,833,920</u>	<u>236,000</u>	<u>8,182,552</u>
Net change in fund balances	(2,608,265)	222,417	567,922	(773)	2,633,697
Fund balance at beginning of year	5,604,571	565,990	878,632	29,341	6,100,343
Fund balance at end of year	<u>\$ 2,996,306</u>	<u>\$ 788,407</u>	<u>\$ 1,446,554</u>	<u>\$ 28,568</u>	<u>\$ 8,734,040</u>

Capital Projects					
Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,084,891
-	-	455,818	-	455,818	13,644,054
-	-	-	-	-	452,168
-	-	-	-	-	11,336,801
-	-	-	-	296,554	4,714,522
-	1,045	136	-	15,049	19,860
-	-	-	130,823	606,654	4,525,773
-	-	-	-	-	887,628
-	-	126,146	-	895,060	1,298,530
-	53,471	-	-	53,471	1,076,937
-	54,516	582,100	130,823	2,322,606	46,041,164
-	-	-	-	-	3,756,152
-	-	-	-	-	287,076
-	-	-	-	-	4,602,574
-	-	-	-	-	9,229,396
-	-	-	-	-	2,201,067
-	-	-	-	-	12,753,946
-	-	-	-	-	488,402
-	-	-	-	-	612,722
-	-	-	-	-	20,532
-	-	-	-	-	10,422
-	-	-	-	-	18,107,000
-	-	-	-	-	1,542,023
-	-	-	-	-	173,326
841,047	4,931,094	1,993,736	189,730	24,492,648	24,492,648
841,047	4,931,094	1,993,736	189,730	24,492,648	78,277,286
(841,047)	(4,876,578)	(1,411,636)	(58,907)	(22,170,042)	(32,236,122)
306,000	1,971,939	-	-	3,758,463	6,255,820
-	1,308,894	180,000	-	3,488,894	3,688,894
-	361,530	-	-	2,209,679	5,255,629
155,683	58,170	-	-	382,097	382,097
8,386	362,075	-	-	503,519	503,519
-	-	-	-	-	(200,000)
-	-	-	-	-	(4,922)
(55,759)	(75,935)	-	-	(382,097)	(3,759,111)
332,700	1,540,000	1,410,000	-	12,290,000	12,290,000
-	200,000	-	-	1,610,000	1,610,000
-	-	-	-	-	146,710
-	-	-	-	-	13,106,375
747,010	5,726,673	1,590,000	-	23,860,555	39,275,011
(94,037)	850,095	178,364	(58,907)	1,690,513	7,038,889
1,132,826	4,018,067	654,897	1,623,616	20,608,283	32,810,061
\$ 1,038,789	\$ 4,868,162	\$ 833,261	\$ 1,564,709	\$ 22,298,796	\$ 39,848,950

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other government units, on a cost reimbursement basis.

- **Risk Management Fund.** Used to account for the costs of general liability, automobile liability, and property liability claims by the City under a self-insurance program.
- **Worker's Compensation Fund.** Used to account for the costs incurred for worker's compensation claims by the City under a self-insurance program.
- **Health Fund.** Accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Assets				
Current assets:				
Pooled cash and investments	\$ 5,856,026	\$ 2,689,918	\$ 3,249,748	\$ 11,795,692
Accounts receivable	-	-	571,451	571,451
Accrued interest receivable	-	3,734	-	3,734
Total assets	<u>5,856,026</u>	<u>2,693,652</u>	<u>3,821,199</u>	<u>12,370,877</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	153,593	-	-	153,593
Total deferred outflows of resources	<u>153,593</u>	<u>-</u>	<u>-</u>	<u>153,593</u>
Liabilities				
Current liabilities:				
Accounts payable	85,473	20,867	37,328	143,668
Accrued expenses and claims payable	3,416,616	2,681,980	1,353,729	7,452,325
Total current liabilities	<u>3,502,089</u>	<u>2,702,847</u>	<u>1,391,057</u>	<u>7,595,993</u>
Noncurrent liabilities:				
Net OPEB obligation	59,774	-	-	59,774
Net pension liability	797,206	-	-	797,206
Total noncurrent liabilities	<u>856,980</u>	<u>-</u>	<u>-</u>	<u>856,980</u>
Total liabilities	<u>4,359,069</u>	<u>2,702,847</u>	<u>1,391,057</u>	<u>8,452,973</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	100,524	-	-	100,524
Total deferred inflows of resources	<u>100,524</u>	<u>-</u>	<u>-</u>	<u>100,524</u>
Net Position				
Unrestricted	1,550,026	(9,195)	2,430,142	3,970,973
Total net position	<u>\$ 1,550,026</u>	<u>\$ (9,195)</u>	<u>\$ 2,430,142</u>	<u>\$ 3,970,973</u>

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	<u>Risk Management</u>	<u>Worker's Compensation</u>	<u>Health</u>	<u>Total</u>
Operating revenues:				
Contributions	\$ 3,392,193	\$ 1,207,891	\$ 28,650,433	\$ 33,250,517
Total operating revenues	<u>3,392,193</u>	<u>1,207,891</u>	<u>28,650,433</u>	<u>33,250,517</u>
Operating expenses:				
Fees and services	3,392,193	1,238,758	29,464,705	34,095,656
Total operating expenses	<u>3,392,193</u>	<u>1,238,758</u>	<u>29,464,705</u>	<u>34,095,656</u>
Operating income (loss)	-	(30,867)	(814,272)	(845,139)
Nonoperating revenues				
Investment income	-	11,770	-	11,770
Total nonoperating revenues	<u>-</u>	<u>11,770</u>	<u>-</u>	<u>11,770</u>
Changes in net position	-	(19,097)	(814,272)	(833,369)
Total net position - beginning	1,550,026	9,902	3,244,414	4,804,342
Total net position - ending	<u>\$ 1,550,026</u>	<u>\$ (9,195)</u>	<u>\$ 2,430,142</u>	<u>\$ 3,970,973</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Cash flows from operating activities:				
Receipts from other funds	\$ 3,392,193	\$ 1,207,891	\$ 28,513,352	\$ 33,113,436
Reduction in (payments for) settlement of claims	(2,637,530)	(2,047,096)	(29,296,423)	(33,981,049)
Net cash provided by (used) in operating activities	<u>754,663</u>	<u>(839,205)</u>	<u>(783,071)</u>	<u>(867,613)</u>
Cash flows from investing activities:				
Interest received	-	10,171	-	10,171
Net cash provided (used) by investing activities	-	10,171	-	10,171
Net increase (decrease) in cash and cash equivalents	754,663	(829,034)	(783,071)	(857,442)
Cash and cash equivalents, beginning of year	<u>5,101,363</u>	<u>3,518,952</u>	<u>4,032,819</u>	<u>12,653,134</u>
Cash and cash equivalents, end of year	<u>\$ 5,856,026</u>	<u>\$ 2,689,918</u>	<u>\$ 3,249,748</u>	<u>\$ 11,795,692</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ -	\$ (30,867)	\$ (814,272)	\$ (845,139)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in receivables	-	-	(137,081)	(137,081)
(Increase) decrease in prepaid expenses	-	-	73,079	73,079
Increase (decrease) in accounts payable	(56,137)	(8,538)	(90,647)	(155,322)
Increase (decrease) in accrued expenses	820,140	(799,800)	185,850	206,190
(Increase) decrease in deferred outflows	(80,791)	-	-	(80,791)
Increase (decrease) in deferred inflows	21,694	-	-	21,694
Increase (decrease) in net pension liability	43,441	-	-	43,441
Increase (decrease) in net OPEB obligation	6,316	-	-	6,316
Net cash provided (used) by operating activities	<u>\$ 754,663</u>	<u>\$ (839,205)</u>	<u>\$ (783,071)</u>	<u>\$ (867,613)</u>



**Other Supplementary Information
BUDGETARY COMPARISON SCHEDULES**

Combined Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

General, Debt Service, Special Revenue, Capital Projects and Enterprise Fund Types

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 201,336,874	\$ 208,677,872	\$ 7,340,998
Intergovernmental	82,975,413	77,806,660	(5,168,753)
Investment income	1,656,500	2,754,501	1,098,001
Charges for services	128,063,140	134,921,931	6,858,791
Fines and forfeitures	9,087,282	8,982,209	(105,073)
Licenses and permits	4,438,000	5,446,638	1,008,638
Other entities' participation	1,290,737	1,911,822	621,085
Miscellaneous	15,615,548	11,529,492	(4,086,056)
Contingency	12,948,070	-	(12,948,070)
Total revenues	457,411,564	452,031,125	(5,380,439)
Expenditures			
Current:			
Police	87,883,138	85,339,649	2,543,489
Fire	36,050,779	33,549,703	2,501,076
Community services	41,932,163	31,985,662	9,946,501
Public works	235,409,452	194,826,376	40,583,076
Community development	30,734,783	16,470,914	14,263,869
Human services	10,171,334	17,578,041	(7,406,707)
Mayor and council	518,478	416,745	101,733
Municipal court	5,765,425	4,878,895	886,530
City manager	8,008,634	6,938,116	1,070,518
City attorney	3,323,875	3,107,550	216,325
Internal audit office	465,269	408,779	56,490
Municipal budget office	286,996	262,390	24,606
Office of strategic management and diversity	954,483	929,441	25,042
City clerk and elections	783,932	757,945	25,987
Internal services	27,380,533	31,551,001	(4,170,468)
Contingency	14,241,183	-	14,241,183
Interdepartmental charges	(14,900,822)	(15,189,422)	288,600
Debt Service:			
Principal	52,928,982	69,417,099	(16,488,117)
Interest and fiscal fees	25,469,050	23,168,755	2,300,295
Total expenditures	567,407,667	506,397,639	61,010,028
Other financing sources (uses)			
Transfers from other funds	32,941,195	34,501,986	1,560,791
Transfers to other funds	(35,325,877)	(34,555,905)	769,972
Issuance of debt	63,268,434	32,810,000	(30,458,434)
Premium on issuance of debt	-	4,765,950	4,765,950
Proceeds of refunding bonds	-	34,095,000	34,095,000
Payment to refunded bond escrow agent	-	(19,082,453)	(19,082,453)
Proceeds (loss) from sale of capital assets	80,000	4,717,312	4,637,312
Total other financing sources (uses)	60,963,752	57,251,890	(3,711,862)
Net change in fund balance	\$ (49,032,351)	\$ 2,885,376	\$ 51,917,727

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

General Obligation Debt Service Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 26,577,755	\$ 26,381,781	\$ (195,974)
Intergovernmental other	3,236,263	2,463,607	(772,656)
Investment income	-	27,921	27,921
Total revenues	<u>29,814,018</u>	<u>28,873,309</u>	<u>(940,709)</u>
Expenditures:			
Debt service:			
Principal	17,125,459	18,335,000	(1,209,541)
Interest and fiscal fees	8,120,042	6,840,371	1,279,671
Total expenditures	<u>25,245,501</u>	<u>25,175,371</u>	<u>70,130</u>
Excess (deficiency) of revenues over expenditures	4,568,517	3,697,938	(870,579)
Other financing sources (uses):			
Transfers in	6,912,505	6,994,326	81,821
Transfers out	(11,418,100)	(11,502,150)	(84,050)
Premium on issuance of debt	-	144,028	144,028
Proceeds of refunding bonds	-	1,683,625	1,683,625
Total other financing sources (uses)	<u>(4,505,595)</u>	<u>(2,680,171)</u>	<u>1,825,424</u>
Net change in fund balance	<u>\$ 62,922</u>	<u>\$ 1,017,767</u>	<u>\$ 954,845</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Special Assessment Debt Service

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 1,127	\$ 1,127
Special assessments	2,209,650	2,173,798	(35,852)
Miscellaneous	-	3,946	3,946
Total revenues	<u>2,209,650</u>	<u>2,178,871</u>	<u>(30,779)</u>
Expenditures:			
Current:			
Public works	-	48	(48)
Debt service:			
Principal	1,250,000	1,250,000	-
Interest and fiscal fees	959,650	961,150	(1,500)
Total expenditures	<u>2,209,650</u>	<u>2,211,198</u>	<u>(1,548)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (32,327)</u>	<u>\$ (32,327)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Performing Arts Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 7,548,857	\$ 8,084,891	\$ 536,034
Investment income	7,500	8,007	507
Charges for services	1,349,100	785,286	(563,814)
Miscellaneous	200,000	426,512	226,512
Total revenues	<u>9,105,457</u>	<u>9,304,696</u>	<u>199,239</u>
Expenditures:			
Current:			
Community services	4,006,160	3,759,533	246,627
Debt service:			
Principal	2,880,000	2,880,000	-
Interest and fiscal fees	557,850	562,819	(4,969)
Total expenditures	<u>7,444,010</u>	<u>7,202,352</u>	<u>241,658</u>
Excess (deficiency) of revenues over expenditures	1,661,447	2,102,344	440,897
Other financing uses:			
Transfers out	(1,058,014)	(1,058,014)	-
Proceeds on sale of assets	-	20,455	20,455
Total other financing uses	<u>(1,058,014)</u>	<u>(1,037,559)</u>	<u>20,455</u>
Net change in fund balance	<u>\$ 603,433</u>	<u>\$ 1,064,785</u>	<u>\$ 461,352</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
State sales tax	\$ 10,640,302	\$ 11,336,801	\$ 696,499
Other	450,000	-	(450,000)
Charges for services	84,300	131,261	46,961
Miscellaneous	2,000	3,506	1,506
Total revenues	<u>11,176,602</u>	<u>11,471,568</u>	<u>294,966</u>
Expenditures:			
Current:			
Public works	10,643,390	9,310,639	1,332,751
Total expenditures	<u>10,643,390</u>	<u>9,310,639</u>	<u>1,332,751</u>
Excess (deficiency) of revenues over expenditures	533,212	2,160,929	1,627,717
Other financing sources (uses):			
Transfers in	1,300,000	1,115,956	(184,044)
Transfers out	(2,323,941)	(2,323,922)	19
Proceeds from sale of capital assets	-	126,255	126,255
Total other financing sources (uses)	<u>(1,023,941)</u>	<u>(1,081,711)</u>	<u>(57,770)</u>
Net change in fund balance	<u>\$ (490,729)</u>	<u>\$ 1,079,218</u>	<u>\$ 1,569,947</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Community Development Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 3,277,645	\$ 2,701,799	\$ (575,846)
Investment income	-	19	19
Miscellaneous	919,533	473,559	(445,974)
Total revenues	<u>4,197,178</u>	<u>3,175,377</u>	<u>(1,021,801)</u>
Expenditures:			
Current:			
Community development	3,727,645	2,616,379	1,111,266
Debt service:			
Principal	387,000	387,000	-
Interest and fiscal fees	82,533	81,195	1,338
Total expenditures	<u>4,197,178</u>	<u>3,084,574</u>	<u>1,112,604</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 90,803</u>	<u>\$ 90,803</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 9,418,710	\$ 8,714,550	\$ (704,160)
Miscellaneous	1,035,000	61,501	(973,499)
Total revenues	<u>10,453,710</u>	<u>8,776,051</u>	<u>(1,677,659)</u>
Expenditures:			
Current:			
Human services	10,643,710	9,381,473	1,262,237
Total expenditures	<u>10,643,710</u>	<u>9,381,473</u>	<u>1,262,237</u>
Deficiency of revenues over expenditures	(190,000)	(605,422)	(415,422)
Other financing sources (uses):			
Transfers in	190,000	1,381,401	1,191,401
Total other financing sources (uses)	<u>190,000</u>	<u>1,381,401</u>	<u>1,191,401</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 775,979</u>	<u>\$ 775,979</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Housing Affordability Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ -	\$ -	\$ -
Investment income	-	464	464
Total revenues	<u>-</u>	<u>464</u>	<u>464</u>
Expenditures:			
Current:			
Human services	51,000	-	51,000
Total expenditures	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Net change in fund balance	<u>\$ (51,000)</u>	<u>\$ 464</u>	<u>\$ 51,464</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Donations and Court Awards Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ 850	\$ 3,324	\$ 2,474
Investment income	-	7,153	7,153
Charges for services	128,066	264,650	136,584
Fines and forfeitures	484,214	493,214	9,000
Other entities' participation	818,922	385,140	(433,782)
Miscellaneous	5,901	34,149	28,248
Contingency	437,263	-	(437,263)
Total revenues	1,875,216	1,187,630	(687,586)
Expenditures:			
Current:			
Fire	92,735	7,893	84,842
Community services	881,342	243,085	638,257
Public works	5,860	-	5,860
Community development	446,246	37,708	408,538
Human services	454,837	227,703	227,134
Municipal court	1,293,477	397,322	896,155
City manager	452,698	112,722	339,976
Office of strategic management and diversity	-	(2,000)	2,000
Contingency	437,263	-	437,263
Total expenditures	4,064,458	1,024,433	3,040,025
Excess (deficiency) of revenues over expenditures	(2,189,242)	163,197	2,352,439
Other financing sources (uses):			
Transfers out	-	(200,000)	(200,000)
Total other financing sources (uses)	-	(200,000)	(200,000)
Net change in fund balance	\$ (2,189,242)	\$ (36,803)	\$ 2,152,439

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Grants Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 2,503,889	\$ 1,539,594	\$ (964,295)
State grants	484,130	429,839	(54,291)
Intergovernmental other	1,650,841	4,428,860	2,778,019
Investment income	-	69	69
Charges for services	8,355	18,519	10,164
Fines and forfeitures	400,000	394,414	(5,586)
Other entities' participation	-	13,816	13,816
Miscellaneous	3,073,854	28,753	(3,045,101)
Contingency	8,250,807	-	(8,250,807)
Total revenues	<u>16,371,876</u>	<u>6,853,864</u>	<u>(9,518,012)</u>
Expenditures:			
Current:			
Police	5,552,743	3,833,147	1,719,596
Fire	272,143	279,183	(7,040)
Community services	1,165,266	592,737	572,529
Public works	176,833	69,672	107,161
Community development	47,984	6,872	41,112
Human services	1,264,059	519,180	744,879
Municipal court	100,000	91,080	8,920
City manager	1,034,538	500,000	534,538
City attorney	190,598	20,532	170,066
Office of strategic management and diversity	30,000	12,422	17,578
Contingency	8,309,785	-	8,309,785
Total expenditures	<u>18,143,949</u>	<u>5,924,825</u>	<u>12,219,124</u>
Excess (deficiency) of revenues over expenditures	(1,772,073)	929,039	2,701,112
Other financing uses:			
Transfers in	-	200,000	200,000
Total other financing uses	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balance	<u>\$ (1,772,073)</u>	<u>\$ 1,129,039</u>	<u>\$ 2,901,112</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Community Facilities District Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,793,440	\$ 2,719,403	\$ (74,037)
Total revenues	<u>2,793,440</u>	<u>2,719,403</u>	<u>(74,037)</u>
Expenditures:			
Current:			
Community development	2,793,440	2,156,487	636,953
Debt service:			
Principal	2,190,000	14,840,000	(12,650,000)
Interest and fiscal fees	860,750	1,071,335	(210,585)
Total expenditures	<u>5,844,190</u>	<u>18,067,822</u>	<u>(12,223,632)</u>
Deficiency of revenues over expenditures	(3,050,750)	(15,348,419)	(12,297,669)
Other financing sources (uses):			
Transfers in	3,045,950	3,045,950	-
Proceeds of refunding bonds	-	13,106,375	13,106,375
Total other financing sources (uses)	<u>3,045,950</u>	<u>16,152,325</u>	<u>13,106,375</u>
Net change in fund balance	<u>\$ (4,800)</u>	<u>\$ 803,906</u>	<u>\$ 808,706</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Transit Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 6,679,592	\$ 3,430,747	\$ (3,248,845)
Investment income	-	442	442
Other entities' participation	-	128,491	128,491
Miscellaneous	-	23,228	23,228
Contingency	2,500,000	-	(2,500,000)
Total revenues	<u>9,179,592</u>	<u>3,582,908</u>	<u>(5,596,684)</u>
Expenditures:			
Current:			
Public works	20,197,707	7,410,459	12,787,248
Total expenditures	<u>20,197,707</u>	<u>7,410,459</u>	<u>12,787,248</u>
Deficiency of revenues over expenditures	(11,018,115)	(3,827,551)	7,190,564
Other financing sources (uses):			
Transfers in	4,668,750	4,769,750	101,000
Total other financing sources (uses)	<u>4,668,750</u>	<u>4,769,750</u>	<u>101,000</u>
Net change in fund balance	<u>\$ (6,349,365)</u>	<u>\$ 942,199</u>	<u>\$ 7,291,564</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Streets Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 427,831	\$ -	\$ (427,831)
Investment income	-	1,668	1,668
Charges for services	-	475,831	475,831
Other entities' participation	-	38,089	38,089
Miscellaneous	315,000	-	(315,000)
Contingency	830,000	-	(830,000)
Total revenues	<u>1,572,831</u>	<u>515,588</u>	<u>(1,057,243)</u>
Expenditures:			
Current:			
Public works	11,150,131	8,732,875	2,417,256
Total expenditures	<u>11,150,131</u>	<u>8,732,875</u>	<u>2,417,256</u>
Deficiency of revenues over expenditures	(9,577,300)	(8,217,287)	1,360,013
Other financing sources (uses):			
Transfers in	2,090,000	2,090,000	-
Issuance of debt	2,827,572	774,000	(2,053,572)
Premium on issuance of debt	-	320,000	320,000
Total other financing sources (uses)	<u>4,917,572</u>	<u>3,184,000</u>	<u>(1,733,572)</u>
Net change in fund balance	<u>\$ (4,659,728)</u>	<u>\$ (5,033,287)</u>	<u>\$ (373,559)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Police Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 1,610	\$ 1,610
Other entities' participation	-	252,506	252,506
Total revenues	<u>-</u>	<u>254,116</u>	<u>254,116</u>
Expenditures:			
Current:			
Police	3,353,235	2,529,340	823,895
Total expenditures	<u>3,353,235</u>	<u>2,529,340</u>	<u>823,895</u>
Deficiency of revenues over expenditures	(3,353,235)	(2,275,224)	1,078,011
Other financing sources (uses):			
Transfers in	-	20,400	20,400
Issuance of debt	3,187,034	2,065,000	(1,122,034)
Premium on issuance of debt	-	275,000	275,000
Total other financing sources (uses)	<u>3,187,034</u>	<u>2,360,400</u>	<u>(826,634)</u>
Net change in fund balance	<u>\$ (166,201)</u>	<u>\$ 85,176</u>	<u>\$ 251,377</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Fire Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 1,448	\$ 1,448
Other entities' participation	-	193,564	193,564
Total revenues	<u>-</u>	<u>195,012</u>	<u>195,012</u>
Expenditures:			
Current:			
Fire	3,294,513	2,113,122	1,181,391
Total expenditures	<u>3,294,513</u>	<u>2,113,122</u>	<u>1,181,391</u>
Deficiency of revenues over expenditures	(3,294,513)	(1,918,110)	1,376,403
Other financing sources:			
Transfers in	-	74,320	74,320
Transfers out	-	(20,400)	(20,400)
Issuance of debt	3,200,110	1,575,000	(1,625,110)
Premium on issuance of debt	-	205,000	205,000
Total other financing sources	<u>3,200,110</u>	<u>1,833,920</u>	<u>(1,366,190)</u>
Net change in fund balance	<u>\$ (94,403)</u>	<u>\$ (84,190)</u>	<u>\$ 10,213</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Storm Sewers Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Public works	730,193	236,773	493,420
Total expenditures	<u>730,193</u>	<u>236,773</u>	<u>493,420</u>
Deficiency of revenues over expenditures	(730,193)	(236,773)	493,420
Other financing sources (uses):			
Issuance of debt	725,000	236,000	(489,000)
Total other financing sources (uses)	<u>725,000</u>	<u>236,000</u>	<u>(489,000)</u>
Net change in fund balance	<u>\$ (5,193)</u>	<u>\$ (773)</u>	<u>\$ 4,420</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Parks Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ 296,554	\$ 296,554	\$ -
Investment income	-	9,142	9,142
Other entities' participation	47,500	284,755	237,255
Contingency	750,000	-	(750,000)
Total revenues	<u>1,094,054</u>	<u>590,451</u>	<u>(503,603)</u>
Expenditures:			
Current:			
Community services	16,429,511	8,217,838	8,211,673
Total expenditures	<u>16,429,511</u>	<u>8,217,838</u>	<u>8,211,673</u>
Deficiency of revenues over expenditures	(15,335,457)	(7,627,387)	7,708,070
Other financing sources (uses):			
Transfers in	1,948,149	3,445,255	1,497,106
Transfers out	-	(230,003)	(230,003)
Issuance of debt	6,373,994	4,357,300	(2,016,694)
Premium on issuance of debt	-	610,000	610,000
Total other financing sources (uses)	<u>8,322,143</u>	<u>8,182,552</u>	<u>(139,591)</u>
Net change in fund balance	<u>\$ (7,013,314)</u>	<u>\$ 555,165</u>	<u>\$ 7,568,479</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Rio Salado Capital Projects Fund
For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Community development	1,086,359	897,534	188,825
Total expenditures	<u>1,086,359</u>	<u>897,534</u>	<u>188,825</u>
Deficiency of revenues over expenditures	(1,086,359)	(897,534)	188,825
Other financing sources (uses):			
Transfers in	-	470,069	470,069
Transfers out	-	(55,759)	(55,759)
Issuance of debt	400,039	332,700	(67,339)
Total other financing sources (uses)	<u>400,039</u>	<u>747,010</u>	<u>346,971</u>
Net change in fund balance	<u>\$ (686,320)</u>	<u>\$ (150,524)</u>	<u>\$ 535,796</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Community Development Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 1,045	\$ 1,045
Miscellaneous	-	53,471	53,471
Total revenues	<u>-</u>	<u>54,516</u>	<u>54,516</u>
Expenditures:			
Current:			
Public works	10,586,762	6,040,483	4,546,279
Total expenditures	<u>10,586,762</u>	<u>6,040,483</u>	<u>4,546,279</u>
Deficiency of revenues over expenditures	(10,586,762)	(5,985,967)	4,600,795
Other financing sources (uses):			
Transfers in	2,007,499	4,062,608	-
Transfers out	-	(75,935)	(75,935)
Issuance of debt	4,686,854	1,540,000	(3,146,854)
Premium on issuance of debt	-	200,000	200,000
Total other financing sources (uses)	<u>6,694,353</u>	<u>5,726,673</u>	<u>(3,022,789)</u>
Net change in fund balance	<u>\$ (3,892,409)</u>	<u>\$ (259,294)</u>	<u>\$ 3,633,115</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 836,472	\$ 455,818	\$ (380,654)
Investment income	-	136	136
Other entities' participation	-	126,146	126,146
Contingency	180,000	-	(180,000)
Total revenues	<u>1,016,472</u>	<u>582,100</u>	<u>(434,372)</u>
Expenditures:			
Current:			
Public works	3,081,852	2,156,200	925,652
Total expenditures	<u>3,081,852</u>	<u>2,156,200</u>	<u>925,652</u>
Deficiency of revenues over expenditures	(2,065,380)	(1,574,100)	491,280
Other financing sources (uses) :			
Transfers in	180,000	180,000	-
Issuance of debt	2,003,224	1,410,000	(593,224)
Total other financing sources (uses)	<u>2,183,224</u>	<u>1,590,000</u>	<u>(593,224)</u>
Net change in fund balance	<u>\$ 117,844</u>	<u>\$ 15,900</u>	<u>\$ (101,944)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Community Facilities District Capital Projects Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 573,000	\$ 130,823	\$ (442,177)
Total revenues	<u>573,000</u>	<u>130,823</u>	<u>(442,177)</u>
Expenditures:			
Current:			
Community development	1,691,855	189,730	1,502,125
Total expenditures	<u>1,691,855</u>	<u>189,730</u>	<u>1,502,125</u>
Net change in fund balance	<u>\$ (1,118,855)</u>	<u>\$ (58,907)</u>	<u>\$ 1,059,948</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 81,840,650	\$ 86,452,843	\$ 4,612,193
Investment income	492,000	872,214	380,214
Miscellaneous	182,450	454,370	271,920
Total revenues	<u>82,515,100</u>	<u>87,779,427</u>	<u>5,264,327</u>
Expenditures:			
Current:			
Public works	93,312,658	78,832,810	14,479,848
Contingency	1,000,000	-	1,000,000
Debt service:			
Principal	27,241,523	29,870,099	(2,628,576)
Interest and fiscal fees	12,074,362	10,911,057	1,163,305
Total expenditures	<u>133,628,543</u>	<u>119,613,966</u>	<u>14,014,577</u>
Excess (deficiency) of revenues over expenditures	(51,113,443)	(31,834,539)	19,278,904
Other financing sources (uses):			
Transfers in	9,358,492	6,246,521	(3,111,971)
Transfers out	(10,174,309)	(7,103,457)	3,070,852
Issuance of debt	39,864,607	20,520,000	(19,344,607)
Premium on issuance of debt	-	3,011,922	3,011,922
Proceeds from sale of capital assets	80,000	66,683	(13,317)
Total other financing sources (uses)	<u>39,128,790</u>	<u>22,741,669</u>	<u>(16,387,121)</u>
Net change in fund balance	<u>\$ (11,984,653)</u>	<u>\$ (9,092,870)</u>	<u>\$ 2,891,783</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Solid Waste Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 15,775,158	\$ 16,274,287	\$ 499,129
Investment income	23,800	37,678	13,878
Miscellaneous	73,190	1,814	(71,376)
Total revenues	<u>15,872,148</u>	<u>16,313,779</u>	<u>441,631</u>
Expenditures:			
Current:			
Public works	17,296,819	16,770,867	525,952
Contingency	475,000	-	475,000
Total expenditures	<u>17,771,819</u>	<u>16,770,867</u>	<u>1,000,952</u>
Deficiency of revenues over expenditures	(1,899,671)	(457,088)	1,442,583
Other financing sources (uses):			
Transfers in	200,000	200,000	-
Transfers out	(4,941)	(29,922)	(24,981)
Proceeds from sale of capital assets	-	163,600	163,600
Total other financing sources (uses)	<u>195,059</u>	<u>333,678</u>	<u>138,619</u>
Net change in fund balance	<u>\$ (1,704,612)</u>	<u>\$ (123,410)</u>	<u>\$ 1,581,202</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Golf Fund

For the Fiscal Year Ended June 30, 2017

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 13,200	\$ -	\$ (13,200)
Charges for services	2,648,826	2,322,777	(326,049)
Miscellaneous	-	2,882	2,882
Total revenues	<u>2,662,026</u>	<u>2,325,659</u>	<u>(336,367)</u>
Expenditures:			
Current:			
Public works	4,332,880	3,952,564	380,316
Total expenditures	<u>4,332,880</u>	<u>3,952,564</u>	<u>380,316</u>
Deficiency of revenues over expenditures	(1,670,854)	(1,626,905)	43,949
Other financing sources:			
Transfers in	899,000	259,000	(640,000)
Proceeds from sale of capital assets	-	3,548	3,548
Total other financing sources	<u>899,000</u>	<u>262,548</u>	<u>(636,452)</u>
Net change in fund balance	<u>\$ (771,854)</u>	<u>\$ (1,364,357)</u>	<u>\$ (592,503)</u>

Statistical Section

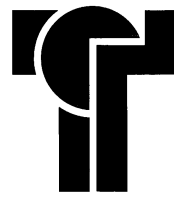
This section provides a broad range of trend data covering key financial indicators including general governmental revenues and expenditures, property taxes, debt burden, demographics and miscellaneous data useful in assessing the City's financial condition.

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information in regards to the City's overall financial health.

- **Financial Trends.** These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.
- **Revenue Capacity.** These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.
- **Debt Capacity.** These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- **Economic and Demographic Information.** These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.
- **Operating Information.** These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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



Net Position by Component (Exhibit S-1)

Last Ten Fiscal Years
Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Governmental activities										
Net investment in capital assets	\$ 519,530,983	\$ 564,120,959	\$ 519,040,090	\$ 537,940,057	\$ 548,739,169	\$ 560,427,507	\$ 571,925,061	\$ 562,958,494	\$ 574,872,877	\$ 597,765,255
Restricted (a)	117,866,229	102,095,778	141,565,366	148,338,902	119,845,935	124,800,334	114,643,888	142,947,736	181,241,102	139,393,928
Unrestricted	(22,136,687)	(26,820,571)	(18,763,531)	236,990,748	253,302,947	248,936,397	259,250,692	241,371,774	237,470,312	277,055,145
Total governmental activities net position	<u>\$ 615,260,525</u>	<u>\$ 639,396,166</u>	<u>\$ 641,841,925</u>	<u>\$ 923,269,707</u>	<u>\$ 921,888,051</u>	<u>\$ 934,164,237</u>	<u>\$ 945,819,641</u>	<u>\$ 947,278,004</u>	<u>\$ 993,584,291</u>	<u>\$ 1,014,214,328</u>
Business-type activities										
Net investment in capital assets	\$ 104,387,674	\$ 69,467,178	\$ 142,208,059	\$ 137,971,614	\$ 149,782,240	\$ 162,774,388	\$ 175,625,967	\$ 144,245,429	\$ 151,096,394	\$ 154,867,017
Unrestricted	151,904,179	170,405,834	90,577,933	118,726,035	105,207,407	92,951,764	73,018,010	102,511,794	100,251,937	103,816,965
Total business-type activities net position	<u>\$ 256,291,853</u>	<u>\$ 239,873,012</u>	<u>\$ 232,785,992</u>	<u>\$ 256,697,649</u>	<u>\$ 254,989,647</u>	<u>\$ 255,726,152</u>	<u>\$ 248,643,977</u>	<u>\$ 246,757,223</u>	<u>\$ 251,348,331</u>	<u>\$ 258,683,982</u>
Primary government										
Net investment in capital assets	\$ 623,918,657	\$ 633,588,137	\$ 661,248,149	\$ 675,911,671	\$ 698,521,409	\$ 723,201,895	\$ 747,551,028	\$ 707,203,923	\$ 725,969,271	\$ 752,632,272
Restricted (a)	117,866,229	102,095,778	141,565,367	148,338,902	119,845,935	124,800,334	114,643,888	142,947,736	181,241,102	139,393,928
Unrestricted	129,767,492	143,585,263	71,814,402	355,716,783	358,510,354	341,888,161	332,268,702	343,883,568	337,722,249	380,872,110
Total primary government net position	<u>\$ 871,552,378</u>	<u>\$ 879,269,178</u>	<u>\$ 874,627,918</u>	<u>\$ 1,179,967,356</u>	<u>\$ 1,176,877,698</u>	<u>\$ 1,189,890,389</u>	<u>\$ 1,194,463,618</u>	<u>\$ 1,194,035,227</u>	<u>\$ 1,244,932,622</u>	<u>\$ 1,272,898,310</u>

(a) With the implementation of GASB No. 54 in Fiscal Year 2011, *Restricted* fund balance has been redefined to include only amounts that have externally enforceable limitations or enabling legislation.

Changes in Net Position (Exhibit S-2a)

Last Ten Fiscal Years
Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Expenses										
Governmental activities:										
Police	\$ 111,570,351	\$ 93,057,663	\$ 92,214,451	\$ 78,658,426	\$ 76,585,163	\$ 76,799,591	\$ 72,492,475	\$ 78,283,021	\$ 86,126,079	\$ 83,613,800
Fire	48,345,996	34,319,479	32,914,994	31,103,237	32,594,512	28,156,863	27,499,884	30,542,829	30,850,700	30,133,124
Community services	27,956,647	27,402,656	29,239,583	29,363,339	28,592,571	31,069,618	27,031,973	21,891,886	30,402,447	24,070,427
Public works	103,728,249	112,589,913	107,411,254	102,892,245	103,586,986	98,915,390	94,687,386	115,283,119	101,674,714	82,727,089
Community development	16,521,932	18,372,515	18,832,177	30,234,017	26,757,509	25,113,273	30,778,689	23,494,471	20,445,243	20,037,984
Human services(h)	17,777,825	17,430,250	13,374,117	-	-	-	-	-	-	-
Municipal court	4,909,370	4,354,299	4,028,068	4,288,787	3,900,928	3,934,716	4,179,694	5,245,105	5,496,374	6,066,038
Mayor and council	473,324	337,046	330,042	408,196	408,196	356,468	316,531	387,723	418,851	547,453
City manager	6,815,022	7,371,101	7,045,783	477,964	615,451	78,458	556,354	369,153	265,531	488,323
City attorney	3,160,056	2,961,497	3,712,245	2,844,965	2,963,058	2,854,168	2,659,312	3,101,845	2,933,734	3,641,333
Internal audit office	376,249	425,674	433,339	392,629	393,471	338,059	477,080	427,828	484,460	558,706
Municipal budget office (h)	261,313	259,133	415,774	-	-	-	-	-	-	-
Office of strategic management and diversity (g)	1,055,075	-	-	-	-	-	-	-	-	-
City clerk and elections	815,016	868,596	751,331	844,934	481,374	910,616	403,792	739,884	684,875	870,815
Internal services	18,821,669	8,252,013	6,403,407	-	-	-	-	-	-	-
Parks and recreation (a)	-	-	-	-	-	-	-	21,238,479	20,431,433	20,521,457
Community relations	-	-	-	6,416,085	7,039,462	7,456,756	4,463,790	4,210,261	3,137,349	3,179,145
Diversity program (h)	-	-	-	463,969	449,428	476,011	447,287	531,651	583,563	687,926
Tempe learning center (d)(f)	-	-	-	-	354,866	462,817	467,763	-	-	-
Economic development (g)	-	-	-	326,433	-	-	-	-	-	-
Development services (b)	-	-	-	-	-	-	-	7,107,213	6,338,984	8,596,785
Finance and technology (c)(h)	-	-	-	4,128,800	4,063,048	5,325,401	8,321,853	-	-	-
Financial services (c)	-	-	-	-	-	-	-	3,923,486	4,458,557	5,969,557
Human resources (h)	-	-	-	3,214,557	2,036,621	2,102,617	2,037,261	3,443,660	3,157,288	3,648,975
Information technology(c)	-	-	-	-	-	-	-	2,149,363	1,817,517	2,677,340
Non-departmental	-	-	-	-	-	-	-	2,383,904	1,297,669	3,067,647
Unallocated depreciation	1,777,887	1,785,487	1,955,520	1,331,649	3,662,321	2,301,194	5,733,128	-	-	-
Interest on long-term debt	9,847,278	12,924,841	12,882,924	17,153,207	14,347,644	14,894,293	18,453,487	16,185,139	16,247,598	12,091,111
Total governmental activities expenses	374,213,259	342,712,163	331,945,009	314,543,439	308,647,885	301,546,309	301,007,739	340,940,020	337,252,966	313,195,035
Business-type activities:										
Water and wastewater	70,364,126	75,515,527	73,548,319	73,208,373	72,352,330	72,156,412	67,505,481	73,045,936	64,720,725	64,954,769
Solid waste	15,918,430	14,881,636	15,868,498	15,379,174	14,758,133	14,626,578	13,784,106	13,730,227	14,499,308	15,130,899
Golf course	2,520,474	2,734,351	2,685,634	2,799,922	2,724,422	2,658,416	2,011,316	2,269,182	2,324,208	2,667,539
Cemetery (e)	-	-	-	-	-	129,849	176,553	312,525	218,447	251,743
Total business-type activities expenses	88,803,030	93,131,514	92,102,451	91,387,469	89,834,885	89,571,255	83,477,456	89,357,870	81,762,688	83,004,950
Total primary government expenses	\$ 463,016,289	\$ 435,843,677	\$ 424,047,460	\$ 405,930,908	\$ 398,482,770	\$ 391,117,564	\$ 384,485,195	\$ 430,297,890	\$ 419,015,654	\$ 396,199,985

(a) In Fiscal Year 2011, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.

(b) In Fiscal Year 2011, the Development Services department was merged into Community Development.

(c) In Fiscal Year 2011, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(d) In Fiscal Year 2011, Tempe Learning Center was disaggregated from Human Resources.

(e) In Fiscal Year 2013, the Cemetery Fund was closed into the General Fund.

(f) In Fiscal Year 2014, Tempe Learning Center was reincorporated into Human Resources.

(g) In Fiscal Year 2014, Economic Development was established as it's own reporting unit.

(h) In Fiscal Year 2015, Finance and Technology and Human Resources were combined to form the Internal Services Department. A component of the Community Services Department along with Diversity formed a new department called Human Services. The budget office became a stand alone office now known as Municipal Budget Office. Economic Development and Community Relations became a part of the City Manager Office.

(g) In Fiscal Year 2017, the Office of Strategic Management and Diversity was created. The Diversity office which was under the City Manager's office was moved into the new office.

Changes in Net Position (Exhibit S-2b)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Program Revenues										
Governmental activities:										
Charges for services:										
Police	\$ 1,021,670	\$ 1,444,986	\$ 1,712,306	\$ 1,320,177	\$ 1,506,807	\$ 1,649,775	\$ 1,657,335	\$ 1,052,723	\$ 1,201,962	\$ 1,110,714
Fire	1,869,840	1,536,642	334,158	268,938	153,903	1,642,702	2,107,133	912,000	314,969	303,824
Community services	8,283,698	7,812,755	7,589,603	7,445,319	6,988,375	7,101,043	6,453,226	6,173,870	7,122,650	6,924,685
Public works	16,585,374	17,740,856	19,786,216	19,681,176	18,536,983	18,136,860	19,582,397	19,596,611	20,461,847	11,305,217
Community development	13,250,819	12,665,828	13,065,445	12,035,033	6,815,190	7,088,168	4,484,572	1,938,184	592,236	451,535
Human services (d)	7,820	13,926	80,237	-	-	-	-	-	-	-
Municipal court	5,852,849	6,372,719	8,302,032	6,747,891	6,426,389	7,826,823	8,413,798	5,868,369	8,912,739	8,211,574
City manager	7,597	-	-	-	-	-	-	-	-	-
City attorney	16,940	14,174	-	-	13,310	-	8,682	-	-	-
Internal services	1,797,928	2,186,635	2,212,402	-	-	-	-	-	-	-
Parks and recreation (a)	-	-	-	-	-	-	-	126,455	9,348	27,844
Community relations	-	-	-	-	-	-	-	-	24,070	-
Development services	-	-	-	-	-	-	-	3,710,512	5,090,280	6,175,963
Finance and technology (b)	-	-	-	2,224,489	2,140,898	2,623,338	2,624,190	-	-	-
Financial Services (b)	-	-	-	-	-	-	-	1,997,614	1,781,809	1,728,472
Non-departmental	-	-	-	-	-	-	-	-	130,492	79,536
Operating grants and contributions	27,582,362	26,831,238	19,784,859	24,668,792	27,287,325	22,450,002	22,131,520	18,222,849	16,052,299	15,625,633
Capital grants and contributions	6,355,742	8,091,341	7,258,243	5,933,017	6,551,849	15,961,785	24,708,317	38,709,299	35,955,254	79,670,490
Total governmental activities program revenues	82,632,639	84,711,100	80,125,501	80,324,832	76,421,029	84,480,496	92,171,170	98,308,486	97,649,955	131,615,487
Business-type activities:										
Charges for services:										
Water and wastewater	86,273,324	81,265,973	78,043,384	80,989,551	74,979,069	73,392,328	70,094,034	62,511,102	55,504,216	53,208,327
Solid waste	16,274,287	15,319,833	14,216,743	14,400,476	14,341,827	14,866,281	15,326,780	15,242,801	15,130,988	14,669,542
Golf course	2,322,777	2,575,908	2,755,966	2,661,519	2,480,815	2,344,355	1,562,489	1,574,081	1,813,578	1,984,429
Cemetery (c)	-	-	-	-	-	144,242	110,196	116,643	98,356	231,960
Capital grants and contributions	-	-	-	-	-	1,988,550	1,691,429	4,765,839	59,867	472,928
Total business-type activities program revenues	104,870,388	99,161,714	95,016,093	98,051,546	91,801,711	92,735,756	88,784,928	84,210,466	72,607,005	70,567,186
Total primary government program revenues	\$ 187,503,027	\$ 183,872,814	\$ 175,141,594	\$ 178,376,378	\$ 168,222,740	\$ 177,216,252	\$ 180,956,098	\$ 182,518,952	\$ 170,256,960	\$ 202,182,673
Net (expense)/revenue										
Governmental activities	\$ (291,580,620)	\$ (258,001,063)	\$ (251,819,508)	\$ (234,218,607)	\$ (232,226,856)	\$ (217,065,813)	\$ (208,836,569)	\$ (242,631,534)	\$ (239,603,011)	\$ (181,579,548)
Business-type activities	16,067,358	6,030,200	2,913,642	6,664,077	1,966,826	3,164,501	5,307,472	(5,147,404)	(9,155,683)	(12,437,764)
Total primary government net expense	\$ (275,513,262)	\$ (251,970,863)	\$ (248,905,866)	\$ (227,554,530)	\$ (230,260,030)	\$ (213,901,312)	\$ (203,529,097)	\$ (247,778,938)	\$ (248,758,694)	\$ (194,017,312)

(a) In Fiscal Year 2011, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.

(b) In Fiscal Year 2011, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(c) In Fiscal Year 2013, the Cemetery Fund was closed into the General Fund.

(d) A component of the Community Services department along with Diversity formed a new department called Human Services.

Changes in Net Position (Exhibit S-2c)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010 (a)	Fiscal Year 2009	Fiscal Year 2008
General revenues and other changes in net position										
Governmental activities:										
General revenues:										
Sales taxes	\$ 160,218,570	\$ 152,492,065	\$ 147,787,315	\$ 147,815,825	\$ 149,078,044	\$ 142,985,910	\$ 141,844,739	\$ 125,186,698	\$ 134,382,181	\$ 150,687,016
State shared income taxes, unrestricted (b)	-	-	-	32,102,103	16,519,248	13,649,203	16,137,383	21,406,004	24,832,128	23,332,475
Intergovernmental revenue, unrestricted (b)	44,671,765	41,472,528	40,571,933	-	-	-	-	-	-	-
Property taxes	45,308,519	43,316,151	41,457,646	40,074,441	38,644,241	35,899,010	35,501,233	37,183,541	35,891,803	32,447,203
Franchise taxes	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125	3,821,436	3,559,615	3,976,956	3,424,561
Auto-lic taxes (b)	-	-	-	6,053,172	5,165,072	5,437,201	5,424,902	5,560,791	6,024,595	6,655,516
Unrestricted investment earnings	662,115	1,683,445	889,594	725,099	278,102	822,900	1,229,447	97,660	7,410,643	14,041,876
Miscellaneous	5,435,113	7,419,129	5,042,875	4,114,557	2,987,769	3,199,954	2,991,971	3,429,435	4,348,126	2,879,878
Gain on sale of capital assets	7,538,846	5,298,681	2,170,917	657,224	261,764	496,911	133,677	17,160	1,491,079	36,146,557
Transfers	427,858	509,690	479,071	746,902	3,763,255	(508,805)	293,418	(115,657)	615,463	149,242
Total governmental activities	<u>267,444,979</u>	<u>255,555,304</u>	<u>241,332,590</u>	<u>235,600,263</u>	<u>219,950,670</u>	<u>205,410,409</u>	<u>207,378,206</u>	<u>196,325,247</u>	<u>218,972,974</u>	<u>269,764,324</u>
Business-type activities:										
Unrestricted investment earnings	351,831	841,726	488,477	436,821	115,362	335,297	459,759	10,698	1,940,956	4,618,383
Miscellaneous	299,116	152,428	142,914	1,643,570	923,413	3,032,990	1,976,132	332,955	262,728	344,449
Gain (loss) on sale of capital assets	128,394	572,356	247,296	52,947	21,149	40,582	(5,563,191)	96,986	231,811	70,495
Transfers	(427,858)	(509,690)	(479,071)	(746,902)	(3,763,255)	508,805	(293,418)	115,657	(615,463)	(149,242)
Total business-type activities	<u>351,483</u>	<u>1,056,820</u>	<u>399,616</u>	<u>1,386,436</u>	<u>(2,703,331)</u>	<u>3,917,674</u>	<u>(3,420,718)</u>	<u>556,296</u>	<u>1,820,032</u>	<u>4,884,085</u>
Total primary government	<u>\$ 267,796,462</u>	<u>\$ 256,612,124</u>	<u>\$ 241,732,206</u>	<u>\$ 236,986,699</u>	<u>\$ 217,247,339</u>	<u>\$ 209,328,083</u>	<u>\$ 203,957,488</u>	<u>\$ 196,881,543</u>	<u>\$ 220,793,006</u>	<u>\$ 274,648,409</u>
Changes in net position										
Governmental activities	\$ (24,135,641)	\$ (2,445,759)	\$ (10,486,918)	\$ 1,381,656	\$ (12,276,186)	\$ (11,655,404)	\$ (1,458,363)	\$ (46,306,287)	\$ (20,630,037)	\$ 88,184,776
Business-type activities	16,418,841	7,087,020	3,313,258	8,050,513	(736,505)	7,082,175	1,886,754	(4,591,108)	(7,335,651)	(7,553,679)
Total primary government	<u>\$ (7,716,800)</u>	<u>\$ 4,641,261</u>	<u>\$ (7,173,660)</u>	<u>\$ 9,432,169</u>	<u>\$ (13,012,691)</u>	<u>\$ (4,573,229)</u>	<u>\$ 428,391</u>	<u>\$ (50,897,395)</u>	<u>\$ (27,965,688)</u>	<u>\$ 80,631,097</u>

(a) Due to the prolonged economic downturn, in Fiscal Year 2010 the City had planned drawdown of fund balance.

(b) In Fiscal Year 2015, *State shared income taxes, unrestricted* and *Auto-lic taxes* were combined under the category *Intergovernmental revenue, unrestricted*.

Fund Balances, Governmental Funds (Exhibit S-3)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011 (b)	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981,529	\$ 1,322,728	\$ 4,449,843
Unreserved	-	-	-	-	-	-	-	42,832,205	75,647,216	92,432,479
Nonspendable	638,685	782,276	346,364	653,365	643,980	634,526	650,506	-	-	-
Restricted	100,000	100,000	-	-	-	-	-	-	-	-
Committed	475,531	147,036	520,770	338,193	-	-	-	-	-	-
Assigned	14,762,667	10,291,768	8,800,833	9,884,517	8,127,268	9,967,268	13,783,790	-	-	-
Unassigned	80,099,820	78,629,198	73,879,480	63,878,841	52,658,705	50,954,570	39,604,103	-	-	-
Total general fund	\$ 96,076,703	\$ 89,950,278	\$ 83,547,447	\$ 74,754,916	\$ 61,429,953	\$ 61,556,364	\$ 54,038,399	\$ 43,813,734	\$ 76,969,944	\$ 96,882,322
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,324,494	\$ 59,067,648	\$ 69,814,938
Unreserved, reported in:										
Debt service funds (a)	-	-	-	-	-	-	-	-	(45,374)	-
Special revenues funds	-	-	-	-	-	-	-	32,742,748	23,220,030	36,228,348
Capital projects funds	-	-	-	-	-	-	-	63,078,330	71,685,317	28,848,898
Nonspendable	1,623,799	1,594,761	1,952,950	1,947,082	1,733,749	1,765,739	1,826,335	-	-	-
Restricted	88,581,119	82,863,821	80,049,732	77,724,151	75,566,724	76,139,830	75,275,738	-	-	-
Committed	26,744,884	20,404,290	21,925,153	14,295,999	19,054,131	67,195,597	75,446,158	-	-	-
Assigned	15,774,827	15,186,266	15,935,817	15,326,386	14,817,549	11,707,666	10,614,331	-	-	-
Unassigned (b)	-	(2,856,351)	(2,922,001)	(673,217)	(571,299)	(1,733,419)	(1,097,095)	-	-	-
Total all other governmental funds	\$ 132,724,629	\$ 117,192,787	\$ 116,941,651	\$ 108,620,401	\$ 110,600,854	\$ 155,075,412	\$ 162,065,467	\$ 165,145,572	\$ 153,927,621	\$ 134,892,184

(a) In Fiscal Years 2007 and 2009, the special assessment debt service fund is reported in "unreserved" fund balance due to the current year deficit balance.

(b) In Fiscal Year 2011, GASB No. 54 was implemented requiring additional classifications of fund balance. A deficit fund balance is reported in "unassigned".

Changes in Fund Balance, Governmental Funds (Exhibit S-4a)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Revenues:										
Taxes	\$ 197,341,071	\$ 188,672,865	\$ 182,323,977	\$ 182,032,821	\$ 168,974,511	\$ 162,157,488	\$ 158,749,333	\$ 145,038,639	\$ 150,848,798	\$ 159,798,418
Intergovernmental	89,383,867	85,856,572	78,988,805	74,692,323	76,651,736	72,701,235	87,180,913	111,505,248	143,357,538	102,320,894
Investment earnings	662,115	1,683,445	889,594	725,099	278,102	822,900	1,229,966	97,660	6,393,595	14,041,876
Charges for services	30,134,108	31,752,038	33,520,741	33,268,236	30,183,216	29,451,269	28,981,943	26,142,181	28,655,422	21,319,744
Fines and forfeitures	8,982,209	9,357,450	9,986,226	8,909,849	8,537,078	8,198,638	8,235,437	11,082,812	11,516,359	10,148,376
Other entities' participation	1,916,336	1,751,971	1,093,272	174,954	196,106	3,542,185	622,543	328,147	1,600,100	1,412,155
Special assessments	2,173,798	2,439,086	3,862,306	3,605,932	4,442,862	2,526,283	3,867,979	2,783,916	2,860,571	2,842,153
Licenses and permits	5,446,638	6,308,241	6,828,905	6,638,496	3,856,216	3,814,753	2,969,580	3,395,257	3,987,355	3,947,375
Miscellaneous	8,761,291	9,867,156	8,197,929	6,707,484	4,908,914	7,021,832	7,209,565	5,968,065	6,168,789	5,486,178
Total revenues	344,801,433	337,688,824	325,691,755	316,755,194	298,028,741	290,236,583	299,047,259	306,341,925	355,388,527	321,317,169
Expenditures:										
Police	82,429,673	81,154,550	78,102,044	75,135,489	72,709,534	67,325,484	65,289,995	74,747,734	77,046,317	71,813,995
Fire	31,383,875	30,724,706	26,802,154	28,887,609	28,056,149	25,871,390	25,639,288	27,134,920	28,330,453	24,413,707
Community services	23,770,512	22,516,873	22,240,413	25,579,134	24,551,075	23,473,722	22,010,148	18,254,109	26,158,843	20,844,315
Public works	70,604,468	73,771,025	72,414,122	72,739,804	70,784,480	66,845,601	67,998,367	72,253,980	73,659,648	56,316,376
Community development	15,336,696	16,321,778	17,432,661	29,460,993	25,253,707	23,572,565	22,946,249	19,343,140	19,515,673	18,246,591
Human services (f)	17,589,585	17,388,871	13,471,552	-	-	-	-	-	-	-
Municipal court	4,886,110	4,262,778	4,058,927	4,325,838	3,830,508	3,874,634	4,051,517	5,267,930	5,525,601	5,563,038
Mayor and council	417,734	342,645	345,501	368,846	244,837	440,161	318,282	388,486	386,483	367,250
City manager	6,800,149	7,292,703	6,583,633	590,201	617,384	101,885	521,642	330,992	347,556	294,042
City attorney	3,098,124	2,920,857	3,790,479	2,912,507	3,037,216	2,648,388	2,564,283	3,117,084	2,914,014	3,224,007
Internal audit office	408,867	403,108	432,384	426,006	388,263	393,958	379,752	514,069	506,621	491,057
Municipal budget office (f)	262,696	236,768	323,676	-	-	-	-	-	-	-
Office of strategic management and diversity (g)	932,200	-	-	-	-	-	-	-	-	-
City clerk and elections	752,876	850,235	751,978	885,350	511,960	899,917	395,778	799,975	633,640	748,371
Internal services	16,334,235	7,433,821	7,232,975	-	-	-	-	-	-	-
Parks and recreation (a)	-	-	-	-	-	-	-	16,880,739	17,583,861	15,826,217
Community relations (f)	-	-	-	6,562,909	7,088,482	7,180,324	4,332,418	4,217,031	3,095,259	2,843,668
Diversity program (f)	-	-	-	451,293	441,212	457,292	427,103	520,731	555,034	641,719
Economic development (e)(f)	-	-	-	396,577	-	-	-	-	-	-
Tempe learning center (d)	-	-	-	-	418,396	415,447	445,556	-	-	-
Development services (b)	-	-	-	-	-	-	-	7,056,690	6,376,874	7,394,179
Finance and technology (f)	-	-	-	4,558,042	3,760,937	3,572,392	6,620,247	-	-	-
Financial services (c)	-	-	-	-	-	-	-	3,842,927	4,211,080	4,390,171
Human resources (f)	-	-	-	3,066,799	2,045,707	2,087,079	1,945,518	3,405,582	3,127,479	3,282,022
Non-departmental	-	-	-	-	-	-	-	-	395,648	3,407,427
Debt service:										
Principal	39,547,000	29,686,000	41,065,000	26,105,000	122,595,000	25,756,000	26,062,231	22,212,157	19,656,531	18,121,865
Interest	11,688,331	13,356,740	13,619,726	13,853,239	14,442,661	13,853,998	17,728,802	15,489,383	15,839,389	15,490,615
Fiscal fees	569,367	437,027	544,868	231,060	872,574	1,640,155	1,260,876	1,166,712	1,314,011	1,145,596
Capital outlay	30,298,582	45,373,210	49,626,981	24,192,621	20,874,698	29,512,675	35,348,520	58,406,594	106,066,458	138,410,945
Total expenditures	357,111,080	354,473,695	358,839,074	320,729,317	402,524,780	299,923,067	306,286,572	355,350,965	413,246,473	413,277,173
Deficiency of revenues over expenditures before other financing sources (uses)	(12,309,647)	(16,784,871)	(33,147,319)	(3,974,123)	(104,496,039)	(9,686,484)	(7,239,313)	(49,009,040)	(57,857,946)	(91,960,004)

(a) In Fiscal Year 2011, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.

(b) In Fiscal Year 2011, the Development Services department was merged into Community Development.

(c) In Fiscal Year 2011, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(d) In Fiscal Year 2011, Tempe Learning Center was disaggregated from Human Resources.

(e) In Fiscal Year 2014, Economic Development was established as its own reporting area.

(f) In Fiscal Year 2015, Finance & Technology and Human Resources were combined to form the Internal Services Department. A component of the Community Services Department along with Diversity formed a new department called Human Services. The budget office became a stand alone department now known as Municipal Office. Economic Development and Community Relations became a part of the City Manager Office.

(g) In Fiscal Year 2017, the Office of Strategic Management and Diversity was created. The Diversity office which was under the City Manager's office was moved into the new office.

Changes in Fund Balance, Governmental Funds (Exhibit S-4b)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Other financing sources (uses):										
Transfers in	27,870,785	30,410,514	26,437,046	22,217,580	67,438,620	18,104,564	16,912,259	59,305,503	64,230,445	71,362,599
Transfers out	(27,442,927)	(29,900,824)	(25,957,975)	(21,470,678)	(68,806,307)	(18,613,369)	(16,618,841)	(59,421,161)	(63,614,982)	(71,213,357)
Issuance of debt	12,290,000	13,630,000	43,965,000	11,650,000	13,675,000	7,005,000	13,146,000	26,040,000	45,980,000	71,170,000
Premium on issuance of debt	1,754,028	5,413,632	1,269,813	880,967	6,392,968	6,668,536	2,401,827	755,553	807,728	1,242,369
Capital lease proceeds	-	-	111,827	-	-	-	110,617	27,986	-	-
Proceeds from sale of capital assets	4,483,481	5,350,923	2,189,572	663,658	270,346	534,963	328,593	362,900	9,577,814	9,430,040
Issuance of refunding bonds	34,095,000	34,422,798	6,780,000	5,645,000	53,910,000	45,181,900	26,040,000	-	-	-
Payment to refunded bond escrow agent	(19,082,453)	(35,888,204)	(4,534,184)	(4,267,894)	(12,985,558)	(48,667,199)	(27,936,582)	-	-	-
Total other financing sources	<u>33,967,914</u>	<u>23,438,839</u>	<u>50,261,099</u>	<u>15,318,633</u>	<u>59,895,069</u>	<u>10,214,395</u>	<u>14,383,873</u>	<u>27,070,781</u>	<u>56,981,005</u>	<u>81,991,651</u>
Net change in fund balances	\$ 21,658,267	\$ 6,653,968	\$ 17,113,780	\$ 11,344,510	\$ (44,600,970)	\$ 527,911	\$ 14,383,873	\$ (21,938,259)	\$ (876,941)	\$ (9,968,353)
Debt service as a percentage of noncapital expenditures	15.5%	13.8%	17.6%	13.4%	35.7% (a)	14.5%	16.0%	12.5%	11.4%	12.1%

(a) In Fiscal Year 2013 the substantial increase in the Debt Service as a Percentage of Non-capital Expenditures was due to debt service expenditures containing the Transit Fund defeasance of the 2006 Variable Rate Demand Excise Tax Revenue Obligations (\$53,670,000) and a current refunding of the 2007 Variable Rate Demand Excise Tax Revenue Obligations (\$45,295,000).

Taxable Sales and Percentage of Taxable Sales by Category (Exhibit S-5)

Last Ten Fiscal Years

Cash Basis

City of Tempe, Arizona

Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	City Direct Sales Tax Rate
2008	\$ 3,511,222,000	\$ 1,174,056,000	\$ 608,389,000	\$ 519,556,000	\$ 738,611,000	\$ 150,222,000	\$ 84,222,000	\$ 100,722,000	\$ 6,887,000,000	1.80 %
2009	3,050,222,000	1,203,889,000	590,556,000	504,611,000	631,556,000	123,611,000	87,778,000	88,167,000	6,280,390,000	1.80
2010	2,976,389,000	1,136,889,000	536,611,000	472,667,000	400,000,000	110,944,000	96,167,000	66,056,000	5,795,723,000	1.80
2011	3,117,950,000	1,133,200,000	515,000,000	479,150,000	298,450,000	112,600,000	89,850,000	68,550,000	5,814,750,000	2.00
2012	3,248,736,000	1,175,200,000	522,095,000	514,519,000	341,542,000	123,981,000	87,663,000	66,141,000	6,079,877,000	2.00
2013	3,387,223,000	1,200,932,000	533,915,000	524,813,000	340,870,000	123,629,000	78,580,000	80,020,000	6,269,982,000	2.00
2014	3,566,605,000	1,197,308,000	557,844,000	574,888,000	404,398,000	135,525,000	82,928,000	71,660,000	6,591,156,000	2.00
2015	3,508,224,000	1,149,448,000	525,409,000	565,352,000	631,183,000	143,330,000	74,412,000	67,279,000	6,664,637,000	1.80
2016	3,651,319,000	1,207,853,000	493,994,000	590,614,000	588,436,000	149,550,000	80,335,000	68,390,000	6,830,491,000	1.80
2017	3,890,741,000	1,252,064,000	485,528,000	611,907,000	589,450,000	165,971,000	86,449,000	68,125,000	7,150,235,000	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2008	50.98 %	17.05 %	8.83 %	7.54 %	10.72 %	2.18 %	1.22 %	1.48 %	100 %
2009	48.57	19.17	9.40	8.03	10.06	1.97	1.40	1.40	100
2010	51.35	19.62	9.26	8.16	6.90	1.91	1.66	1.14	100
2011	53.62	19.49	8.86	8.24	5.13	1.94	1.55	1.17	100
2012	53.43	19.33	8.59	8.46	5.60	2.04	1.44	1.11	100
2013	54.04	19.15	8.52	8.37	5.40	1.97	1.25	1.30	100
2014	54.11	18.17	8.46	8.72	6.14	2.06	1.26	1.08	100
2015	52.64	17.25	7.88	8.48	9.47	2.15	1.12	1.01	100
2016	53.46	17.68	7.23	8.65	8.61	2.19	1.18	1.00	100
2017	54.42	17.51	6.79	8.56	8.24	2.32	1.21	0.95	100

Source: City of Tempe, Arizona Tax and License Division

Note: In Fiscal Year 2011, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) increase in the City sales tax. The tax expired on June 30, 2014.

Direct and Overlapping Sales Tax Rates (Exhibit S-6)

Last Ten Fiscal Years

City of Tempe, Arizona

<u>Fiscal Year</u>	<u>City Direct Sales Tax Rate</u>	<u>Maricopa County Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Total Sales Tax Rate</u>
2008	1.80 %	0.70 %	5.60 %	8.10 %
2009	1.80	0.70	5.60	8.10
2010 (a)	1.80	0.70	6.60	9.10
2011 (b)	2.00	0.70	6.60	9.30
2012	2.00	0.70	6.60	9.30
2013 (c)	2.00	0.70	5.60	8.30
2014	2.00	0.70	5.60	8.30
2015 (d)	1.80	0.70	5.60	8.10
2016	1.80	0.70	5.60	8.10
2017	1.80	0.70	5.60	8.10

Source: City of Tempe, Arizona Tax and License Division

- (a) In Fiscal Year 2010, State of Arizona voters approved a 1.0% increase in the State sales tax.
- (b) In Fiscal Year 2011, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) increase in the City sales tax.
- (c) In Fiscal Year 2013, State of Arizona decreased the State sales tax rate by 1.0%, effective June 1, 2013.
- (d) In Fiscal Year 2015, the City of Tempe, Arizona voter approved 0.2% temporary sales tax expired, effective June 30, 2014.

General Property Tax Information (Exhibit S-7)

City of Tempe, Arizona

Tax Levy Limitations

Beginning in 1980-81, the total tax levy is comprised of two elements: a primary levy for operating costs and a secondary levy for general obligation bond debt service requirements. The primary levy was limited to a 7% increase for 1980-81 and a 2% annual increase thereafter. In addition, the primary levy on residential property only is limited to an amount not more than 1% of market value. The secondary levy is unlimited.

Assessments and Collections

Since 1950-51, Maricopa County, at no charge to the cities, has assessed and collected all municipal property taxes. Remittances are made to the respective cities periodically as collections accrue.

Taxes Due

First installment is due October 1st; second installment is due March 1st.

Taxes Payable

City property taxes are payable at the office of the County Treasurer. Taxes for the first half of the year can be paid on the first of September through the first of November. Second half taxes can be paid on the first of March through the first of May.

Taxes Delinquent

The first half becomes delinquent on the first day of November at 5 p.m. The second half becomes delinquent on the first day of May at 5 p.m. Interest at the rate of 16% per annum attaches on the first and second installments following the delinquent dates.

Tax Sale

The sale of delinquent tax bills is begun on a date not earlier than February 1 nor later than March 1 following the May 1 date upon which the second half taxes become delinquent. The sale is made at public auction in the office of the County Treasurer. Tax bills are sold to the highest bidder who offers to pay the accumulated amount of tax and to charge thereon the lowest rate of interest. The maximum amount of interest allowed by law is 12% per annum. The purchaser is given a Certificate of Purchase for each parcel.

Tax Deed

Five years subsequent to the tax sale, the holder of a Certificate of Purchase which has not been redeemed by the delinquent property owner may demand a County Treasurer's Deed. However, at the end of three full years, a holder of a Certificate of Purchase may institute quiet title action and the court will instruct the County Treasurer to issue a County Treasurer's Deed if the suit is successful.

Redemption

Redemption may be made by the delinquent property owner or any interested party by payment in full of all accumulated charges at any time before issuance of the tax deed. Payment may be made to the County Treasurer.

**Primary and Secondary Assessed Value and
Estimated Actual Value of Taxable Property (Exhibit S-8)**

Last Ten Fiscal Years
Rate per \$100 of Assessed Value

City of Tempe, Arizona

Fiscal Year		Commercial, Manufacturing, Telecommunications Property	Vacant, Agricultural & Governmental Property	Owner Occupied Residential Property	Rental Residential Property	Railroad & Airlines Property	Non-commercial Historic Property	Less: Tax-Exempt Property	Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Actual Value (a)	Assessed Value as a Percentage of Actual Value
2008	Primary	\$ 1,369,975,785	\$ 287,255,556	\$ 587,620,345	\$ 191,632,935	\$ 3,284,085	\$ 5,569,454	\$ 413,757,218	\$ 2,031,580,942	\$ 0.51	\$ 13,152,641,971	15.45 %
	Secondary	1,487,353,047	386,956,732	782,035,308	240,647,400	3,652,041	6,404,967	505,151,029	2,401,898,466	0.89	16,125,028,204	14.90
2009	Primary	1,416,640,407	326,359,399	674,491,736	218,810,180	3,043,548	5,628,185	480,062,120	2,164,911,335	0.51	14,590,284,375	14.84
	Secondary	1,605,563,621	439,585,924	901,618,735	291,324,398	3,447,472	7,346,018	591,937,974	2,656,948,194	0.89	19,106,939,110	13.91
2010	Primary	1,518,486,978	443,398,023	747,601,586	265,780,915	2,656,174	5,489,270	601,138,220	2,382,274,726	0.49	16,460,996,774	14.47
	Secondary	1,746,634,264	610,147,603	840,563,032	326,620,717	3,162,023	7,160,219	766,798,994	2,767,488,864	0.91	19,043,217,077	14.53
2011	Primary	1,516,407,070	491,365,479	714,116,748	297,885,542	2,487,354	6,031,888	664,036,520	2,364,257,561	0.52	16,647,684,537	14.20
	Secondary	1,634,522,147	598,845,876	718,136,239	321,946,932	2,984,727	8,869,602	772,654,291	2,512,651,232	0.88	17,474,298,161	14.38
2012	Primary	1,215,073,855	507,897,174	601,231,081	260,011,506	2,447,610	5,848,137	652,320,790	1,940,188,573	0.66	14,108,227,934	13.75
	Secondary	1,225,527,325	558,393,732	601,912,854	261,295,232	2,740,384	7,897,668	700,438,585	1,957,328,610	1.13	14,184,312,548	13.80
2013	Primary	1,134,332,461	474,229,052	499,166,936	222,440,746	2,784,852	5,609,483	650,548,735	1,688,014,795	0.79	12,115,273,950	13.93
	Secondary	1,140,686,523	492,511,871	499,439,182	222,488,879	2,839,643	7,054,535	667,783,593	1,697,237,040	1.35	12,149,064,435	13.97
2014	Primary	1,013,888,495	590,348,150	422,097,495	237,011,004	2,470,685	5,503,454	769,883,275	1,501,436,008	0.92	10,969,708,459	13.69
	Secondary	1,019,499,265	627,596,276	422,373,499	245,942,542	2,494,792	7,172,229	811,779,331	1,513,299,272	1.57	11,047,136,814	13.70
2015	Primary	1,018,312,716	582,528,256	445,788,470	279,658,188	2,626,349	5,660,031	786,460,357	1,548,113,653	0.92	11,632,254,953	13.31
	Secondary	1,030,441,480	605,931,213	472,413,709	317,364,940	2,652,015	7,102,655	812,188,311	1,623,717,701	1.51	12,317,499,077	13.18
2016	Primary	1,040,045,065	604,094,072	458,995,411	303,832,779	2,453,154	5,495,047	820,971,174	1,593,944,354	0.93	12,152,815,646	13.12
	Secondary	1,119,535,292	681,597,591	569,311,744	395,569,487	2,501,825	6,440,828	901,610,148	1,873,346,619	1.59	14,573,138,077	12.85
2017	Primary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	0.94	12,936,980,827	12.90
	Secondary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	1.59	16,688,127,422	10.00

Source: Arizona Department of Revenue - *State and County Abstract of the Assessment Roll* Maricopa County Tax Levy.
Maricopa County Tax Levy - Schedule B & C: *Cities and Towns Tax Levies, Primary & Secondary*

Note: The total tax levy was comprised of two elements: a primary levy for operating costs and a secondary levy for general obligation bond debt service requirements. The primary levy is limited to a 2% increase plus new construction. The secondary levy is unlimited. In Fiscal Year 2016, with the passage of Proposition 117, the limited property tax value is required to be used in determining and levying primary and secondary taxes on all property. Prior to Fiscal Year 2016, the primary levy was based on the limited property tax value and the secondary levy was based on the secondary property tax value.

(a) *Estimated Total Actual Value* is the calculated value of the actual full cash value net of estimated value of property exempt from taxation.

Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)

Last Ten Fiscal Years

Rate per \$100 of Assessed Value

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdiction								Total
		City of Tempe (a)	Tempe Union	Tempe Elementary (b)	East Valley Institute of Technology	Maricopa County	Community College	County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District	
2008	Primary	\$ 0.51	\$ 1.75	\$ 2.59	\$ -	\$ 1.10	\$ 0.82	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.77
	Secondary	0.89	0.76	1.23	0.05	-	0.15	-	0.15	0.10	0.01	0.04	0.09	3.47
	Total	1.40	2.51	3.82	0.05	1.10	0.97	-	0.15	0.10	0.01	0.04	0.09	10.24
2009	Primary	0.51	1.76	2.43	-	1.03	0.78	-	-	-	-	-	-	6.51
	Secondary	0.89	0.52	1.08	0.05	-	0.16	-	0.14	0.10	0.01	0.04	0.09	3.08
	Total	1.40	2.28	3.51	0.05	1.03	0.94	-	0.14	0.10	0.01	0.04	0.09	9.59
2010	Primary	0.49	1.48	2.14	-	0.99	0.72	0.33	-	-	-	-	-	6.15
	Secondary	0.91	0.74	1.14	0.05	-	0.16	-	0.14	0.10	0.01	0.04	0.09	3.38
	Total	1.40	2.22	3.28	0.05	0.99	0.88	-	0.14	0.10	0.01	0.04	0.09	9.53
2011	Primary	0.52	1.47	2.31	-	1.05	0.79	0.36	-	-	-	-	-	6.50
	Secondary	0.88	0.83	1.29	0.05	-	0.18	-	0.15	0.10	0.01	0.04	0.11	3.64
	Total	1.40	2.30	3.60	0.05	1.05	0.97	0.36	0.15	0.10	0.01	0.04	0.11	10.14
2012	Primary	0.66	1.61	2.65	-	1.24	1.01	0.43	-	-	-	-	-	7.60
	Secondary	1.13	0.96	1.34	0.05	-	0.20	-	0.18	0.10	0.01	0.05	0.15	4.17
	Total	1.79	2.57	3.99	0.05	1.24	1.21	0.43	0.18	0.10	0.01	0.05	0.15	11.77
2013	Primary	0.79	1.81	3.18	-	1.24	1.16	0.47	-	-	-	-	-	8.65
	Secondary	1.35	0.61	2.39	0.05	-	0.22	-	0.18	0.10	0.01	0.05	0.17	5.13
	Total	2.14	2.42	5.57	0.05	1.24	1.38	0.47	0.18	0.10	0.01	0.05	0.17	13.78
2014	Primary	0.92	2.01	3.22	-	1.28	1.29	0.51	-	-	-	-	-	9.23
	Secondary	1.57	0.64	2.94	0.05	-	0.24	-	0.14	0.14	0.01	0.04	0.19	5.96
	Total	2.49	2.65	6.16	0.05	1.28	1.53	0.51	0.14	0.14	0.01	0.04	0.19	15.19
2015	Primary	0.92	2.43	3.30	-	1.32	1.28	0.51	-	-	-	-	-	9.76
	Secondary	1.51	0.63	2.45	0.05	-	0.24	-	0.14	0.14	0.01	0.06	0.19	5.42
	Total	2.43	3.06	5.75	0.05	1.32	1.52	0.51	0.14	0.14	0.01	0.06	0.19	15.18
2016	Primary	0.93	2.22	3.22	-	1.36	1.26	0.51	-	-	-	-	-	9.50
	Secondary	1.59	0.66	2.25	0.05	-	0.23	-	0.16	0.14	0.01	0.06	0.19	5.34
	Total	2.52	2.88	5.47	0.05	1.36	1.49	0.51	0.16	0.14	0.01	0.06	0.19	14.84
2017	Primary	0.94	2.24	3.09	-	1.40	1.24	0.50	-	-	-	-	-	9.41
	Secondary	1.59	0.66	2.20	0.05	-	0.23	-	0.18	0.14	0.01	0.06	0.20	5.32
	Total	2.53	2.90	5.29	0.05	1.40	1.47	0.50	0.18	0.14	0.01	0.06	0.20	14.73

Source: Maricopa County Assessor's Office
Maricopa County Tax Levy Publication

- (a) Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.
- (b) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$13.82, \$13.30 or \$17.00, respectively. Also, see the *Direct and Overlapping Governmental Activities Debt- Property Tax Supported Schedule* (Exhibit S-17).

Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-10)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdictions								Total
		City of Tempe	Tempe Union	Tempe Elementary (a)	East Valley Institute of Technology	Maricopa County	Community College	Flood District	County Ed Equalization Rate	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District	
2008	Primary	\$ 10,371,221	\$ 65,184,130	\$ 43,415,950	\$ -	\$ 430,023,735	\$ 321,018,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,014,022
	Secondary	21,364,887	34,707,242	23,923,712	10,940,725	-	74,981,944	70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	354,382,660
	Total	31,736,108	99,891,372	67,339,662	10,940,725	430,023,735	396,000,930	70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	1,224,396,682
2009	Primary	10,976,100	71,503,299	42,985,150	-	463,492,311	347,905,170	-	-	-	-	-	-	936,862,030
	Secondary	23,726,547	26,355,087	23,151,705	12,032,028	-	95,293,956	74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	387,159,068
	Total	34,702,647	97,858,386	66,136,855	12,032,028	463,492,311	443,199,126	74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	1,324,021,098
2010	Primary	11,665,890	65,733,950	41,787,151	-	492,230,736	359,942,153	-	164,225,937	-	-	-	-	1,135,585,817
	Secondary	25,192,451	39,195,990	25,976,662	12,586,167	-	92,685,846	74,996,804	-	58,113,465	3,324,489	20,468,370	53,018,363	405,558,607
	Total	36,858,341	104,929,940	67,763,813	12,586,167	492,230,736	452,627,999	74,996,804	-	58,113,465	3,324,489	20,468,370	53,018,363	1,541,144,424
2011	Primary	12,238,972	64,028,512	44,984,350	-	492,224,342	371,276,183	-	166,947,807	-	-	-	-	1,151,700,166
	Secondary	22,174,672	38,435,006	26,867,644	10,970,238	-	89,482,591	68,019,592	-	49,581,306	3,265,310	20,479,676	55,722,300	384,998,335
	Total	34,413,644	102,463,518	71,851,994	10,970,238	492,224,342	460,758,774	68,019,592	166,947,807	49,581,306	3,265,310	20,479,676	55,722,300	1,536,698,501
2012	Primary	12,751,029	58,076,820	41,459,414	-	477,571,468	389,655,514	-	163,937,848	-	-	-	-	1,143,452,093
	Secondary	22,100,197	34,886,097	21,157,373	8,672,478	-	75,935,239	62,401,172	-	38,781,832	3,251,752	19,070,066	57,895,470	344,151,676
	Total	34,851,226	92,962,917	62,616,787	8,672,478	477,571,468	465,590,753	62,401,172	163,937,848	38,781,832	3,251,752	19,070,066	57,895,470	1,487,603,769
2013	Primary	13,271,172	56,711,827	42,911,003	-	425,111,491	396,192,808	-	161,622,544	-	-	-	-	1,095,820,845
	Secondary	23,000,956	19,078,254	32,431,353	7,428,442	-	76,200,590	54,584,578	-	34,465,535	3,782,401	16,925,024	57,895,470	325,792,603
	Total	36,272,128	75,790,081	75,342,356	7,428,442	425,111,491	472,393,398	54,584,578	161,622,544	34,465,535	3,782,401	16,925,024	57,895,470	1,421,613,448
2014	Primary	13,778,678	56,857,111	38,477,473	-	409,775,397	412,623,059	-	163,916,558	-	-	-	-	1,095,428,276
	Secondary	23,766,365	18,307,254	35,425,302	7,214,753	-	78,752,950	39,842,985	-	45,136,223	3,913,249	14,116,305	62,499,144	328,974,530
	Total	37,545,043	75,164,365	73,902,775	7,214,753	409,775,397	491,376,009	39,842,985	163,916,558	45,136,223	3,913,249	14,116,305	62,499,144	1,424,402,806
2015	Primary	14,324,634	71,480,977	40,508,811	-	442,762,977	429,857,856	-	170,582,239	-	-	-	-	1,169,517,494
	Secondary	24,609,512	19,247,913	31,649,661	7,676,815	-	82,901,341	43,660,332	-	49,076,612	3,946,541	19,504,284	65,124,108	347,397,119
	Total	38,934,146	90,728,890	72,158,472	7,676,815	442,762,977	512,759,197	43,660,332	170,582,239	49,076,612	3,946,541	19,504,284	65,124,108	1,516,914,613
2016	Primary	14,877,877	67,301,586	40,281,153	-	471,193,529	437,227,709	-	174,988,030	-	-	-	-	1,205,869,884
	Secondary	25,281,551	19,895,071	28,161,726	7,614,014	-	80,036,848	49,512,136	-	48,660,147	4,013,398	19,250,761	67,273,204	349,698,856
	Total	40,159,428	87,196,657	68,442,879	7,614,014	471,193,529	517,264,557	49,512,136	174,988,030	48,660,147	4,013,398	19,250,761	67,273,204	1,555,568,740
2017	Primary	15,690,240	70,920,943	40,273,959	-	506,222,142	447,212,880	-	181,352,524	-	-	-	-	1,261,672,688
	Secondary	26,577,755	20,881,916	28,658,765	8,034,256	-	82,211,035	58,463,580	-	50,677,352	4,030,569	20,091,335	70,777,141	370,403,704
	Total	42,267,995	91,802,859	68,932,724	8,034,256	506,222,142	529,423,915	58,463,580	181,352,524	50,677,352	4,030,569	20,091,335	70,777,141	1,632,076,392

Source: Maricopa County Assessor's Office
Maricopa County Tax Levy Publication

(a) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the *Direct and Overlapping Governmental Activities Debt- Property Tax Supported* Schedule (Exhibit S-17).

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy For Fiscal Year (a)	Adjustments	Adjusted Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (b)	Total Collections to Date	
				Amount	% of Original Levy		Amount	% of Adjusted Levy
2008	\$ 31,520,944	\$ (328,615)	\$ 31,192,329	\$ 30,686,950	97.4 %	\$ 492,269	\$ 31,179,219	100.0 %
2009	35,130,400	(358,256)	34,772,144	33,987,393	96.7	739,454	34,726,847	99.9
2010	37,081,738	(686,613)	36,395,125	35,581,096	96.0	772,083	36,353,179	99.9
2011	34,455,730	(604,321)	33,851,409	33,299,312	96.6	526,937	33,826,249	99.9
2012	34,856,232	(318,630)	34,537,602	33,860,185	97.1	646,893	34,507,078	99.9
2013	36,402,794	(170,121)	36,232,673	35,627,136	97.9	463,431	36,090,567	99.6
2014	37,675,450	(175,020)	37,500,430	36,924,892	98.0	488,899	37,413,791	99.8
2015	38,916,826	(164,001)	38,752,825	38,310,425	98.4	370,628	38,681,053	99.8
2016	40,471,289	(138,077)	40,333,212	39,886,362	98.6	135,250	40,021,612	99.2
2017	42,580,125	(338,449)	42,241,676	41,757,608	98.1	-	41,757,608	98.9

Source: Maricopa County Treasurer

- (a) The amounts listed in this column do not tie directly to the amount listed for City of Tempe in Exhibit S-10 for total of Primary and Secondary Property Tax Levy. Due to a timing difference, the amount listed on the *Maricopa County Secured Tax Levy Report*, from the Maricopa County Treasurer's office, is at the time the levy is placed on the Tax Levy report (in May/June when the property tax rate is set). The amount listed on the *Secured Tax Levy Report*, from the Maricopa County Treasurer's office, is at the time the levy is placed on the actual tax rolls in August.

Principal Tax Payers (Exhibit S-12)
Property Tax

Current Year and Nine Years Prior

City of Tempe, Arizona

<i>Taxpayer:</i>	Fiscal Year 2017			Fiscal Year 2008		
	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value
Verizon Wireless	\$ 30,559,748	1	1.83 %	\$ -		- %
Arizona Public Service Company	27,334,259	2	1.64	25,399,699	3	1.06
Arizona Mills Mall LLC	26,286,573	3	1.57	33,315,991	1	1.39
KBSII Fountainhead LLC	11,466,843	4	0.69	-		-
Qwest Corporation	10,611,863	5	0.64	32,202,927	2	1.34
Honeywell International Inc	9,258,581	6	0.55	-		-
Tempe Campus SPV LLC	8,305,133	7	0.50	-		-
JDM II Tempe OC LLC	8,188,702	8	0.49	-		-
JP Morgan Chase Bank NA	7,195,978	9	0.43	-		-
Tempe Rio West Business Park LLC	7,195,035	10	0.43	-		-
Wells Fargo Bank NA	-		-	24,496,477	4	1.02
Tempe Fountainhead Corporate LLC	-		-	16,784,317	5	0.70
Freescale Semiconductor Inc	-		-	15,735,130	6	0.66
State Farm Mutual Auto Insurance	-		-	14,242,975	7	0.59
Target Corporation T-9420	-		-	11,074,026	8	0.46
Safeway Incorporated	-		-	11,006,714	9	0.46
Tempe Commerce Park	-		-	9,972,397	10	0.42
Total	\$ 146,402,715		8.77 %	\$ 194,230,653		8.10 %

Source 2017: RBC Capital Markets

Source 2008: Dain Rauscher

Principal Tax Payers (Exhibit S-13)
Sales and Use Tax

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

<i>Taxpayer</i>	<i>Business Type</i>	Fiscal Year 2017			Fiscal Year 2008		
		<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>
Taxpayer A	Service	\$ 5,049,709	1	3.42 %	\$ 5,561,156	1	3.83 %
Taxpayer B	Grocery Stores	3,566,675	2	2.41	1,613,083	6	1.11
Taxpayer C	Electronics/Software	2,551,329	3	1.73			
Taxpayer D	Mixed Retail	2,237,101	4	1.51	1,961,805	3	1.35
Taxpayer E	Mixed Retail	2,223,552	5	1.50	1,895,197	4	1.31
Taxpayer F	Mixed Retail	2,064,256	6	1.40	1,721,109	5	
Taxpayer G	Auto Sales	1,734,728	7	1.17	2,106,153	2	1.45
Taxpayer H	Auto Sales	1,584,776	8	1.07	1,041,581	9	0.72
Taxpayer I	Mixed Retail	1,436,221	9	0.97			
Taxpayer J	Auto Sales	1,405,761	10	0.95			0.00
Taxpayer K	Construction	-		-	1,099,650	7	0.76
Taxpayer L	Service	-		-	1,042,867	8	0.72
Taxpayer M	Electronics/Software	-		-	1,034,472	10	0.71
Total		<u>\$ 23,854,108</u>		<u>16.13 %</u>	<u>\$ 19,077,073</u>		<u>11.96 %</u>

Source: City of Tempe, Arizona Tax and License Division

Note: The identities of the ten largest revenue payers are prohibited from disclosure per State Statute. The business type of the top ten taxpayers has been disclosed along with the appropriate data.

Excise Tax Collections (Exhibit S-14)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Privilege and use tax (a)	\$ 99,865,430	\$ 95,804,083	\$ 92,910,407	\$ 97,169,520	\$ 89,714,946	\$ 84,937,373	\$ 83,258,888	\$ 69,043,642	\$ 74,295,074	\$ 81,108,518
State shared sales tax	16,145,681	15,357,220	14,779,296	14,076,468	13,236,998	12,636,771	12,656,738	12,167,009	13,191,255	15,237,310
State shared income tax	21,511,044	19,470,946	19,577,085	18,025,635	16,519,248	13,649,203	16,137,383	21,406,004	24,832,128	25,401,762
Franchise tax	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125	3,821,436	3,559,615	3,980,674	3,424,560
Vehicle license tax	7,015,040	6,644,362	6,215,552	6,053,172	5,165,072	5,437,201	5,424,902	5,560,791	6,024,595	6,655,516
Permits and fees (b)	10,244,664	11,543,817	11,881,915	12,197,631	6,896,214	7,139,843	5,491,077	6,171,045	7,227,027	7,812,768
Fines and forfeitures	8,094,581	8,464,633	8,436,300	8,190,178	8,132,195	7,731,585	7,576,496	7,108,900	9,200,777	8,616,319
Total	\$ 166,058,633	\$ 160,648,676	\$ 156,733,794	\$ 159,023,544	\$ 142,917,848	\$ 134,960,101	\$ 134,366,920	\$ 125,017,007	\$ 138,751,530	\$ 148,256,753

Source: City of Tempe, Arizona Comprehensive Annual Financial Report
 City of Tempe, Arizona "Revenue and Expenditure by Account by Fund" report.

- (a) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.
- (b) Amounts include all licenses/permits and Community Development and Public Works fees/charges for services.

Ratios of Net General Bonded Debt Outstanding (Exhibit S-15)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental General Obligation Debt	Enterprise General Obligation Debt and WIFA	General Obligation Premium	Less: Debt Service Reserves	Total	Secondary/Limited Assessed Valuation (a)	Percentage of Governmental Debt to Assessed Value (b)	Percentage of Total to Assessed Value of Property	Net Direct Debt Per Capita
2008	\$ 125,075,000	\$ 282,520,000	\$ -	\$ 23,858,992	\$ 383,736,008	\$ 2,401,898,466	4.2 %	16.0 %	2,292
2009	156,265,000	285,735,000	-	31,844,188	410,155,812	2,656,948,194	4.7	15.4	2,376
2010	172,665,000	303,168,706	-	38,126,393	437,707,313	2,767,488,864	4.9	15.8	2,504
2011	166,680,000	287,621,092	10,094,930	25,526,885	438,869,137	2,512,995,468	5.6	17.5	2,595
2012	162,200,000	270,715,646	9,793,498	32,062,939	410,646,205	1,957,328,610	6.6	21.0	2,424
2013	164,235,000	253,760,904	11,561,343	33,262,194	396,295,053	1,697,237,040	7.7	23.3	2,294
2014	163,205,000	236,046,554	11,610,013	33,699,262	377,162,305	1,513,299,272	8.6	24.9	2,140
2015	181,905,000	216,802,282	14,741,563	20,960,171	392,488,674	1,627,720,901	9.9	24.1	2,213
2016	180,750,000	196,122,761	26,115,095	20,693,070	382,294,786	1,593,944,354	10.0	22.3	2,053
2017	178,555,000	198,182,660	27,517,521	21,456,909	382,798,272	1,669,352,097	9.4	22.9	2,098

Source: Secondary assessed valuation from Maricopa County Assessor's Office for fiscal years prior to Fiscal Year 2016. In Fiscal Year 2016, the assessed valuation used is the *Limited Property Value* from Maricopa County Assessor's office *Net Assessed Value Detail* schedule.

- (a) In Fiscal Year 2016, with the passage of Proposition 117, the *Limited Assessed Value* is required to be used for the calculation of the tax levy.
- (b) General obligation debt for business-type activities is not paid by property taxes and therefore the "*Percentage of Governmental Debt to Assessed Value*" is disclosed.

Ratios of Outstanding Debt by Type (Exhibit S-16)

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Governmental Activities</i>									
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Refunding Certificates of Participation	Excise Tax Revenue Bonds	Premium on Debt Payable	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases	Total Government-Type Debt
2008	\$ 125,075,000	\$ 38,310,000	\$ 625,000	\$ 241,125,000	\$ -	\$ 6,739,000	\$ 1,506,411	\$ 3,351,733	\$ 416,732,144
2009	156,265,000	36,095,000	-	239,560,000	-	6,466,000	1,023,835	1,888,630	441,298,465
2010	172,665,000	33,025,000	-	230,470,000	-	6,181,000	521,955	1,776,147	444,639,102
2011	166,580,000	29,875,000	-	228,746,000	9,234,152	5,883,000	-	96,735	440,414,887
2012	162,200,000	27,815,000	-	218,522,900	15,054,997	5,572,000	-	57,921	429,222,818
2013	164,235,000	25,675,000	-	154,081,000	20,176,543	5,247,000	1,009,612	29,645	370,453,800
2014	163,205,000	23,930,000	-	144,606,000	19,542,476	4,907,000	509,804	-	356,700,280
2015	181,905,000	21,175,000	-	134,746,000	18,668,237	4,552,000	-	87,082	361,133,319
2016	180,750,000	19,980,000	-	123,389,000	22,291,058	4,181,000	-	61,399	350,652,457
2017	178,555,000	18,730,000	-	116,009,000	20,515,300	3,794,000	-	34,743	337,638,043

<i>Business-Type Activities</i>									
Fiscal Year	General Obligation Bonds	Excise Tax Revenue Bonds	Premium on Debt Payable	WIFA Loans	Capital Leases	Total Business-Type Debt	Total Primary Government	Per Capita	Percentage of Personal Income
2008	\$ 282,520,000	\$ 2,050,000	\$ -	\$ -	\$ -	\$ 284,570,000	\$ 701,302,144	\$ 4,188	15.98 %
2009	285,735,000	18,685,000	-	-	-	304,420,000	745,718,465	4,319	18.05
2010	289,895,000	18,050,000	-	13,273,706	147,089	321,365,795	766,004,897	4,381	16.43
2011	273,000,000	48,827,424	8,932,839	14,621,092	97,439	345,478,794	785,893,681	4,860	15.31
2012	256,770,000	55,505,432	8,579,661	13,945,646	45,352	334,846,091	764,068,909	4,515	16.57
2013	240,505,000	79,034,000	11,487,656	13,255,904	711,466	344,994,026	715,447,826	4,132	16.27
2014	223,495,000	76,109,000	11,158,485	12,551,554	499,476	323,813,515	680,513,795	3,822	14.12
2015	204,970,000	84,839,000	13,905,912	11,832,282	283,594	315,830,788	676,964,107	3,816	14.23
2016	185,025,000	91,876,000	26,735,479	11,097,761	63,750	314,797,990	665,450,447	3,553	12.63
2017	187,835,000	80,466,000	26,648,171	10,347,660	318,834	305,615,665	643,253,707	3,525	12.53

Direct and Overlapping Governmental Activities Debt- Property Tax Supported (Exhibit S-17)

City of Tempe, Arizona

Governmental Unit:	2017 Net Limited Assessed Valuation	Debt Outstanding	Portion Applicable To City of Tempe		Combined Tax Rate per \$100 Assessed
			Percent	Amount	
Debt repaid with property taxes:					
Maricopa County Community College	\$ 36,135,494,474	\$ 509,430,000	4.62 %	\$ 23,535,666	1.46
Tempe Elementary School District No. 3	1,304,786,663	147,675,000	84.31	124,504,793	5.28
Maricopa Special Health Care District	36,135,494,474	73,000,000	4.62	3,372,600	0.31
Mesa Unified School District No. 4	2,692,702,270	280,905,000	0.69	1,938,245	7.56
Kyrene Elementary School District No. 28	1,865,513,124	197,285,000	29.48	58,159,618	4.38
Scottsdale Unified School District No. 48	4,740,996,146	242,065,000	0.27	653,576	3.86
Tempe Union High School District No. 213	3,170,299,787	96,300,000	52.05	50,124,150	2.90
State of Arizona	56,589,592,481	None	N/A	None	0.50
Maricopa County	36,135,494,474	None	N/A	None	1.79
East Valley Institute of Technology	16,589,181,992	None	10.06	None	0.05
Subtotal overlapping debt				<u>262,288,648</u>	
City direct debt (repaid with property tax)	\$ 1,669,352,097	\$ 178,555,000	100.00 %	<u>178,555,000</u>	
Total direct and overlapping debt				<u>\$ 440,843,648</u>	

Source: RBC Capital Markets and Maricopa County Assessor

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Tempe. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

The applicable percentage of each jurisdiction's assessed valuation which lies within the City's boundaries (see "Percent" column above) was derived from information obtained from the County Assessor's Office.

Total Direct and Overlapping Governmental Activities Debt (Exhibit S-18)

City of Tempe, Arizona

Governmental Unit:	<u>Debt Outstanding</u>	<i>Portion Applicable To City of Tempe</i>	
		<u>Percent</u>	<u>Amount</u>
Debt repaid with property taxes:			
Maricopa County Community College	\$ 509,430,000	4.62 %	\$ 23,535,666
Tempe Elementary School District No. 3	147,675,000	84.31	124,504,793
Maricopa Special Health Care District	73,000,000	4.62	3,372,600
Mesa Unified School District No. 4	280,905,000	0.69	1,938,245
Kyrene Elementary School District No. 28	197,285,000	29.48	58,159,618
Scottsdale Unified School District No. 48	242,065,000	0.27	653,576
Tempe Union High School District No. 213	96,300,000	52.05	50,124,150
State of Arizona	None	N/A	None
Maricopa County	None	N/A	None
East Valley Institute of Technology	None	N/A	None
Subtotal overlapping debt			<u>262,288,648</u>
 City direct debt	 \$ 337,638,043	 100.00 %	 <u>337,638,043</u>
 Total direct and overlapping debt			 <u><u>\$ 599,926,691</u></u>

Source: RBC Capital Markets and Maricopa County Assessor

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Tempe. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

The applicable percentage of each jurisdiction's assessed valuation which lies within the City's boundaries (see "Percent" column above) was derived from information obtained from the County Assessor's Office.

Legal Debt Margin Information (Exhibit S-19)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Assessed Valuation	<u>\$ 2,125,705,145</u>	<u>\$ 1,593,944,354</u>	<u>\$ 1,627,720,901</u>	<u>\$ 1,513,299,272</u>	<u>\$ 1,697,237,040</u>	<u>\$ 1,957,328,610</u>	<u>\$ 2,512,995,468</u>	<u>\$ 2,767,488,864</u>	<u>\$ 2,656,948,194</u>	<u>\$ 2,401,898,466</u>	<u>\$ 2,006,703,332</u>
20% Limitation:											
Debt limit equal to 20% of assessed valuation	\$ 425,141,029	\$ 318,788,871	\$ 325,554,180	\$ 302,659,854	\$ 339,447,408	\$ 391,465,722	\$ 502,599,094	\$ 553,497,773	\$ 531,389,638	\$ 480,379,693	\$ 401,340,666
Total net debt applicable to 20% limit	<u>337,734,652</u>	<u>330,432,281</u>	<u>361,721,555</u>	<u>390,600,904</u>	<u>418,225,647</u>	<u>446,276,092</u>	<u>474,887,545</u>	<u>492,153,706</u>	<u>462,255,000</u>	<u>424,675,000</u>	<u>371,965,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 87,406,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,711,549</u>	<u>\$ 61,344,067</u>	<u>\$ 69,134,638</u>	<u>\$ 55,704,693</u>	<u>\$ 29,375,666</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	79.44%	103.65%	111.11%	129.06%	123.21%	114.00%	94.49%	88.92%	86.99%	88.40%	92.68%
6% Limitation:											
Debt limit equal to 6% of assessed valuation	\$ 127,542,309	\$ 95,636,661	\$ 97,663,254	\$ 90,797,956	\$ 101,834,222	\$ 117,439,717	\$ 150,779,728	\$ 166,049,332	\$ 159,416,891	\$ 144,113,908	\$ 120,402,200
Total net debt applicable to 6% limit	<u>80,243,108</u>	<u>81,905,000</u>	<u>81,495,000</u>	<u>39,045,000</u>	<u>28,365,000</u>	<u>15,030,000</u>	<u>8,330,000</u>	<u>8,285,000</u>	<u>1,395,000</u>	<u>1,455,000</u>	<u>3,065,000</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 47,299,201</u>	<u>\$ 13,731,661</u>	<u>\$ 16,168,254</u>	<u>\$ 51,752,956</u>	<u>\$ 73,469,222</u>	<u>\$ 102,409,717</u>	<u>\$ 142,449,728</u>	<u>\$ 157,764,332</u>	<u>\$ 158,021,891</u>	<u>\$ 142,658,908</u>	<u>\$ 117,337,200</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	62.91%	85.64%	83.44%	43.00%	27.85%	12.80%	5.52%	4.99%	0.88%	1.01%	2.55%

Source: Maricopa County Assessor's Office
City of Tempe, Arizona Accounting Division

Note 1: Prior to Fiscal Year 2016, the Assessed Valuation was based on the Net Assessed Secondary Value. Due to a change in the legislation (Proposition 117), in Fiscal Year 2016, the City was required to use the Limited Property Value. In Fiscal Year 2017, the law changed again to allow the Full Cash Value to be used in the legal debt margin calculation.

Note 2: Effective with Fiscal Year 2007, general obligation bonded debt for transportation and public safety purposes became subject to the 20% debt limitation. Previously, general obligation debt issued for these purposes was subject to the 6% debt limitation.

Remaining General Obligation Bond Authorizations (Exhibit S-20)

City of Tempe, Arizona

	<u>Authorization</u>	<u>WIFA Funding (A)</u>	<u>Prior Issues</u>	<u>Current Year Issue (B)</u>	<u>Remaining Authorization</u>
2008 Program:					
Water/Wastewater	\$ 113,300,000	\$ 18,130,302	\$ 36,095,000	\$23,200,000	\$ 35,874,698
Streets/Transportation/Storm Drains	44,200,000	-	17,465,000	2,740,000	23,995,000
Public Safety - Police/Fire	32,010,000	-	27,305,000	4,120,000	585,000
Community Services/Park Improvement	51,800,000	-	51,800,000	-	-
Total 2008 Program	241,310,000	18,130,302	132,665,000	30,060,000	60,454,698
2012 Program:					
Public Safety - Police/Fire	6,400,000	-	-	-	6,400,000
Community Services/Park Improvement	10,500,000	-	6,110,000	4,390,000	-
Municipal Infrastructure Preservation	12,900,000	-	12,345,000	555,000	-
Total 2012 Program	29,800,000	-	18,455,000	4,945,000	6,400,000
2016 Program:					
Water/Wastewater	148,000,000	-	-	-	148,000,000
Streets/Transportation/Storm Drains	25,000,000	-	-	-	25,000,000
Public Safety - Police/Fire	20,000,000	-	-	-	20,000,000
Community Services/Park Improvement	34,000,000	-	-	910,000	33,090,000
Municipal Infrastructure Preservation	27,000,000	-	-	1,185,000	25,815,000
Total 2016 Program	254,000,000	-	-	2,095,000	251,905,000
Grand Total	\$ 525,110,000	\$ 18,130,302	\$ 151,120,000	\$37,100,000	\$ 318,759,698

Source: City of Tempe, Arizona Internal Services Department

(A) The WIFA funding includes a "forgivable" principal portion of \$2.2 million. Per the loan agreement, the forgivable portion could be added back should the City not comply with the terms of the agreement. As some of the terms are not fulfilled until the end of the loan period, the forgivable portion will continue to utilize authorization until the loan is paid off (FY 2028-29). At that time, the authorization will be restored.

(B) The current year issuance includes a portion of the premium that was allocated to fund projects.

Pledged-Revenue Coverage (Exhibit S-21)

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Special Assessment Bonds</i>				<i>Excise Tax Revenue Obligations</i>		
<u>Fiscal Year</u>	<u>Special Assessment Collections</u>	<u>Debt Service (d)</u>	<u>Coverage</u>	<u>Excise Tax Revenue Collections (a)</u>	<u>Debt Service (d)</u>	<u>Coverage</u>
2008	\$ 2,842,153	\$ 4,066,900	0.70	\$ 141,601,237	\$ 5,626,868	25.17
2009	2,860,571	4,094,274	0.70	132,726,935	6,177,704	21.48
2010	2,783,916	4,796,008	0.58	119,456,216	6,760,138	17.67
2011	3,867,979	4,697,441	0.82	128,942,018	6,761,359	19.07
2012	2,526,283	3,469,611	0.73	129,522,900	9,399,739	13.78
2013	4,442,862	3,448,085	1.29	142,917,848	9,931,262	14.39
2014	3,605,932	2,959,851	1.22	165,485,314	11,977,968	13.82
2015	3,862,306	3,884,758	0.99	156,733,794	12,055,250	13.00
2016	2,439,086	2,214,178	1.10	160,648,676	45,696,593	3.52
2017	2,173,798	2,209,650	0.98	166,058,633	36,355,425	4.57

<i>Performing Arts Excise Tax Obligations</i>				<i>Transit Excise Tax Obligations</i>		
<u>Fiscal Year</u>	<u>0.1% Privilege and Use Tax Collections (b)</u>	<u>Debt Service (d)</u>	<u>Coverage</u>	<u>0.5% Privilege and Use Tax Collections (c)</u>	<u>Debt Service (d)</u>	<u>Coverage</u>
2008	\$ 6,820,193	\$ 6,009,925	1.13	\$ 32,449,710	\$ 5,092,190	6.37
2009	6,158,761	6,012,725	1.02	29,850,942	5,449,867	5.48
2010	5,749,649	6,005,626	0.96	27,891,084	4,356,904	6.40
2011	5,979,900	6,016,226	0.99	29,012,370	4,428,049	6.55
2012	6,236,500	5,377,764	1.16	30,172,338	4,410,547	6.84
2013	6,236,879	5,922,350	1.05	30,087,229	3,685,428	8.16
2014	6,921,904	5,918,250	1.17	33,539,177	4,655,713	7.20
2015	7,460,054	5,919,026	1.26	36,147,640	4,655,688	7.76
2016	7,656,210	5,921,676	1.29	37,288,527	4,658,463	8.00
2017	8,084,891	3,427,850	2.36	39,512,636	4,372,288	9.04

Source: City of Tempe, Arizona Accounting Division

- (a) Excise tax revenue collections include privilege and use tax, state shared privilege and use tax, state shared income tax, franchise tax, permits and fees, and fines and forfeitures. Note that the privilege and use tax exclude the 0.5% excise tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which is restricted to fund programs of the Tempe Convention and Visitor's Bureau.
- (b) The 0.1% privilege and use tax is a Performing Arts Center Tax approved by voters in September 2000.
- (c) The 0.5% privilege and use tax is a Transit Tax approved by voters in September 1996.
- (d) The debt service amount does not include fiscal agent fees.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-22)

Excise Tax Obligations (Excluding Transit Excise Tax Obligations)

City of Tempe, Arizona

Fiscal Year	Senior Excise Tax Obligations			Subordinate Excise Tax Obligations		
	2016 Pledged Excise Tax Revenues (a)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (b)	Outstanding Senior Excise Tax Obligations Coverage (c)	Revenue Available for Debt Service (d)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (e)	Coverage (f)
2017	\$ 166,058,633	\$ 36,355,425	4.57	\$ 137,788,099	\$ 3,427,850	40.20
2018		20,712,705	8.02		3,428,850	40.18
2019		20,710,504	8.02		3,428,100	40.19
2020		12,827,997	12.95		3,433,850	40.13
2021		12,120,957	13.70			
2022		12,120,404	13.70			
2023		12,109,267	13.71			
2024		9,248,517	17.96			
2025		16,538,617	10.04			
2026		6,909,885	24.03			
2027		6,903,865	24.05			
2028		6,911,235	24.03			
2029		6,910,834	24.03			
2030		5,117,988	32.45			
2031		5,116,050	32.46			
2032		2,723,850	60.96			
2033		2,116,125	78.47			

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2016. See Excise Tax Collection schedule (Exhibit S-14).
- (b) Consists of the annual debt service requirements (not including fiscal fees) of the following Excise Tax Revenue/Refunding Obligations:

Series	Remaining Obligation
2009A+B	\$ 12,660,000
2011A+B	14,450,000
2012	23,825,000
2013	23,355,000
2016	35,435,000
2017R	14,790,000
	<u>\$ 124,515,000</u>

- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2017 excise tax revenues to total debt service requirements for the City's revenue bonds.
- (d) Consists of Performing Arts Center Excise Taxes and Excise Taxes (net of current year annual debt service on Outstanding Senior Excise Tax Obligations) received in Fiscal Year 2017.
- (e) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Refunding Obligations, Series 2011, currently outstanding in the principal amount of \$9,465,000. Debt service requirements do not include fiscal fees.
- (f) Pursuant to the Purchase Agreement, the City agrees that the Performing Arts Center Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Performing Arts Center Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-23)

Transit Excise Tax Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations

Fiscal Year	Pledged Excise Tax Revenues (a)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (b)	Outstanding Senior Excise Tax Obligations Coverage (c)
2017	\$ 39,512,636	\$ 4,372,288	9.04
2018		4,506,135	8.77
2019		4,505,830	8.77
2020		4,507,381	8.77
2021		4,504,516	8.77
2022		4,505,890	8.77
2023		4,503,153	8.77
2024		4,511,199	8.76
2025		4,509,490	8.76
2026		4,508,170	8.76
2027		4,506,882	8.77
2028		4,510,590	8.76
2029		4,503,794	8.77
2030		4,511,036	8.76
2031		4,511,606	8.76
2032		4,506,533	8.77
2033		4,508,344	8.76
2034		4,509,363	8.76
2035		4,509,715	8.76
2036		4,659,119	8.48
2037		4,656,963	8.48
2038		1,895,975	20.84

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2017.
- (b) Includes annual debt service requirements for the Series 2008 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$6,675,000; the Series 2012 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$36,515,000; the Series 2017R City of Tempe, Arizona Transit Excise Tax Refunding Obligations in the principal amount of \$19,305,000. Debt service requirements do not include fiscal fees.
- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2017 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

Demographic and Economic Statistics (Exhibit S-24)

Last Ten Fiscal Years

City of Tempe, Arizona

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Total Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Average Household Income (c)</u>	<u>Median Age (c)</u>	<u>School Enrollment (d)</u>	<u>ASU School Enrollment (e)</u>	<u>Unemployment Rate (f)</u>
2008	167,458	\$ 4,387,734,516	\$ 26,202	\$ 66,864	29.7	25,929	64,394	2.80 %
2009	172,641	4,131,989,694	23,934	63,866	31.6	25,780	67,082	4.20
2010	174,833	4,661,747,112	26,664	67,971	31.8	25,857	68,064	6.70
2011	161,719	5,133,769,655	31,745	68,427	35.2	26,670	70,440	8.00
2012	163,989	4,469,848,173	27,257	63,881	31.3	28,136	72,254	8.20
2013	165,499	4,203,343,602	25,398	61,201	31.5	25,510	73,378	6.80
2014	170,027	4,601,100,647	27,061	64,714	28.1	25,264	73,378	7.50
2015	169,533	4,546,705,527	26,819	62,291	28.5	25,480	83,301	6.80
2016	173,510	4,881,183,320	28,132	65,814	28.7	25,656	74,293	5.90
2017	182,498	5,134,033,736	28,531	67,501	29.5	24,891	75,729	4.30

Source: (a) Estimate obtained from Sites USA through Fiscal Year 2015. From Fiscal Year 2016 and forward the estimate is obtained from State Shared Revenue Report published by the League of Arizona Cities & Towns

(b) Amount is calculated using population times per capita personal income

(c) Estimate provided by Sites USA (June 2016)

(d) Arizona Department of Education (Azed.gov)

(e) ASU.edu/Headcount enrollment

(f) workforce.az.gov (June 2016)

Principal Employers (Exhibit S-25)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

<i>Employers:</i>	<i>Fiscal Year 2017</i>			<i>Fiscal Year 2008</i>		
	<u><i>Employees (a)</i></u>	<u><i>Rank</i></u>	<u><i>Employment</i></u>	<u><i>Employees (b)</i></u>	<u><i>Rank</i></u>	<u><i>Employment</i></u>
<i>Arizona State University</i>	11,185	1	27.35 %	10,336	1	30.42 %
<i>Maricopa Community Colleges</i>	4,611	2	11.27	-	-	-
<i>SRP</i>	4,374	3	10.70	3,331	3	9.80
<i>Safeway Inc</i>	3,996	4	9.77	-	-	-
<i>Wells Fargo</i>	3,576	5	8.74	3,406	2	10.03
<i>Freescale Semiconductor (Motorola)</i>	3,000	6	7.34	3,000	4	8.83
<i>Honeywell</i>	3,000	7	7.34	2,000	8	5.89
<i>Kyrene School District</i>	2,401	8	5.87	2,860	5	8.42
<i>Chase Manhattan Corporation</i>	2,377	9	5.81	-	-	-
<i>US Airways</i>	2,377	10	5.81	2,800	6	8.24
<i>Insight Direct</i>	-		-	2,500	7	7.36
<i>Bank One Telephone Banking Division</i>	-		-	2,000	9	5.89
<i>City of Tempe</i>	-		-	1,740	10	5.12
<i>Total</i>	<u>40,897</u>		<u>100.00 %</u>	<u>33,973</u>		<u>100.00 %</u>

Source: (a) Maricopa Association of Governments; 2015 MAG Employer Database
 (b) City of Tempe, Arizona Comprehensive Annual Financial Report, Fiscal Year 2008

Full-Time Equivalent City Government Employees by Function (Exhibit S-26)

Last Ten Fiscal Years

	Fiscal year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Police	505	500	496	497	497	494	499	568	580	577
Fire	155	156	156	156	182	182	182	185	187	187
Community services	297	286	286	314	288	287	289	308	232	230
Public works	430	470	467	486	484	485	489	535	330	323
Community development	83	88	90	90	82	83	88	106	62	62
Human services	46	49	40	-	-	-	-	-	-	-
Municipal court	43	42	42	42	42	42	42	42	46	46
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	33	32	31	11	4	4	4	3	4	4
City attorney	25	26	26	25	25	25	25	25	29	29
Internal audit office	4	4	4	4	3	3	3	4	4	4
Municipal budget office	4	4	4	-	-	-	-	-	-	-
City clerk and elections	5	4	4	5	5	5	5	5	5	5
Internal services	206	156	155	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	210	208
Community relations	-	-	-	-	24	25	25	27	20	20
Diversity program	-	-	-	3	3	3	3	4	5	5
Tempe learning center	-	-	-	-	3	3	3	-	-	-
Development services	-	-	-	-	-	-	-	-	62	63
Economic development	-	-	-	-	-	-	-	-	-	-
Finance and technology	-	-	-	139	132	132	132	-	-	-
Financial services	-	-	-	-	-	-	-	139	73	72
Strategic Mgmt & Diversity	6	6	-	-	-	-	-	-	-	-
Human resources	-	-	-	20	17	17	17	20	24	23
Information technology	-	-	-	-	-	-	-	-	76	76
Water/wastewater	-	-	-	-	-	-	-	-	143	138
Total	1,849	1,824	1,808	1,799	1,798	1,797	1,813	1,977	2,097	2,079

Source: City of Tempe, Arizona Fiscal Year 2016 Annual Budget

Note: In Fiscal Year 2010, the Parks & Recreation department was split, with Parks consolidated into Public Works and Recreation consolidated into Community Services. The Information Technology department and the Financial Services department were consolidated into the Finance and Technology department. The Development Services department was consolidated into Community Development.

Operating Indicators by Function/Program (Exhibit S-27)

Last Ten Fiscal Years

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Function /Program										
Police										
Crime rate (per 100,000 population)	5,063.0	4,900	5,110	5,343	5,288	5,800	5,898	5,500	6,100	6,700
Traffic accidents	5,638.0	5,376	5,103	4,755	4,825	4,834	4,693	4,595	4,920	5,895
Emergency service average response time (minimum)	6.36	6.83	5:13	5:02	5:00	6:35	5:30	5:17	5:08	5:07
Citizen calls for police service	88515	86,229	85,502	84,092	86,996	87,730	85,673	86,074	106,317	112,409
Operating expenditures per citizen calls (a)	\$ 917	\$ 926	\$ 926	\$ 874	\$ 830	\$ 725	\$ 749	\$ 433	\$ 443	\$ 415
Fire										
Firefighters per capita (10,000)	11.6	8.82	9.45	9.47	9.44	9.45	8.95	9.13	9.37	9.43
No. of fire calls	2,565	1,944	2,022	1,958	2,002	2,167	2,208	2,144	2,414	1,964
No. of medical calls	26,633	20,021	19,630	18,119	17,411	17,156	15,264	15,413	15,199	13,255
No. of other assistance calls	2,637	1,963	1,853	1,976	2,033	1,336	1,275	1,253	1,260	2,708
Emergency service average response time (minimum)	4.15	4:16	4:10	4:08	4:07	4:10	4:20	4:20	4:20	4:22
% of emergency responses taking 5.0 minutes or less	74%	73%	75%	76%	76%	76%	74%	74%	72%	71%
Transportation										
On-time performance (bus)	90%	90%	92%	91%	93%	95%	95%	94%	90%	89%
Annual boardings (bus)	6,484,875	6,841,497	7,178,128	7,897,964	8,168,990	8,430,857	7,971,817	8,877,964	9,157,912	7,387,024
Number of square yards repaired	731,425	402,900	302,000	397,605	412,739	569,600	64,665	74,471	2,090,504	1,391,711
Library										
Registered borrowers	97,443	140,000	143,000	143,018	140,523	145,948	140,600	147,914	142,500	142,524
Circulation	855,055	800,000	930,000	814,199	933,824	1,015,578	937,500	1,089,174	1,250,000	1,257,336
Community development										
# of permits issued for commercial /industrial	644	775	678	30	18	18	8	18	21	46
Valuation of commercial/industrial permits	\$ 270,664,400	\$ 333,250,987	\$ 527,389,841	\$ 211,281,465	\$ 26,619,100	\$ 88,812,800	\$ 6,874,200	\$ 86,704,700	\$ 109,851,600	\$ 88,143,100
# of permits issued for residential	122	474	646	451	271	297	314	425	508	675
Valuation of residential permits	\$ 157,887,839	\$ 274,402,813	\$ 173,004,137	\$ 235,037,289	\$ 96,518,351	\$ 68,954,800	\$ 18,260,624	\$ 27,741,900	\$ 161,914,600	\$ 96,512,400
# of permits issued other	1	1	4	660	647	600	521	534	577	653
Valuation of other permits	\$ 60,000	\$ 150,000	\$ 8,758,218	\$ 156,702,779	\$ 54,339,500	\$ 99,407,953	\$ 77,951,841	\$ 68,502,500	\$ 105,413,500	\$ 188,916,700
Water/wastewater										
Number of customer accounts	42,647	43,061	42,678	42,555	42,351	42,398	42,218	42,453	42,686	42,494
Total water gallons treated (million gallons - mg)	15,506	15,278	15,130	15,979	16,900	16,700	15,877 (b)	15,606 (b)	15,774 (b)	17,135 (b)
O&M per customer account	\$ 953	\$ 941	\$ 878	\$ 309	\$ 278	\$ 249	\$ 217	\$ 181	\$ 256	\$ 251
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total wastewater gallons treated (million gallons per day)	19.4	19.4	19.4	19.4	18.5	18.6	18.6 (b)	18.7 (b)	19.7 (b)	20.9 (b)
Solid waste collection										
Residential container/recycling cost per ton	\$ 139	\$ 138	\$ 140	\$ 108	\$ 121	\$ 115	\$ 112	\$ 114	\$ 71	\$ 102
# of residential accounts	33,160	33,001	33,397	33,440	33,405	33,759	33,927	32,886	32,916	32,964
Residential recycling diversion rate	19%	21%	19%	15%	15%	15%	29%	28%	28%	28%
# of commercial accounts	1,671	1,709	1,783	2,130	2,133	2,030	1,940	1,837	1,875	1,942
Commercial collection cost per ton	\$ 93	\$ 91	\$ 95	\$ 95	\$ 81	\$ 78	\$ 73	\$ 77	\$ 59	\$ 59

Source: City of Tempe, Arizona Municipal Budget Office and other applicable City departments.

- (a) For Fiscal Year 2010 and prior, the operating expenditures were based on *per capita*.
- (b) The numbers are revised by department to reflect change in methodology in tracking.

Capital Asset Statistics by Function/Program (Exhibit S-28)

Last Ten Fiscal Years

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol Units (Squads)	21	24	24	24	21	20	20	22	22	22
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	1241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Streetlights	12,026	11,969	11,904	11,849	11,797	11,778	11,778	12,428	12,021	11,810
Traffic Signals	229	228	223	222	221	221	221	219	219	217
Buses	125	125	125	124	135	140	188	188	198	148
Parks and recreation										
Acreage	1875	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Playgrounds	45	45	45	45	45	45	45	45	45	45
Sports Fields	200	200	200	200	200	200	200	200	200	200
Community centers	5	5	5	5	5	5	5	4	4	4
Golf Courses	2	2	2	2	2	2	2	2	2	2
Water/Wastewater										
Water mains (miles)	850	833	833	833	833	839	839	839	825	823
Water production capacity (million gallons per day)	137	125	125	125	125	125	125	129	120	120
Water storage capacity (million gallons)	54	54	42	42	42	42	42	53	53	53
Sanitary sewers (miles)	495	495	549	549	496	498	498	498	497	500
Storm sewers (miles)	231	231	173	173	173	194	194	195	193	193
Wastewater treatment capacity (million gallons per day)	29	29	19	19	19	33	33	38	38	32
Solid waste collection										
Collection trucks	43	45	47	52	51	58	58	58	58	60

Source: City of Tempe, Arizona Municipal Budget Office and other applicable City departments.