



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**City of Tempe, Arizona**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended  
June 30, 2013



**City Council:**

Mark Mitchell, Mayor  
Onnie Shekerjian, Vice Mayor  
Robin Arredondo-Savage  
Shana Ellis  
Kolby Granville  
Joel Navarro  
Corey Woods

**Administrative Staff:**

Andrew Ching, City Manager

**Presented by:**

Kenneth Jones, Finance and Technology Director  
Jerry Hart, CPA, Deputy Finance and Technology Director  
Karen Huffman, CPA, Controller



# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2013

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 5, 2013

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, 2013 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/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 162,000 residents as of the 2010 census. 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 council members 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, 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 carried forward at the end of each fiscal year.

## **LOCAL ECONOMY**

National economic indicators show a slower recovery than originally projected, with Arizona's economy lagging behind the nation as a whole. However, Tempe appears to be outpacing the Phoenix metro region and the State in terms of development activity, which should provide for a somewhat faster recovery in the near term. The projected permit and inspection fees, as well as construction sales taxes associated with scheduled developments should enable the City to recognize revenue growth slightly above what we originally projected in February 2013. While slower growth statewide will negatively impact total State-shared revenues, it will also slow the inevitable reduction in Tempe's percentage share of State-shared revenue, which is based on the City's percentage of the State's population. The City, like most of the State of Arizona and nation, continued its gradual recovery from the economic recession during the fiscal year. Improvement was experienced in all major categories of revenue including sales taxes and property taxes. Another positive trend was the reduction in the City's unemployment rate from an estimated ten-year high of 8.2% in fiscal year 2011-12 to 6.8% in 2012-13.

### Sales Tax

Growth occurred in the local sales tax base across many categories including retail, rentals, utilities/communication, contracting, hotel/motel and restaurants. Total taxable sales increased by 5.7%. Retail taxable sales (comprising 52.7% of total taxable sales) grew by 4.3%. As a result, General Fund gross sales tax revenues (exclusive of bed tax) increased by \$3 million (3.1%) to \$88.3 million; \$10.9 million of this sales tax revenue is from the 0.2% (two-tenths of one percent) temporary (four-year) sales tax that became effective July 1, 2010. Sales tax revenue represented 53% of total General Fund revenues for the year.

### State-Shared Revenue

State-shared sales tax revenue (\$13.2 million) increased by 5% 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. Despite this decline in the percentage proportionate share, the City experienced an increase in state-shared income tax of \$2.9 million (21.0%) due to the significant growth in the pool of state income tax revenues shared with cities and towns. State shared income tax received during the fiscal year (\$16.5 million) is from actual collections by the State for fiscal year 2010-11. Auto lieu tax (\$5.1 million) also remained relatively flat compared to the prior year. These state-shared revenues combined represented about 20% of General Fund revenue for the year.

### Property Tax

Property tax revenues grew by \$1.2 million (to \$15.8 million) and \$1.1 million (to \$23 million) over the prior year in the General Fund and General Obligation Debt Service Fund, respectively. The modest increases are reflective of the property tax revenue stabilization policy implemented by the City during the prior year 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% of General Fund revenues for the year.

## **LONG-TERM FINANCIAL PLANNING**

The central focus of the City's current planning efforts continues to be the achievement of long-term financial sustainability in order to continue the delivery of quality services. While the long range outlook reflects relative stability for most of the City's operating funds, challenges still remain as we continue the gradual recovery from the recession. One of the biggest challenges is the pending expiration of the temporary sales tax in June 2014 resulting in an estimated \$12 million annual reduction in revenue to the General Fund beginning in fiscal year 2014-15. The City has planned for this since the tax was originally implemented in July 2010 and, through prudent decision-making, is well positioned to continue current levels of service. However, this loss of revenue does significantly reduce the future availability of funding for any expansion of existing programs, addition of new programs, or large employee compensation increases.

The City has stepped up to challenge to continue to make available a retiree health plan, otherwise known as an Other Post-Employment Benefit (OPEB) plan. In response to escalating costs, the city, working with the various stakeholders, has made many significant changes to the plan over the last few years with the goal of reducing costs, ensuring affordability, and enhancing long range sustainability. During the fiscal year, the City made its first contribution to an irrevocable trust for the purpose of fully funding this commitment to current employees and retirees. The annual contribution is now included in the City's annually adopted budget.

Finally, the City was able to significantly approve the long range finances of the Transit Special Revenue Fund during the year with the defeasance of \$53.7 million in transit excise tax debt. The debt was issued for construction of the light rail project and financed a portion of the construction costs in advance of the receipt of federal grant reimbursements. The planned defeasance resulted in the City reducing its outstanding transit debt by 42% and debt service costs by approximately \$1.5 million.

**RELEVANT FINANCIAL POLICIES**

During the year, the City conducted a review of its existing financial policies with the goal of making necessary improvements to enhance transparency, accountability and long-range sustainability. One of the improvements was the establishment of minimum fund balance policies for operating funds where none previously existed – specifically the Transit, Highway User Revenue and Performing Arts special revenue funds. Minimum fund balance policies are now as follows:

<u>Fund</u>	<u>Minimum Balance</u>
General	Between 20% and 30% of operating revenues
Transit	25% of current year operating revenues
Highway User Revenue	10% of current year operating revenues
Performing Arts	10% of current year operating revenues
General Obligation Debt Service	Between 4% and 8% of outstanding debt supported by property taxes
Water/Wastewater	25% of current year operating revenues plus 2% of the gross book value of tangible assets
Solid Waste	15% of current year operating revenues
Golf	15% of current year operating revenues

Another improvement was the inclusion of all operating funds in the formally adopted budget. In prior years the activities of the Grant and Court Award funds were not part of the adopted budget. Additionally, the City began including as part of the formal budget process the re-appropriation of all unspent capital project funding as of the end of each fiscal year that is to be carried forward to the succeeding year. These changes resulted in a more comprehensive presentation of the total budget.

**MAJOR INITIATIVES**

The State of Arizona enacted a new law during the spring 2013 legislative session mandating that the State Department of Revenue (DOR) would be responsible for all privilege tax licensing, collection, and auditing in the state beginning January 1, 2015. While the DOR currently performs these services for the majority of cities/towns in the state, approximately eighteen of the largest jurisdictions (including the cities of Phoenix, Tucson, Mesa, Scottsdale, Chandler, and Tempe) in the state provide these services directly to taxpayers located within their boundaries. The intent of the legislation 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. It remains to be seen if the proposed changes can be implemented by the effective date. Due to this uncertainty, the City is unable to estimate the potential impact of the change at this time.

Included in the 2012-13 Capital Improvement Projects budget is initial funding for the replacement of the Tempe Town Lake downstream dam. The original dam, consisting of four rubber bladders constructed over 10 years ago, experienced a rupture in one of the bladders in July of 2010. All four bladders were replaced under an agreement with the manufacturer that required the dam to be replaced by December 31, 2015. The City has decided that the new structure would feature steel-hinged crest gates. Replacement of the dam is critical to continuing economic development of the area around the lake. The total estimated cost of completing the replacement of the dam is \$40.8 million. Construction is anticipated to begin during fiscal year 2013-14.

Significant projects were announced during Fiscal Year 2012-13. The largest “Class A” office project in the history of the State of Arizona, “Marina Heights,” is planned for development in Tempe. The significant \$600 million development in downtown Tempe is to be anchored by a State Farm Insurance regional headquarters. The entire project is estimated at 1.9 million square feet in five office buildings on a 20-acre site north of Arizona State University’s Sun Devil Stadium. The project is expected to become a job hub that will draw thousands of employees at various skill levels.

The much-anticipated hotel and conference center at the intersection of Mill Avenue and University Drive was also announced. The \$350 million development will feature a 330-room luxury hotel and a 30,000-square-foot conference center, both operated by Omni Hotels and Resorts, as well as apartments above office and retail space on the site. Construction is anticipated to break ground later this year and open by the end of 2015. The

project, proposed by USA Place, will be located on 10.5 acres of land at Mill Avenue and University Drive and is projected to bring some 300,000 people to Tempe each year. In addition, the project will feature a state of the art basketball facility housing five full courts and a 4,500 seat event center. (The City of Tempe and the Arizona Board of Regents still must approve the development plans and related agreements).

## AWARDS AND ACKNOWLEDGEMENTS

### Certificates of Achievement

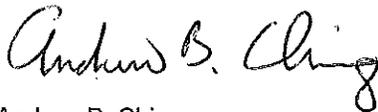
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious 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 thirty-seven consecutive years (fiscal years 1975-76 through 2011-12). 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 order to maintain its commitment to financial excellence, the City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year 2012-13 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2013.

### Acknowledgment

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

Respectfully submitted,



Andrew B. Ching  
City Manager



Kenneth Jones  
Finance and Technology Director



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, 2012**

Executive Director/CEO



For the Fiscal Year  
Ended June 30, 2013

## **City of Tempe, Arizona List of Principal Officials**

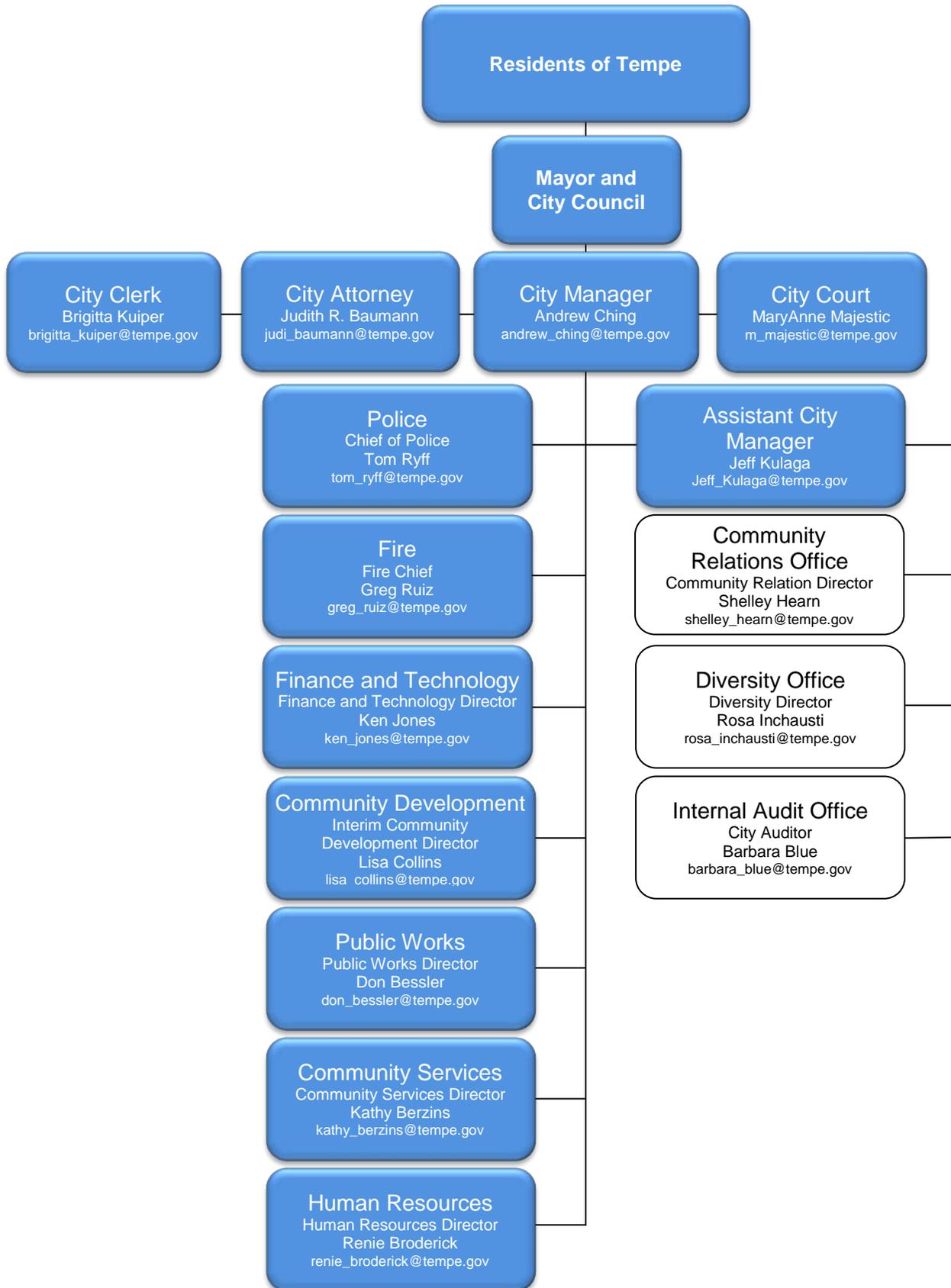
### **City Council**

Mark Mitchell, Mayor  
Onnie Shekerjian, Vice Mayor  
Robin Arredondo-Savage  
Shana Ellis  
Kolby Granville  
Joel Navarro  
Corey Woods

### **Administrative Staff**

Andrew Ching, City Manager  
Jeff Kulaga, Assistant City Manager  
Tom Ryff, Police  
Gregory Ruiz, Fire  
Kathy Berzins, Community Services  
Don Bessler, Public Works  
Lisa Collins, Community Development  
Shelley Hearn, Community Relations  
Rosa Inchausti, Diversity Program  
Barbara Blue, Internal Audit/Consulting  
Brigitta Kuiper, City Clerk and Elections  
Judith R. Baumann, City Attorney  
MaryAnne Majestic, Municipal Court  
Kenneth Jones, Finance and Technology  
Renie Broderick, Human Resources

# 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, 2013, 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 City'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 City'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, 2013, 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 conformity 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013, which represents a change in accounting principle. 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 on pages 17 through 34 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 and statistical sections 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 5, 2013, on our consideration of City of Tempe'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's internal control over financial reporting and compliance.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
CPAs and Business Consultants

December 5, 2013

## 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, 2013. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.177 billion (net position). Of this amount, \$358.5 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 \$13.0 million during the fiscal year compared to a decrease of \$4.6 million in the prior year. The governmental funds experienced a decrease in net position of \$12.3 million and the enterprise funds experienced a decrease of \$0.7 million. The reason for the decrease in current year net position for the governmental funds was due in part to a decrease in capital grants and contributions while expenses increased.
- For the fiscal year ended June 30, 2013, the City's governmental revenues overall increased by \$2.2 million. Even though there was a decrease in *capital grants and contributions* of \$9.4 million, there was an offsetting increase of \$4.8 million in *operating grants and contributions* as well as a \$6.1 million increase in *sales taxes* which resulted a net increase. Expenses increased in the current year primarily in the Fire and Public Works functions.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$172.0 million. Approximately 54.7% of this total amount (\$94.1 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2013, total fund balance for the General Fund was \$61.4 million which represents a slight decrease of \$0.1 million over the prior year's fund balance. Revenues continued to exceed expenditures by \$3.7 million; however it was less than prior year's amount of \$7.9 million. Although revenues increased by \$6.9 million, General Fund expenditures increased by \$11.1 million.
- At June 30, 2013, the City's proprietary funds reported combined total net position of \$255.0 million, and total unrestricted net position of \$105.2 million. \$100.1 million of the unrestricted net position was in the Water and Wastewater Fund.
- At June 30, 2013, the total long-term obligations of the City decreased by \$55.9 million due primarily to the defeasance of \$53.7 million in excise tax variable obligations (Series 2006) in the Transit Fund. In addition, the City refunded \$45.3 million in excise tax variable obligations (Series 2007) along with \$41.1 million of general obligation refunding bonds for both general governmental and enterprise debt. The City issued new money general obligation bonds in the amount of \$13.7 million for streets, public safety, parks, and municipal infrastructure preservation and excise tax obligations in the amount of \$27.2 million for water/wastewater projects.

# 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 **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 and liabilities, with the difference between the two 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, community relations, mayor and council, city manager, diversity program, internal audit/consulting, Tempe learning center, city clerk and elections, city attorney, municipal court, finance and technology, and human resources. The business-type activities of the City include water and wastewater, solid waste, golf and cemetery 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** funds, **proprietary** funds, and **fiduciary** fund.

**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, General Obligation 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 and Transit Special Revenue Funds to demonstrate compliance with the budget. Budgetary comparison schedules for other Non-major Special Revenue, General Obligation 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 for which 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, golf course and cemetery 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 and its risk management services including workers compensation, 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, 2013			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 559,670,178	\$ 268,181,635	\$ 827,851,813
Capital assets, net	864,673,547	362,387,474	1,227,061,021
Total assets	<u>1,424,343,725</u>	<u>630,569,109</u>	<u>2,054,912,834</u>
<b>Liabilities</b>			
Long-term liabilities	380,945,756	333,506,370	714,452,126
Other liabilities	121,509,918	42,073,092	163,583,010
Total liabilities	<u>502,455,674</u>	<u>375,579,462</u>	<u>878,035,136</u>
<b>Net position</b>			
Net Investment in capital assets	548,739,169	149,782,240	698,521,409
Restricted	119,845,935	-	119,845,935
Unrestricted	253,302,947	105,207,407	358,510,354
Total net position	<u>\$ 921,888,051</u>	<u>\$ 254,989,647</u>	<u>\$ 1,176,877,698</u>

Net position- June 30, 2012			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 621,890,987	\$ 254,186,363	\$ 876,077,350
Capital assets, net	879,865,525	368,915,555	1,248,781,080
Total assets	<u>1,501,756,512</u>	<u>623,101,918</u>	<u>2,124,858,430</u>
<b>Liabilities</b>			
Long-term liabilities	494,350,690	332,645,131	826,995,821
Other liabilities	73,241,585	34,730,635	107,972,220
Total liabilities	<u>567,592,275</u>	<u>367,375,766</u>	<u>934,968,041</u>
<b>Net position</b>			
Net Investment in capital assets	560,427,507	162,774,388	723,201,895
Restricted	124,800,333	-	124,800,333
Unrestricted	248,936,397	92,951,764	341,888,161
Total net position	<u>\$ 934,164,237</u>	<u>\$ 255,726,152</u>	<u>\$ 1,189,890,389</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 exceeded liabilities by \$1.177 billion and \$1.190 billion as of June 30, 2013 and 2012, 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 \$698.5 million and \$723.2 million at June 30, 2013 and 2012, respectively. These totals represent 59.3% and 60.8% of total net position at June 30, 2013 and 2012, 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.

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 \$119.8 million (10.2% of total net position) at June 30, 2013. At June 30, 2012 restricted net position was \$124.8 million (10.5% of total net position). With the implementation of Governmental Accounting Standards Board (GASB) No. 54, 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 \$358.5 million (30.5% of total net position) and \$341.9 million (28.7% of total net position) at June 30, 2013 and 2012, respectively.

At the end of each fiscal year, the City is able to report positive balances in all three categories of net position for the governmental as well as for the business-type activities as a whole.

## **ANALYSIS OF CHANGE IN NET POSITION**

The City's net position decreased by \$13.0 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, 2013

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 42,581,855	\$ 91,801,711	\$ 134,383,566
Operating grants and contributions	27,287,325	-	27,287,325
Capital grants and contributions	6,551,849	-	6,551,849
General revenues:			
Sales taxes	149,078,044	-	149,078,044
State shared income taxes, unrestricted	16,519,248	-	16,519,248
Property taxes	38,644,241	-	38,644,241
Franchise taxes	3,253,175	-	3,253,175
Auto-lieu taxes	5,165,072	-	5,165,072
Unrestricted investment earnings	278,102	115,362	393,464
Miscellaneous	2,987,769	923,413	3,911,182
Gain on sale of capital assets	261,764	21,149	282,913
Total revenues	292,608,444	92,861,635	385,470,079
<b>Expenses</b>			
Police	76,585,163	-	76,585,163
Fire	32,594,512	-	32,594,512
Community services	28,592,571	-	28,592,571
Public works	103,586,986	-	103,586,986
Community development	26,757,509	-	26,757,509
Community relations	7,039,462	-	7,039,462
Mayor and council	223,472	-	223,472
City manager	615,451	-	615,451
Diversity program	449,428	-	449,428
Internal audit/consulting	393,471	-	393,471
Tempe learning center	354,866	-	354,866
City clerk and elections	481,374	-	481,374
City attorney	2,963,058	-	2,963,058
Municipal court	3,900,928	-	3,900,928
Finance and technology	4,063,048	-	4,063,048
Human resources	2,036,621	-	2,036,621
Unallocated depreciation	3,662,321	-	3,662,321
Interest on long-term debt	14,347,644	-	14,347,644
Water/wastewater	-	72,352,330	72,352,330
Solid waste	-	14,758,133	14,758,133
Golf	-	2,724,422	2,724,422
Total expenses	308,647,885	89,834,885	398,482,770
Increase(decrease) in net position before transfers	(16,039,441)	3,026,750	(13,012,691)
Transfers	3,763,255	(3,763,255)	-
Change in net position	(12,276,186)	(736,505)	(13,012,691)
Net position at beginning of year	934,164,237	255,726,152	1,189,890,389
Net position at end of year	\$ 921,888,051	\$ 254,989,647	\$ 1,176,877,698

## Changes in Net Position- June 30, 2012

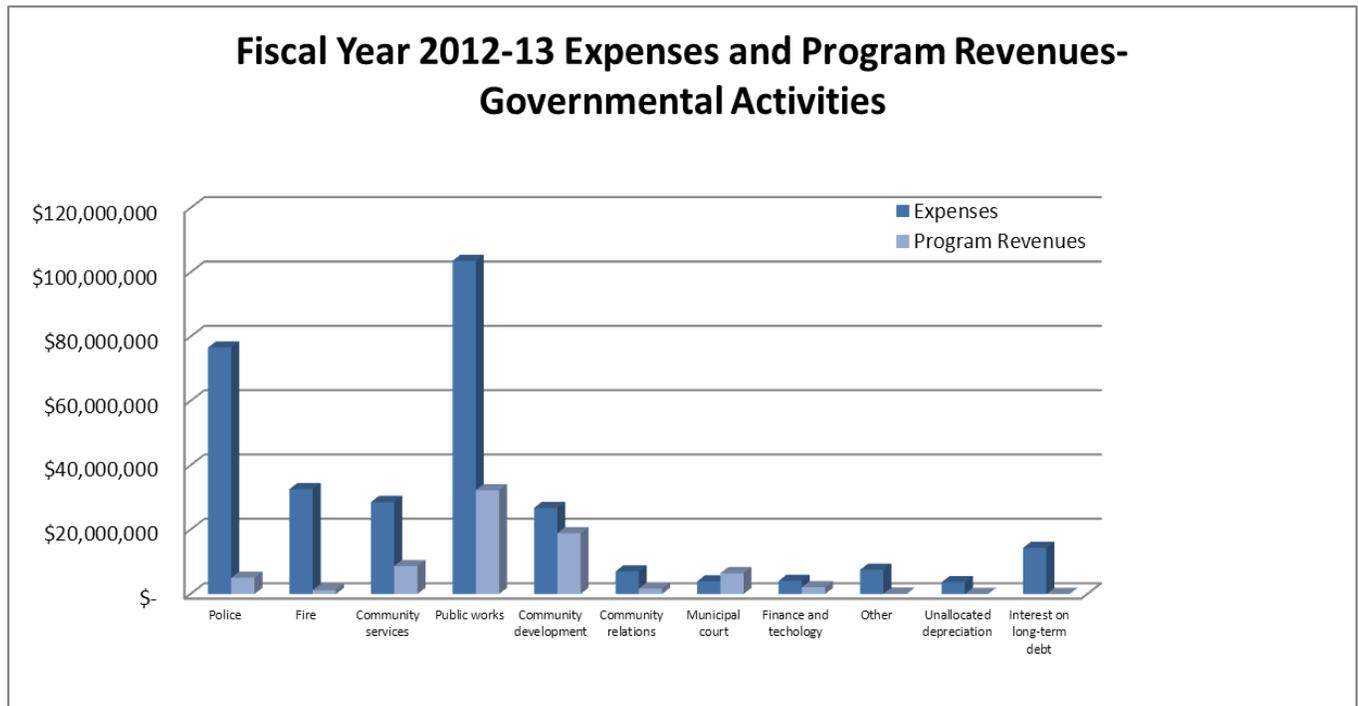
	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 46,068,709	\$ 90,747,206	\$ 136,815,915
Operating grants and contributions	22,450,002	-	22,450,002
Capital grants and contributions	15,961,785	1,988,550	17,950,335
General revenues:			
Sales taxes	142,985,910	-	142,985,910
State shared income taxes, unrestricted	13,649,203	-	13,649,203
Property taxes	35,899,010	-	35,899,010
Franchise taxes	3,428,125	-	3,428,125
Auto-lieu taxes	5,437,201	-	5,437,201
Unrestricted investment earnings	822,900	335,297	1,158,197
Miscellaneous	3,199,954	3,032,990	6,232,944
Gain on sale of capital assets	496,911	40,582	537,493
Total revenues	<u>290,399,710</u>	<u>96,144,625</u>	<u>386,544,335</u>
<b>Expenses</b>			
Police	76,799,591	-	76,799,591
Fire	28,156,863	-	28,156,863
Community services	31,069,618	-	31,069,618
Public works	98,915,390	-	98,915,390
Community development	25,113,273	-	25,113,273
Community relations	7,456,756	-	7,456,756
Mayor and council	356,468	-	356,468
City manager	78,458	-	78,458
Diversity program	476,011	-	476,011
Internal audit/consulting	338,059	-	338,059
Tempe learning center	462,817	-	462,817
City clerk and elections	910,616	-	910,616
City attorney	2,854,168	-	2,854,168
Municipal court	3,934,716	-	3,934,716
Finance and technology	5,325,401	-	5,325,401
Human resources	2,102,617	-	2,102,617
Unallocated depreciation	2,301,194	-	2,301,194
Interest on long-term debt	14,894,293	-	14,894,293
Water/wastewater	-	72,156,412	72,156,412
Solid waste	-	14,626,578	14,626,578
Golf	-	2,658,416	2,658,416
Cemetery	-	129,849	129,849
Total expenses	<u>301,546,309</u>	<u>89,571,255</u>	<u>391,117,564</u>
Increase(decrease) in net position before transfers	(11,146,599)	6,573,370	(4,573,229)
Transfers	(508,805)	508,805	-
Change in net position	<u>(11,655,404)</u>	<u>7,082,175</u>	<u>(4,573,229)</u>
Net position at beginning of year	945,819,641	248,643,977	1,194,463,618
Net position at end of year	<u>\$ 934,164,237</u>	<u>\$ 255,726,152</u>	<u>\$1,189,890,389</u>

**Governmental activities.** The decrease in governmental net position totaled \$12.3 million and \$11.7 million for the fiscal years ended June 30, 2013 and 2012, respectively. Although overall revenues increased by \$2.2 million, the increase in the deficit was predominately due to the City receiving \$9.4 million less in the current year in *capital grants and contributions* while expenditures increased by \$7.1 million.

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

- The largest component contributing to the decrease in net position was a decrease in *capital grants and contributions* of \$9.4 million (59.0%). In prior year, the City received \$3.0 million as a contribution for the Town Lake Dam replacement due to the unexpected rupture in fiscal year 2011. In addition, in the prior year the City received approximately \$3.5 million more in Transit related grants.
- Overall, citywide *sales tax* revenue increased by \$6.1 million (4.3%) from the prior year. This is a result of the gradual economic recovery with the leading category of growth being retail sales.
- In addition, *State shared income taxes* increased in the amount of \$2.9 million (21.0%) from the prior year.
- The final increase in general revenues was in the area of *property taxes*. The increase of \$2.7 million (7.7%) is due to the property tax stabilization policy implemented by the City in fiscal year 2011-12.
- Another component which increased the deficit in the current year was *total expenses* which were up \$7.1 million (2.4%). The increase was mostly attributed to the discontinuation of the furlough program that was necessary during the economic downturn.

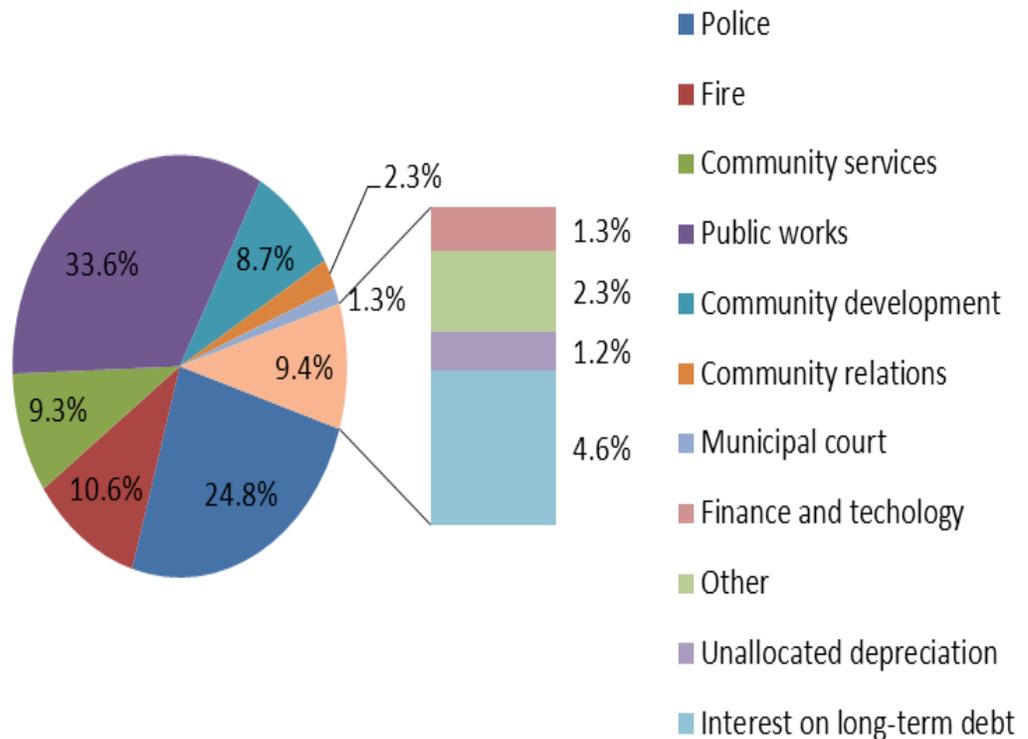
The following charts, over the next few pages, illustrate the City’s governmental expenses and program revenues by function and its revenues by source for the current fiscal year:



A comparison of expenses by function and the percentage of total expenses for the largest functions is presented below. Total expenses for the City's governmental activities increased over prior year by \$7.1 million or 2.4%. Within the functions, there was an increase in expenses for Public Works, Fire, and Community Development which were moderately offset with a decrease in expenses for Community Services.

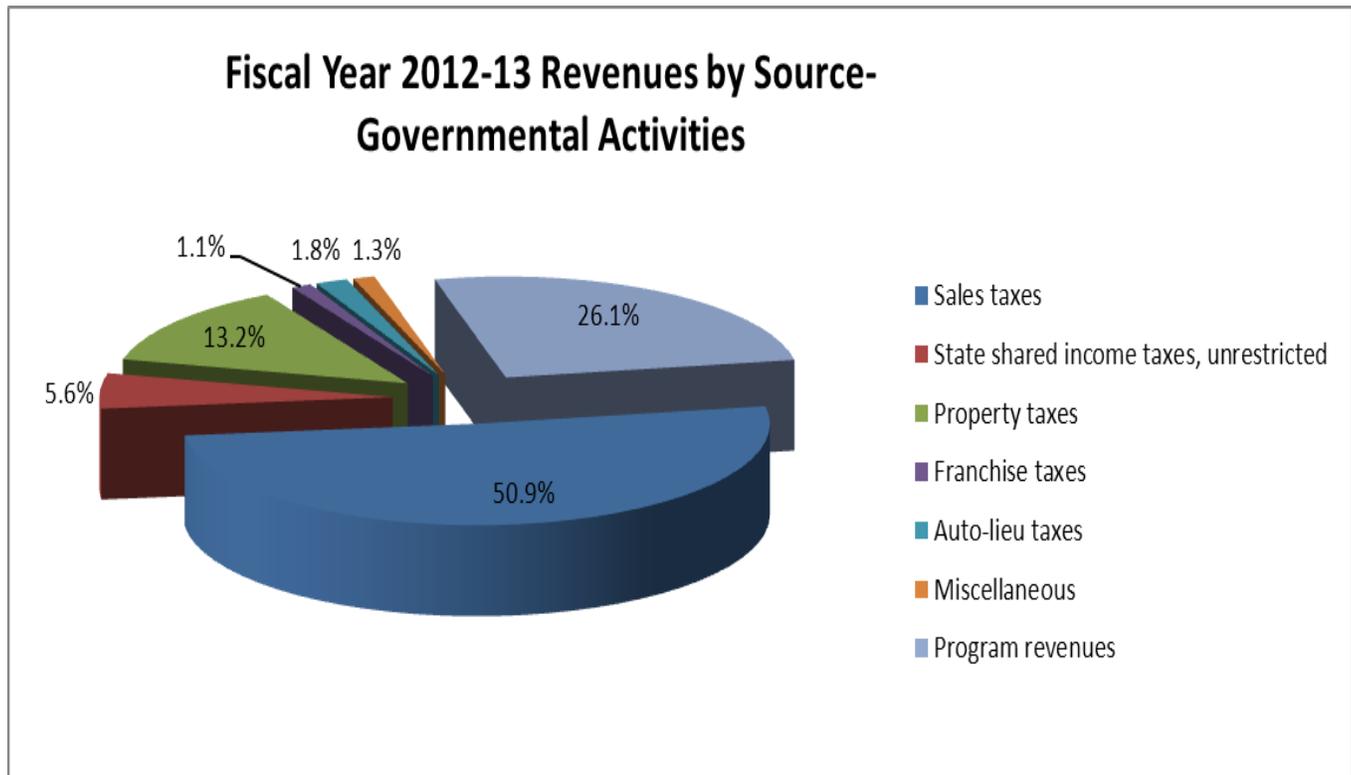
	Fiscal Year Ended			
	June 30, 2013		June 30, 2012	
Public works	\$103,586,986	33.6%	\$98,915,390	32.8%
Police	76,585,163	24.8	76,799,591	25.5
Fire	32,594,512	10.6	28,156,863	9.3
Community services	28,592,571	9.3	31,069,618	10.3
Community development	26,757,509	8.7	25,113,273	8.3

### Fiscal Year 2012-13 Expenses by Function- Governmental Activities



General revenues such as *sales taxes*, *property taxes*, *State shared income taxes*, and other excise 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 below. As stated previously, *sales taxes*, *State shared income taxes*, and *property taxes* each displayed growth by increasing by \$6.1 million, \$2.9 million and \$2.7 million, respectively.

	Fiscal Year Ended			
	June 30, 2013		June 30, 2012	
Sales taxes	\$149,078,044	50.9%	\$142,985,910	49.2%
Property taxes	38,644,241	13.2	35,899,010	12.4
State shared income taxes, unrestricted	16,519,248	5.6	13,649,203	4.7
Auto-lieu taxes	5,165,072	1.8	5,437,201	1.9
Franchise taxes	3,253,175	1.1	3,428,125	1.2



**Business-type activities.** Business-type activities decreased the City's net position by \$0.7 million for the year ended June 30, 2013 compared to an increase of \$7.1 million for the year ended June 30, 2012. The prior year increase was derived primarily from water and wastewater rate increases which resulted in *charges for services* increasing by \$3.3 million (4.7%) in the Water and Wastewater Fund. In addition, in the prior year the water and wastewater fund sold effluent for \$1.0 million and had \$2.0 million in ARRA funding that was not available in the current year. Finally in the current year, the Water and Wastewater Fund incurred a loss on the transfer of assets of \$3.1 million.

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

For the Year Ended June 30, 2013					
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 74,979,069	\$ 14,341,827	\$2,480,815	\$ -	\$ 91,801,711
Unrestricted investment earnings/other	1,060,341	5,738	501	528	1,067,108
Total	<u>\$ 76,039,410</u>	<u>\$ 14,347,565</u>	<u>\$2,481,316</u>	<u>\$ 528</u>	<u>\$ 92,868,819</u>

For the Year Ended June 30, 2012					
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 73,392,328	\$ 14,866,281	\$2,344,355	\$ 144,242	\$ 90,747,206
Capital grants and contributions	1,988,550	-	-	-	1,988,550
Unrestricted investment earnings/other	3,343,872	67,823	-	-	3,411,695
Total	<u>\$ 78,724,750</u>	<u>\$ 14,934,104</u>	<u>\$2,344,355</u>	<u>\$ 144,242</u>	<u>\$ 96,147,451</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 \$72.4 million for the fiscal year, followed by Solid Waste with \$14.8 million and Golf with \$2.7 million. Due to revenues consistently not being sufficient to cover expenses, the Cemetery fund was consolidated into the General fund on 7/1/2012.

Expenses for the Enterprise Funds were fairly consistent between years. The Water and Wastewater had a slight increase of \$0.2 million (0.3%), Solid Waste increased by \$0.1 million (0.9%) and Golf increased less than \$0.1 million (2.5%).

## 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 \$172.0 million, a decrease of \$44.6 million from the prior year. Approximately \$94.1 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 combination of these categories nets a decrease of 44.0 million over the prior year's combined balance of \$138.1 million. The significant decrease is due to the planned defeasance of the Series 2006 Variable Rate Excise Tax Obligations in the amount of \$53.7 million. See the *Debt Administration* section for additional discussion.

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, 2013 fiscal year end, the fund balance included amounts for *inventories* (\$1.5 million), *prepaid items* (\$0.7 million) and *capital improvement notes receivable* (\$0.3 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (changes in City Charter). The restricted portion of fund balance consists of amounts for debt service (\$33.3 million), public works (\$39.6 million) and community development (\$2.7 million).

Revenues for governmental functions overall totaled \$298.0 million in the fiscal year ended June 30, 2013, which represents an increase of 2.7% or \$7.8 million from the fiscal year ended June 30, 2012. This change is primarily due to the increase in the following areas: \$4.8 million (3.9%) in *sales taxes*, \$2.9 million (21.0%) in *State income taxes*, and \$2.3 million (6.2%) in *property taxes*.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$61.4 million; the fund did not have any *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 only a slight change in the current year, which was a decrease of \$0.1 million. In the prior year the net increase was \$7.5 million. In the current year however, expenditures increased greater than revenues resulting in only a slight net change to fund balance.

	Fiscal Year Ended			
	June 30, 2013		June 30, 2012	
Revenues	\$ 169,962,203		\$ 163,034,772	
Total fund balance	61,429,953	36.1 %	61,556,364	37.8 %
Unassigned fund balance	52,658,705	31.0	50,954,570	31.3

Total revenues increased by \$6.9 million (4.2%) from the prior year. *Sales taxes* increased by \$4.8 million (5.6%) over prior year due to the modest recovery in the economy. As mentioned earlier, retail sales was the source of the greatest increase in *sales taxes*. *Property taxes* also increased by \$1.2 million (7.9%) which was due to maximizing the increase in the levy as allowed by State statute and the continual recovery of the housing market. The final major increase was an additional \$2.9 million (21.0%) in *State income taxes*. The increase in revenues was offset with an \$11.1 million increase in expenditures. The increase in expenditures was mainly due to the discontinuation of the furlough program.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues continued to increase in the current year by \$4.1 million. Predominately the increase relates to additional federal grants for the bus operations preventative maintenance.

The fund balance totaled \$27.6 million at June 30, 2013, compared to a \$23.0 million fund balance at June 30, 2012. The fund balance was able to grow by \$4.6 million despite the defeasance of \$53.7 million of variable rate debt (see *Debt Administration* for further discussion) due to a \$54.0 million transfer from the Transit Capital Projects fund.

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 \$5 million *assigned*, is restricted for general obligation debt service payments) increased from \$35.4 million at June 30, 2012 to \$38.3 million at June 30, 2013. The change in fund balance is due primarily to an increase in *property tax* revenues (\$1.1 million) along with \$1.1 million received from other entities for their portion of an excise debt issuance. 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) improved from a deficit of \$1.7 million at June 30, 2012 to a deficit of \$0.6 million at June 30, 2013. The reduction of the deficit was due to receiving certain delinquent receivables. The remaining delinquent receivables will be covered by future anticipated special assessment payments (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 traffic flow improvements. Total fund balance had a \$52.6 million decrease from \$64.5 million at June 30, 2012 to \$11.9 million at June 30, 2013 due to the planned transfer of \$54 million to the Transit Special Revenue Fund for the defeasance of the Series 2006 Variable Rate Excise Tax Obligations. Bonds were issued in conjunction with the construction of the light rail system in anticipation of receiving federal funding approved for the project but that would not be reimbursed until future years. As final reimbursement has occurred, the funds were transferred to the Transit Special Revenue fund for payoff of the related debt.

## 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 position for the proprietary funds were as follows:

	Fiscal Year Ended	
	June 30, 2013	June 30, 2012
Water and wastewater fund	\$242,600,089	\$242,420,029
Solid waste fund	11,489,099	12,440,335
Golf fund	900,459	1,076,749
Cemetery fund	-	(210,961)
Internal service funds	1,239,840	(970,747)

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. Although a rate increase was implemented on January 1, 2013, in the current year the fund experienced only a slight increase in total net position of \$0.2 million for the fiscal year ended June 30, 2013 versus a more substantial increase in net position of \$7.4 million for the fiscal year ended June 30, 2012. The prior year increase was due primarily to a \$1.9 million grant which was received and a planned increase in *charges for services* as a result of rate adjustments which were implemented November 1, 2011 for this operation. In addition, in the current year the Water and Wastewater Fund incurred a \$3.1 million loss for the transfer of assets to the Governmental Funds.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Revenues decreased in the current year by \$0.5 million while expenditures increased by \$0.1 million. With the transfer of \$0.5 million, the net position resulted in a decrease of \$1.0 million versus a decrease less than \$0.1 million in net position in prior year.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund recognized a \$0.2 million reduction in total net position for fiscal year ending June 30, 2013 which was similar to prior year's reduction. In an effort to stabilize the fund, an improved operating model has been implemented at the golf courses. In addition, initiatives are being explored to reduce costs, such as converting the Rolling Hills irrigation system from treated water to raw water.

The **Cemetery Fund** was established to account for the improvements, expansion and operations of the Double Butte Cemetery. Due to reduced demand for cemetery services, the fund was unable to cover the costs of operations. As such, all operational costs were moved to the general fund. The fund was closed out as of 7/1/2012 and the capital assets and associated debt were moved to the governmental funds.

The **Internal Service Funds** account for the risk management and health insurance activities of the City. The \$2.2 million increase in net position is due primarily to a \$2.0 million transfer from the general fund out of the fund balance from the *self-insurance* assigned category.

## 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 trust was established in the current year and an initial contribution of \$4.3 million was made.

## BUDGET HIGHLIGHTS

The City's final General Fund expenditure budget of \$170.5 million differs from the original budget of \$170.3 million due to budget transfers to other funds.

During the year, actual revenues were greater than budgetary estimates by \$2.1 million (1.3% of total budgeted revenue) in the General Fund. This is due primarily to the increase in *charges for services*.

Actual expenditures were less than budgetary estimates by \$4.3 million (2.5% of final budgetary estimates) in the General Fund. This positive variance was attributable to continual cost reduction efforts in preparations of the sunset of the temporary sales tax on June 30, 2014.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2013 amount to \$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 \$21.7 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2013 and 2012, respectively.

Capital Assets, Net of Depreciation- June 30, 2013			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	217,639,287	29,135,082	246,774,369
Infrastructure	378,181,671	171,745,005	549,926,676
Improvements	128,870,936	136,320,010	265,190,946
Machinery and equipment	44,640,224	13,524,170	58,164,394
Construction in progress	5,736,256	4,969,830	10,706,086
Total	<u>\$ 864,673,547</u>	<u>\$ 362,387,474</u>	<u>\$ 1,227,061,021</u>

Capital Assets, Net of Depreciation- June 30, 2012			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	224,043,994	34,664,872	258,708,866
Infrastructure	390,370,114	165,532,252	555,902,366
Improvements	116,511,676	145,674,832	262,186,508
Machinery and equipment	45,008,581	14,040,681	59,049,262
Construction in progress	14,325,987	2,309,541	16,635,528
Total	<u>\$ 879,865,525</u>	<u>\$ 368,915,555</u>	<u>\$ 1,248,781,080</u>

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

**Governmental Activities**

- The City completed several improvement projects including \$8.3 million in bus maintenance facility additions, \$1.6 million in arterial roadways, \$1.5 million in energy retrofits and \$3.7 million in police equipment acquisitions. There were also various other infrastructure and improvement projects for parks and street lights.

**Business-type Activities**

- The Water and wastewater fund incurred \$2.4 million in capital infrastructure improvements for the South Tempe Water Treatment Plant during the fiscal year. In addition, there were \$7.2 million in capital infrastructure improvements for the Johnny G. Martinez water treatment plant. The final major project was \$2.1 million for metering and water main systems. In addition, the Golf fund entered into golf maintenance equipment and cart leases for \$0.9 million.

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 \$714.5 million which is a decrease of \$55.9 million over the prior fiscal year. A significant portion of the decrease is due to the defeasance of variable rate debt as discussed below. The remainder of the decrease is due to the annual principal payment being more than the new money debt issued in the current year.

<b>Outstanding Long-term Obligations - June 30, 2013</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General obligation bonds	\$ 164,235,000	\$ 240,505,000	\$ 404,740,000
Special assessment bonds	25,675,000	-	25,675,000
Excise tax obligations	154,081,000	79,034,000	233,115,000
Capital improvement note payable	1,009,612	-	1,009,612
HUD Section 108 loan	5,247,000	-	5,247,000
WIFA loan	-	13,255,904	13,255,904
Total debt payable	<u>350,247,612</u>	<u>332,794,904</u>	<u>683,042,516</u>
Capital leases	29,645	711,466	741,111
Compensated absences	25,391,538	-	25,391,538
Claims and judgments	5,276,961	-	5,276,961
Total long-term obligations	<u>\$ 380,945,756</u>	<u>\$ 333,506,370</u>	<u>\$ 714,452,126</u>

### Outstanding Long-term Obligations- June 30, 2012

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 162,200,000	\$ 256,770,000	\$ 418,970,000
Special assessment bonds	27,815,000	-	27,815,000
Excise tax obligations	218,522,900	55,505,432	274,028,332
HUD Section 108 loan	5,572,000	-	5,572,000
WIFA loan	-	13,945,646	13,945,646
Total debt payable	<u>414,109,900</u>	<u>326,221,078</u>	<u>740,330,978</u>
Capital leases	57,921	45,352	103,273
Compensated absences	25,327,942	-	25,327,942
Claims and judgments	4,597,033	-	4,597,033
Total long-term obligations	<u>\$ 444,092,796</u>	<u>\$ 326,266,430</u>	<u>\$ 770,359,226</u>

The City's issued \$54.8 million in general obligation debt during the current fiscal year which consisted of \$13.7 million of new money and \$41.1 million to refund existing general obligation debt. The new money was for public safety, parks, municipal infrastructure preservation and street improvements in the amounts of \$4.4 million, \$2.5 million, \$2.3 million, and \$4.5 million, respectively. The primary purpose of refunding \$41.1 million of 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 \$1.6 million in the City's General Obligation Debt Service and Water/Wastewater funds.

In the area of Transit, the City defeased \$53.7 million of Series 2006 Variable Rate Excise Tax Obligations associated with the construction of the Transit light rail project. As mentioned earlier, the reimbursement from the federal funds provided the opportunity to pay off the debt needed for cash flow during the construction of the project. In addition to the defeasance, the City also refunded \$45.3 million of the Series 2007 Variable Rate Excise Tax Obligations in order to fix the interest rate.

Finally, the City issued \$27.2 million in excise tax obligations of new money for water related projects.

The City's total net general obligation bonded debt (total bonded debt, including the Enterprise Funds and WIFA loans, less debt service reserves) outstanding decreased by approximately \$17.8 million from the fiscal year ended June 30, 2012 to the fiscal year ended June 30, 2013. 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. A comparison of these indicators follows:

	Fiscal Year Ended	
	June 30, 2013	June 30, 2012
Net general bonded debt	\$ 379,720,902	\$ 397,555,176
Net general bonded debt per capita	2,294	2,424
Ratio of net general bonded debt to net assessed value	22.4%	20.3%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.35	\$ 1.13

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2013 is \$73.5 million under the 6% limitation. Due to the fall in property values, the City currently does not have any available borrowing capacity under the 20% 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-17) of this report.

During the year, the City's ratings on its outstanding general obligation bonds were 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*.

## OTHER MATTERS

While the requirements of GASB Statements No. 43 and 45, related to financial reporting of other postemployment benefits (OPEB), had a material affect on the financial position of the City beginning with the fiscal year ended June 30, 2008, the Tempe Mayor and Council approved changes to the benefit plan which reduced the annual OPEB cost.

## 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  
Finance and Technology Department  
Accounting Division  
20 E. Sixth Street  
Tempe, AZ 85281  
480.350.8350

# Statement of Net Position

June 30, 2013

City of Tempe, Arizona

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Pooled cash and investments	\$ 169,392,980	\$ 57,490,683	\$ 226,883,663
Receivables:			
Taxes	14,818,480	-	14,818,480
Accounts, net	5,788,160	12,312,390	18,100,550
Accrued interest	1,462,222	366,985	1,829,207
Due from other governments	17,043,315	-	17,043,315
Inventories	1,460,087	543,780	2,003,867
Prepaid items	667,643	-	667,643
Restricted cash and investments	32,441,621	54,423,396	86,865,017
Special assessment receivables	25,592,686	-	25,592,686
Capital improvement notes receivable	17,021,394	2,583,358	19,604,752
Equity in joint venture	273,981,590	140,461,043	414,442,633
Capital assets not being depreciated:			
Land	89,605,173	6,693,377	96,298,550
Construction in progress	5,736,256	4,969,830	10,706,086
Capital assets (net of accumulated depreciation):			
Buildings	217,639,287	29,135,082	246,774,369
Infrastructure	378,181,671	171,745,005	549,926,676
Improvements	128,870,936	136,320,010	265,190,946
Machinery and equipment	44,640,224	13,524,170	58,164,394
Total assets	<u>1,424,343,725</u>	<u>630,569,109</u>	<u>2,054,912,834</u>
<b>Liabilities</b>			
Accounts payable	15,566,571	5,629,313	21,195,884
Deposits	6,272,970	600,754	6,873,724
Accrued expenses	11,826,424	4,472,278	16,298,702
Deferred charges	7,911,398	95,299	8,006,697
Liabilities payable from restricted assets	27,773,142	24,909,590	52,682,732
OPEB	52,159,413	6,365,858	58,525,271
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,745,000	-	1,745,000
Due in more than one year	23,930,000	-	23,930,000
Other long-term liabilities:			
Due within one year	37,506,862	20,851,339	58,358,201
Due in more than one year	317,763,894	312,655,031	630,418,925
Total liabilities	<u>502,455,674</u>	<u>375,579,462</u>	<u>878,035,136</u>
<b>Net Position</b>			
Net investment in capital assets	548,739,169	149,782,240	698,521,409
Restricted for:			
Transit	30,300,147	-	30,300,147
Cultural and recreational	-	-	-
Highways and streets	9,276,907	-	9,276,907
Community development	475,827	-	475,827
Housing assistance	281,358	-	281,358
Court enhancements	917,932	-	917,932
Capital projects	5,096,424	-	5,096,424
Debt service	73,497,340	-	73,497,340
Unrestricted	253,302,947	105,207,407	358,510,354
Total net position	<u>\$ 921,888,051</u>	<u>\$ 254,989,647</u>	<u>\$ 1,176,877,698</u>

# Statement of Activities

For the fiscal year ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 76,585,163	\$ 1,506,807	\$ 3,516,223	\$ -
Fire	32,594,512	153,903	1,048,709	9,320
Community services	28,592,571	6,988,375	1,700,928	-
Public works	103,586,986	18,536,983	7,622,634	6,072,180
Community development	26,757,509	6,815,190	11,620,880	470,349
Community relations	7,039,462	-	1,685,167	-
Mayor and council	223,472	-	-	-
City manager	615,451	-	-	-
Diversity program	449,428	-	-	-
Internal audit/consulting	393,471	-	-	-
Tempe learning center	354,866	-	-	-
City clerk and elections	481,374	-	-	-
City attorney	2,963,058	13,310	67,205	-
Municipal court	3,900,928	6,426,389	25,579	-
Finance and technology	4,063,048	2,140,898	-	-
Human resources	2,036,621	-	-	-
Unallocated depreciation	3,662,321	-	-	-
Interest on long-term debt	14,347,644	-	-	-
Total governmental activities	<u>308,647,885</u>	<u>42,581,855</u>	<u>27,287,325</u>	<u>6,551,849</u>
Business-type activities:				
Water and wastewater	72,352,330	74,979,069	-	-
Solid waste	14,758,133	14,341,827	-	-
Golf course	2,724,422	2,480,815	-	-
Cemetery	-	-	-	-
Total business-type activities	<u>89,834,885</u>	<u>91,801,711</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 398,482,770</u>	<u>\$ 134,383,566</u>	<u>\$ 27,287,325</u>	<u>\$ 6,551,849</u>

General revenues:

- Sales taxes
- State shared income taxes, unrestricted
- Property taxes
- Franchise taxes
- Auto-lieu 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

*City of Tempe, Arizona*

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (71,562,133)	\$ -	\$ (71,562,133)
(31,382,580)	-	(31,382,580)
(19,903,268)	-	(19,903,268)
(71,355,189)	-	(71,355,189)
(7,851,090)	-	(7,851,090)
(5,354,295)	-	(5,354,295)
(223,472)	-	(223,472)
(615,451)	-	(615,451)
(449,428)	-	(449,428)
(393,471)	-	(393,471)
(354,866)	-	(354,866)
(481,374)	-	(481,374)
(2,882,543)	-	(2,882,543)
2,551,040	-	2,551,040
(1,922,150)	-	(1,922,150)
(2,036,621)	-	(2,036,621)
(3,662,321)	-	(3,662,321)
(14,347,644)	-	(14,347,644)
<u>(232,226,856)</u>	<u>-</u>	<u>(232,226,856)</u>
-	2,626,739	2,626,739
-	(416,306)	(416,306)
-	(243,607)	(243,607)
-	-	-
<u>-</u>	<u>1,966,826</u>	<u>1,966,826</u>
<u>(232,226,856)</u>	<u>1,966,826</u>	<u>(230,260,030)</u>
149,078,044	-	149,078,044
16,519,248	-	16,519,248
38,644,241	-	38,644,241
3,253,175	-	3,253,175
5,165,072	-	5,165,072
278,102	115,362	393,464
2,987,769	923,413	3,911,182
261,764	21,149	282,913
<u>3,763,255</u>	<u>(3,763,255)</u>	<u>-</u>
<u>219,950,670</u>	<u>(2,703,331)</u>	<u>217,247,339</u>
<u>(12,276,186)</u>	<u>(736,505)</u>	<u>(13,012,691)</u>
<u>934,164,237</u>	<u>255,726,152</u>	<u>1,189,890,389</u>
<u>\$ 921,888,051</u>	<u>\$ 254,989,647</u>	<u>\$ 1,176,877,698</u>

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

# Balance Sheet

## Governmental Funds

June 30, 2013

	<u>General</u>	<u>Transit Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Special Assessment Debt Service</u>
<b><u>Assets</u></b>				
Pooled cash and investments	\$ 59,687,683	\$ 15,619,517	\$ 35,702,272	\$ -
Receivables:				
Taxes	9,744,776	2,732,644	924,100	-
Accounts	5,443,283	-	-	-
Accrued interest	254,604	11,670	-	1,192,050
Due from other funds	1,089,340	-	-	-
Due from other governments	-	14,183,679	-	-
Inventories	393,981	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	2,964,144	2,527,739	17,503,613	628,188
Special assessments	-	-	-	25,592,686
Capital improvement notes receivable	250,000	1,888,325	14,883,069	-
Total assets	<u>\$ 79,827,811</u>	<u>\$ 36,963,574</u>	<u>\$ 69,013,054</u>	<u>\$ 27,412,924</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 3,496,277	\$ 4,883,041	\$ 87,300	\$ 1,583
Deposits	5,895,696	-	-	-
Accrued expenditures	3,892,885	97,427	-	-
Due to other funds	-	-	-	357,578
Deferred revenue	5,113,000	1,888,325	13,809,570	26,996,875
Matured bonds payable	-	1,035,000	12,735,000	-
Matured interest payable	-	1,489,088	4,106,182	628,187
Total liabilities	<u>18,397,858</u>	<u>9,392,881</u>	<u>30,738,052</u>	<u>27,984,223</u>
<b><u>Fund Balances</u></b>				
Fund balances:				
Non-spendable	643,980	-	-	-
Restricted	-	16,540,410	33,262,194	-
Committed	-	9,280,064	-	-
Assigned	8,127,268	1,750,219	5,012,808	-
Unassigned	52,658,705	-	-	(571,299)
Total fund balances	<u>61,429,953</u>	<u>27,570,693</u>	<u>38,275,002</u>	<u>(571,299)</u>
Total liabilities and fund balances	<u>\$ 79,827,811</u>	<u>\$ 36,963,574</u>	<u>\$ 69,013,054</u>	<u>\$ 27,412,924</u>

*City of Tempe, Arizona*

<b>Transit Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 12,186,106	\$ 37,006,853	\$ 160,202,431
-	1,416,960	14,818,480
-	286,144	5,729,427
-	3,898	1,462,222
-	-	1,089,340
-	2,859,636	17,043,315
-	1,066,106	1,460,087
-	667,643	667,643
-	8,817,937	32,441,621
-	-	25,592,686
-	-	17,021,394
<u>\$ 12,186,106</u>	<u>\$ 52,125,177</u>	<u>\$ 277,528,646</u>
\$ 314,694	\$ 6,219,932	\$ 15,002,827
-	377,274	6,272,970
-	423,106	4,413,418
-	731,762	1,089,340
-	3,138,372	50,946,142
-	6,395,000	20,165,000
-	1,384,685	7,608,142
<u>314,694</u>	<u>18,670,131</u>	<u>105,497,839</u>
-	1,733,749	2,377,729
11,871,412	13,892,708	75,566,724
-	9,774,067	19,054,131
-	8,054,522	22,944,817
-	-	52,087,406
<u>11,871,412</u>	<u>33,455,046</u>	<u>172,030,807</u>
<u>\$ 12,186,106</u>	<u>\$ 52,125,177</u>	<u>\$ 277,528,646</u>

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

# Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2013

City of Tempe, Arizona

Fund balances- total governmental funds		\$ 172,030,807
<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	1,491,463,509	
Accumulated depreciation	<u>(626,789,962)</u>	864,673,547
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		273,981,590
<p>Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unavailable revenue.</p>		
Deferred special assessment revenue	26,996,875	
Deferred tax and other deferred revenue	1,465,972	
Deferred notes receivable revenue	15,205,035	
Deferred court revenue	4,234,623	
Capital grant and contribution monies not received within 60 days	<u>3,043,637</u>	50,946,142
<p>Bond premium net of issuance costs are not financial resources and, therefore, are not reported in the funds.</p>		
		(7,911,396)
<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	(25,391,538)	
Claims and judgments	(5,276,961)	
Other post employment benefits (excluding internal service)	(52,126,723)	
Bonds, capital improvement notes and capital leases	<u>(350,277,257)</u>	(433,072,479)
<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>		
		<u>1,239,840</u>
Net position of governmental activities		<u>\$ 921,888,051</u>

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, 2013

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
<b>Revenues:</b>				
Taxes:				
Sales taxes	\$ 90,660,981	\$ 30,087,229	\$ -	\$ -
Property taxes	15,753,138	-	22,983,109	-
Franchise taxes	3,253,175	-	-	-
Intergovernmental:				
Federal grants	-	7,147,075	-	-
State grants	-	475,559	-	-
State sales tax	13,236,998	-	-	-
State income tax	16,519,248	-	-	-
Auto lieu tax	5,165,072	-	-	-
Other	593,629	-	1,762,947	-
Investment income	203,239	55,982	13,016	-
Charges for services	11,350,780	16,205,687	-	-
Fines and forfeitures	8,132,195	-	-	-
Other entities' participation	-	-	-	-
Special assessments	-	-	-	4,442,862
Licenses and permits	1,931,776	-	-	-
Miscellaneous	3,161,972	281,620	-	183,632
Total revenues	<u>169,962,203</u>	<u>54,253,152</u>	<u>24,759,072</u>	<u>4,626,494</u>
<b>Expenditures:</b>				
Current:				
Police	68,756,282	-	-	-
Fire	27,020,233	-	-	-
Community services	20,892,043	-	-	-
Public works	18,235,903	45,183,799	-	13,339
Community development	11,267,870	-	-	-
Community relations	5,418,161	-	-	-
Mayor and council	244,837	-	-	-
City manager	617,384	-	-	-
Diversity program	441,212	-	-	-
Internal audit/consulting	388,263	-	-	-
Tempe learning center	418,396	-	-	-
City clerk and elections	511,960	-	-	-
City attorney	2,738,041	-	-	-
Municipal court	3,525,766	-	-	-
Finance and technology	3,760,937	-	-	-
Human resources	2,045,707	-	-	-
Debt service:				
Principal retirement	-	100,000,000	13,735,000	2,140,000
Interest and fiscal fees	-	3,212,089	7,949,288	1,311,035
Capital outlay	-	-	-	-
Total expenditures	<u>166,282,995</u>	<u>148,395,888</u>	<u>21,684,288</u>	<u>3,464,374</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>3,679,208</u>	<u>(94,142,736)</u>	<u>3,074,784</u>	<u>1,162,120</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	54,000,000	6,500,331	-
Transfers out	(4,035,897)	(959,366)	(8,261,603)	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	4,326,390	2,066,578	-
Proceeds from sale of capital assets	230,278	-	-	-
Issuance of refunding bonds	-	41,390,000	12,520,000	-
Payment to refunded bonds escrow agent	-	-	(12,985,558)	-
Total other financing sources (uses)	<u>(3,805,619)</u>	<u>98,757,024</u>	<u>(160,252)</u>	<u>-</u>
Net change in fund balance	(126,411)	4,614,288	2,914,532	1,162,120
Fund balance (deficit) at beginning of year	61,556,364	22,956,405	35,360,470	(1,733,419)
Fund balance (deficit) at end of year	<u>\$ 61,429,953</u>	<u>\$ 27,570,693</u>	<u>\$ 38,275,002</u>	<u>\$ (571,299)</u>

*City of Tempe, Arizona*

<u>Transit Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 6,236,879	\$ 126,985,089
-	-	38,736,247
-	-	3,253,175
2,953,722	15,420,165	25,520,962
-	228,211	703,770
-	8,855,957	22,092,955
-	-	16,519,248
-	-	5,165,072
-	4,293,153	6,649,729
-	5,865	278,102
-	4,551,189	32,107,656
-	404,883	8,537,078
15,856	180,250	196,106
-	-	4,442,862
-	-	1,931,776
-	1,281,690	4,908,914
<u>2,969,578</u>	<u>41,458,242</u>	<u>298,028,741</u>
-	3,953,252	72,709,534
-	1,035,916	28,056,149
-	3,659,032	24,551,075
-	7,351,439	70,784,480
-	13,985,837	25,253,707
-	1,670,321	7,088,482
-	-	244,837
-	-	617,384
-	-	441,212
-	-	388,263
-	-	418,396
-	-	511,960
-	299,175	3,037,216
-	304,742	3,830,508
-	-	3,760,937
-	-	2,045,707
-	6,720,000	122,595,000
-	2,842,823	15,315,235
<u>2,607,747</u>	<u>18,266,951</u>	<u>20,874,698</u>
<u>2,607,747</u>	<u>60,089,488</u>	<u>402,524,780</u>
<u>361,831</u>	<u>(18,631,246)</u>	<u>(104,496,039)</u>
959,366	5,978,923	67,438,620
(54,000,000)	(1,549,441)	(68,806,307)
-	13,675,000	13,675,000
-	-	6,392,968
36,708	3,360	270,346
-	-	53,910,000
-	-	(12,985,558)
<u>(53,003,926)</u>	<u>18,107,842</u>	<u>59,895,069</u>
(52,642,095)	(523,404)	(44,600,970)
64,513,507	33,978,450	216,631,777
<u>\$ 11,871,412</u>	<u>\$ 33,455,046</u>	<u>\$ 172,030,807</u>

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

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

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ (44,600,970)

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	(743,524)	
OPEB (excluding internal service)	(1,899,671)	
		(2,643,195)

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	19,892	
Court revenue	(1,368,901)	
Capital grants and contributions	(1,146,201)	
Special assessments received/recognized	(3,186,850)	
		(5,682,060)

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	20,874,698	
Miscellaneous net capital expenditures	(5,273,773)	
Depreciation expense	(42,890,872)	
		(27,289,947)

Gain on Movement of Asset		3,130,942
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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		28,276
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Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position.

Bond issuance costs	659,132	
Amortization of bond issuance costs	308,459	
		967,591

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	(54,599,442)	
Premium on issuance of debt	(6,392,968)	
Principal payments made	122,595,000	
		61,602,590

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.

		2,210,587
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Change in net position of governmental activities \$ (12,276,186)

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, 2013

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 108,792,855	\$ 108,792,855	\$ 109,667,294	\$ 874,439
Intergovernmental	35,532,408	35,532,408	35,514,947	(17,461)
Investment income	464,983	464,983	457,208	(7,775)
Charges for services	9,534,265	9,541,865	11,350,780	1,808,915
Fines and forfeitures	7,375,168	8,195,568	8,132,195	(63,373)
Licenses and permits	1,527,000	1,527,000	1,931,776	404,776
Miscellaneous	4,856,312	4,028,312	3,161,972	(866,340)
Total revenues	<u>168,082,991</u>	<u>168,082,991</u>	<u>170,216,172</u>	<u>2,133,181</u>
<b>Expenditures</b>				
Police	67,833,501	68,667,708	68,153,145	514,563
Fire	27,325,938	27,950,007	27,572,838	377,169
Community services	21,506,827	21,712,356	20,875,440	836,916
Public works	19,036,303	17,803,279	18,037,608	(234,329)
Community development	9,593,822	11,798,340	11,257,158	541,182
Community relations	5,430,131	5,468,502	5,441,478	27,024
Mayor and council	372,531	382,698	224,268	158,430
City manager	349,826	358,959	757,055	(398,096)
Diversity program	477,433	481,212	441,893	39,319
Internal audit/consulting	423,408	426,011	388,686	37,325
Tempe learning center	546,676	551,256	419,285	131,971
City clerk and elections	561,728	570,890	512,991	57,899
City attorney	2,770,028	2,802,484	2,743,024	59,460
Municipal court	3,791,700	3,818,092	3,527,415	290,677
Finance and technology	19,408,324	16,831,949	15,696,897	1,135,052
Human resources	2,336,150	2,354,078	2,076,986	277,092
Contingency	1,000,000	1,000,000	-	1,000,000
Interdepartmental charges	(12,452,069)	(12,452,069)	(11,902,278)	(549,791)
Total expenditures	<u>170,312,257</u>	<u>170,525,752</u>	<u>166,223,889</u>	<u>4,301,863</u>
<b>Other financing sources (uses)</b>				
Transfers to other funds	(1,746,879)	(1,746,879)	(4,035,897)	(2,289,018)
Proceeds from sale of capital assets	100,000	100,000	230,278	130,278
Total other financing sources (uses)	<u>(1,646,879)</u>	<u>(1,646,879)</u>	<u>(3,805,619)</u>	<u>(2,158,740)</u>
Net change in fund balance	<u>\$ (3,876,145)</u>	<u>\$ (4,089,640)</u>	186,664	<u>\$ 4,276,304</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	(253,969)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(144,661)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	99,646
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(14,091)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ (126,411)</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, 2013

*City of Tempe, Arizona*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 30,905,796	\$ 30,905,796	\$ 30,087,229	\$ (818,567)
Intergovernmental revenue	19,779,424	6,301,116	7,622,634	1,321,518
Investment income	120,000	120,000	177,876	57,876
Charges for services	3,744,366	17,222,674	16,205,687	(1,016,987)
Miscellaneous	312,646	312,646	281,620	(31,026)
Total revenues	<u>54,862,232</u>	<u>54,862,232</u>	<u>54,375,046</u>	<u>(487,186)</u>
<b>Expenditures</b>				
Current:				
Public works	48,151,659	48,151,659	45,182,678	2,968,981
Debt service:				
Principal retirement	1,690,000	55,690,000	100,000,000	(44,310,000)
Interest and fiscal fees	56,164,544	2,164,544	3,212,089	(1,047,545)
Total expenditures	<u>106,006,203</u>	<u>106,006,203</u>	<u>148,394,767</u>	<u>(42,388,564)</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	54,000,000	54,000,000
Transfers to other funds	(959,366)	(959,366)	(959,366)	-
Premium on issuance of debt	-	-	4,326,390	4,326,390
Proceeds of refunding bonds	-	-	41,390,000	41,390,000
Total other financing sources (uses)	<u>(959,366)</u>	<u>(959,366)</u>	<u>98,757,024</u>	<u>99,716,390</u>
Net change in fund balance	<u><u>\$(52,103,337)</u></u>	<u><u>\$(52,103,337)</u></u>	<u>4,737,303</u>	<u><u>\$ 56,840,640</u></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	(121,894)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	553
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(1,674)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u><u>\$ 4,614,288</u></u>

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



## Statement of Net Position

### Proprietary Funds

June 30, 2013

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery		
<b>Assets</b>						
Current assets:						
Pooled cash and investments	\$ 49,833,190	\$ 7,657,493	\$ -	\$ -	\$ 57,490,683	\$ 9,190,549
Restricted cash and investments	54,423,396	-	-	-	54,423,396	-
Accounts receivable	11,261,391	1,050,999	-	-	12,312,390	58,733
Accrued interest receivable	329,313	23,568	14,104	-	366,985	-
Due from other funds	250,417	-	-	-	250,417	-
Inventories	543,780	-	-	-	543,780	-
Total current assets	<u>116,641,487</u>	<u>8,732,060</u>	<u>14,104</u>	<u>-</u>	<u>125,387,651</u>	<u>9,249,282</u>
Noncurrent assets:						
Notes receivable	2,583,358	-	-	-	2,583,358	-
Equity in joint venture	140,461,043	-	-	-	140,461,043	-
Capital assets:						
Land	6,330,829	-	362,548	-	6,693,377	-
Buildings	49,444,840	1,265,783	1,822,663	-	52,533,286	-
Infrastructure	308,729,093	-	-	-	308,729,093	-
Improvements	223,492,952	-	4,247,980	-	227,740,932	-
Machinery and equipment	33,084,497	19,971,842	2,018,600	-	55,074,939	-
Construction in progress	4,969,830	-	-	-	4,969,830	-
Less accumulated depreciation	<u>(271,667,530)</u>	<u>(15,650,887)</u>	<u>(6,035,566)</u>	<u>-</u>	<u>(293,353,983)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>354,384,511</u>	<u>5,586,738</u>	<u>2,416,225</u>	<u>-</u>	<u>362,387,474</u>	<u>-</u>
Total noncurrent assets	<u>497,428,912</u>	<u>5,586,738</u>	<u>2,416,225</u>	<u>-</u>	<u>505,431,875</u>	<u>-</u>
Total assets	<u>\$ 614,070,399</u>	<u>\$ 14,318,798</u>	<u>\$ 2,430,329</u>	<u>\$ -</u>	<u>\$ 630,819,526</u>	<u>\$ 9,249,282</u>

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities- Internal Service Funds</b>
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Golf Course</b>	<b>Cemetery</b>	<b>Total</b>	
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	\$ 5,275,607	\$ 301,604	\$ 52,102	\$ -	\$ 5,629,313	\$ 563,746
Deposits	600,754	-	-	-	600,754	-
Accrued expenses	3,269,153	1,006,222	196,903	-	4,472,278	7,413,006
Due to other funds	-	-	250,417	-	250,417	-
Deferred revenue	95,299	-	-	-	95,299	-
Accrued interest payable	6,694,590	-	-	-	6,694,590	-
General obligation bonds- current	16,265,000	-	-	-	16,265,000	-
Excise tax revenue obligations- current	1,950,000	-	-	-	1,950,000	-
WIFA loan payable- current	704,349	-	-	-	704,349	-
Capital leases payable- current	-	-	211,990	-	211,990	-
Total current liabilities	<u>34,854,752</u>	<u>1,307,826</u>	<u>711,412</u>	<u>-</u>	<u>36,873,990</u>	<u>7,976,752</u>
Noncurrent liabilities:						
General obligation bonds payable	240,505,000	-	-	-	240,505,000	-
Excise tax revenue obligations	79,034,000	-	-	-	79,034,000	-
WIFA loan payable	12,551,555	-	-	-	12,551,555	-
Capital leases payable	-	-	499,476	-	499,476	-
OPEB obligation	4,525,003	1,521,873	318,982	-	6,365,858	32,690
Total noncurrent liabilities	<u>336,615,558</u>	<u>1,521,873</u>	<u>818,458</u>	<u>-</u>	<u>338,955,889</u>	<u>32,690</u>
Total liabilities	<u>371,470,310</u>	<u>2,829,699</u>	<u>1,529,870</u>	<u>-</u>	<u>375,829,879</u>	<u>8,009,442</u>
<b>Net Position</b>						
Net investment in capital assets	142,490,743	5,586,738	1,704,759	-	149,782,240	-
Unrestricted	100,109,346	5,902,361	(804,300)	-	105,207,407	1,239,840
Total net position	<u>\$ 242,600,089</u>	<u>\$ 11,489,099</u>	<u>\$ 900,459</u>	<u>\$ -</u>	<u>\$ 254,989,647</u>	<u>\$ 1,239,840</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, 2013

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Operating revenues:						
Charges for services	\$ 74,979,069	\$ 14,341,827	\$ 2,480,815	\$ -	\$ 91,801,711	\$ 28,211,275
Miscellaneous	922,912	-	501	-	923,413	22,322
Total operating revenues	<u>75,901,981</u>	<u>14,341,827</u>	<u>2,481,316</u>	<u>-</u>	<u>92,725,124</u>	<u>28,233,597</u>
Operating expenses:						
Personnel services	15,477,214	5,514,614	649,032	-	21,640,860	-
Supplies and materials	4,094,996	482,382	471,767	-	5,049,145	-
Fees and services	16,190,491	7,557,140	1,287,866	-	25,035,497	28,023,010
Depreciation	17,475,129	1,203,997	315,757	-	18,994,883	-
Total operating expenses	<u>53,237,830</u>	<u>14,758,133</u>	<u>2,724,422</u>	<u>-</u>	<u>70,720,385</u>	<u>28,023,010</u>
Operating income (loss)	22,664,151	(416,306)	(243,106)	-	22,004,739	210,587
Nonoperating revenues (expenses):						
Investment income (loss)	140,910	(18,892)	(7,184)	528	115,362	-
Interest and fiscal fees	(11,076,632)	-	-	-	(11,076,632)	-
Gain (loss) on sale of capital assets	(3,481)	24,630	-	-	21,149	-
Loss on transfer of capital assets	(3,130,942)	-	-	-	(3,130,942)	-
Net loss from joint venture	(8,037,868)	-	-	-	(8,037,868)	-
Income (loss) before contributions and operating transfers	556,138	(410,568)	(250,290)	528	(104,192)	210,587
Transfers in	5,265,445	-	74,000	210,433	5,549,878	2,000,000
Transfers out	(5,641,523)	(540,668)	-	-	(6,182,191)	-
Change in net position	<u>180,060</u>	<u>(951,236)</u>	<u>(176,290)</u>	<u>210,961</u>	<u>(736,505)</u>	<u>2,210,587</u>
Total net position- beginning	<u>242,420,029</u>	<u>12,440,335</u>	<u>1,076,749</u>	<u>(210,961)</u>	<u>255,726,152</u>	<u>(970,747)</u>
Total net position- ending	<u>\$ 242,600,089</u>	<u>\$ 11,489,099</u>	<u>\$ 900,459</u>	<u>\$ -</u>	<u>\$254,989,647</u>	<u>\$ 1,239,840</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, 2013

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Cash flows from operating activities:						
Receipts from customers	\$ 75,913,245	\$ 14,347,130	\$ 2,484,461	\$ -	\$ 92,744,836	\$ -
Receipts from other funds	-	-	-	-	-	28,174,864
Payments to employees for services	(15,711,924)	(5,625,323)	(700,585)	-	(22,037,832)	-
Payments to suppliers for goods and services	(18,665,489)	(8,138,606)	(1,754,279)	(5,165)	(28,563,539)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(26,303,999)
Net cash provided (used) by operating activities	<u>41,535,832</u>	<u>583,201</u>	<u>29,597</u>	<u>(5,165)</u>	<u>42,143,465</u>	<u>1,870,865</u>
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	343,024	-	101,550	(444,574)	-	-
Transfers in	5,265,445	-	74,000	210,433	5,549,878	2,000,000
Transfers out	(5,641,523)	(540,668)	-	-	(6,182,191)	-
Net cash provided (used) by noncapital financing activities	<u>(33,054)</u>	<u>(540,668)</u>	<u>175,550</u>	<u>(234,141)</u>	<u>(632,313)</u>	<u>2,000,000</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds	27,240,000	-	-	-	27,240,000	-
Principal paid on long-term debt	(18,519,742)	-	666,114	(1,753,100)	(19,606,728)	-
Interest and fiscal fees	(11,278,992)	-	(7,184)	(145,763)	(11,431,939)	-
Change in capital assets	(13,544,714)	(49,279)	(864,208)	-	(14,458,201)	-
Deferred revenue	(51,066)	-	-	-	(51,066)	-
Gain from the sale of assets	(3,481)	24,630	-	1,991,399	2,012,548	-
Loss on transfer of asset	(3,130,942)	-	-	-	(3,130,942)	-
Net cash provided (used) by capital and related financing activities	<u>(19,288,937)</u>	<u>(24,649)</u>	<u>(205,278)</u>	<u>92,536</u>	<u>(19,426,328)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	134,702	(19,210)	131	4,174	119,797	-
Collection of notes receivable	(860,209)	-	-	-	(860,209)	-
Net cash provided (used) by investing activities	<u>(725,507)</u>	<u>(19,210)</u>	<u>131</u>	<u>4,174</u>	<u>(740,412)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	21,488,334	(1,326)	-	(142,596)	21,344,412	3,870,865
Cash and cash equivalents at beginning of year	82,768,252	7,658,819	-	142,596	90,569,667	5,319,684
Cash and cash equivalents at end of year	<u>\$ 104,256,586</u>	<u>\$ 7,657,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,914,079</u>	<u>\$ 9,190,549</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 22,664,151	\$ (416,306)	\$ (243,106)	\$ -	\$ 22,004,739	\$ 210,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	17,475,129	1,203,997	315,757	-	18,994,883	-
Change in assets and liabilities:						
(Increase) decrease in receivables	11,264	5,303	3,145	-	19,712	(58,733)
(Increase) decrease in inventories	154,518	-	-	-	154,518	-
Increase (decrease) in deposits	95,339	-	-	-	95,339	-
Increase (decrease) in payables	1,370,141	(99,084)	5,354	(5,165)	1,271,246	199,340
Increase (decrease) in accrued expenses	(241,844)	(120,624)	(21,661)	-	(384,129)	1,517,824
Increase (decrease) in net OPEB obligation	7,134	9,915	(29,892)	-	(12,843)	1,847
Net cash provided (used) by operating activities	<u>\$ 41,535,832</u>	<u>\$ 583,201</u>	<u>\$ 29,597</u>	<u>\$ (5,165)</u>	<u>\$ 42,143,465</u>	<u>\$ 1,870,865</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	\$ (8,037,868)	\$ -	\$ -	\$ -	\$ (8,037,868)	\$ -
Capital leases	-	-	861,649	-	861,649	-
Total noncash investing, capital, and financing activities:	<u>\$ (8,037,868)</u>	<u>\$ -</u>	<u>\$ 861,649</u>	<u>\$ -</u>	<u>\$ (7,176,219)</u>	<u>\$ -</u>

## Statement of Net Position

### Fiduciary Fund

June 30, 2013

*City of Tempe, Arizona*

Other Post Employment  
Benefits Trust

<u>Assets</u>		
Cash and investments		\$ 4,530,000
Total assets		<u>4,530,000</u>
 <u>Net Position</u>		
Held in trust for other post employment benefits		4,530,000
Total net position		<u>\$ 4,530,000</u>

## Statement of Changes In Net Position

### Fiduciary Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

Other Post Employment  
Benefits Trust

<b>Additions:</b>		
Contributions		
Employer		\$ 4,530,000
Total additions		<u>4,530,000</u>
 <b>Deductions:</b>		
Benefits		-
Total deductions		<u>-</u>
Change in net position		4,530,000
Net position at beginning of year		-
Net position at end of year		<u>\$ 4,530,000</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, 2013

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, 2013, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

### 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.

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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basic Financial Statements (Continued)

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, 2013

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 assets, 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, 2013

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.

**Cemetery Fund** – accounts for the operation of the Double Butte cemetery. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing. Due to the Cemetery Fund consistently not producing sufficient revenues to cover expenses, on 7/1/2012 the assets and liabilities were absorbed into the General Fund.

**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 worker's compensation, automobile liability, general liability, and property 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, 2013

*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 judgements, are recorded only when payment is due.

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 deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also 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 deferred revenue is removed and revenue is recognized.

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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **D. Measurement Focus and Basis of Accounting** (Continued)

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

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 (except Special Assessments), and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued annual budget may be obtained from the City's Finance and Technology Department, Budget and Research Division, 20 East Sixth 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 operating 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, 2013

*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 2012-13 Expenditure Limitation is \$298,088,986.

Local governments may carryforward to later 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, 2013

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 \$2.9 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 \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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	3-25

### L. 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 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 with 3 years of service receives a "Mediflex" allowance each year as reimbursement for all otherwise nonreimbursed health maintenance costs. Benefits are prorated based on length of service and increase up to a maximum of \$650 a year. Unused credits are cumulative and upon employee termination are "banked" at the following rates: after 10 years, 50 percent; after 15 years, 75 percent; after 20 years, 100 percent.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### M. 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, discounts, and issuance costs 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.

### N. 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 or health charges which are recorded as revenue and expenditures in the appropriate funds. All other interfund transactions are reported as transfers.

### O. 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).

### P. 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.

### Q. 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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## **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.

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. 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 full cash 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.

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.

Using the accrual basis of accounting, property taxes are recognized as revenue when earned in the government-wide financial statements. In the governmental funds, property taxes are recognized as revenue on the modified accrual basis, i.e., when both measurable and available. Property taxes levied in August 2013 are not available for the current year; accordingly, such taxes will not be recognized as revenue until the subsequent fiscal year. Prior year levies were recorded using these same principles, and remaining receivables from such levies are also recognized as revenue, when available.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## 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 <\$1,677,241> and the bank balance was \$217,103.

### 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, 2013 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$319,955,920
Carrying amount of cash deposits	(1,677,240)
Total pooled cash and investments	<u>\$318,278,680</u>
Pooled cash and investments – unrestricted	\$226,883,663
Restricted cash and investments	86,865,017
Investments in OPEB trust	4,530,000
Total pooled cash and investments	<u>\$318,278,680</u>

The City had a net increase in the fair value of investments during fiscal year 2012-13 of \$93,279. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 4 - CASH AND INVESTMENTS (Continued)

### Investments (Continued)

At June 30, 2013, the City maintained the following investments and maturities:

Investment Type	Fair Value	Remaining Maturity in Months		
		12 Months or Less	13 - 24 Months	25 - 36 Months
US government treasuries	\$ 131,115,621	\$ 77,202,059	\$ -	\$53,913,562
US government agencies	119,209,685	60,317,987	40,957,659	17,934,039
Money market	1,647,200	1,647,200	-	-
Repurchase agreements	3,146,893	3,146,893	-	-
Cash held with trustee	30,626,952	30,626,952	-	-
Investments in OPEB trust	4,530,000	4,530,000	-	-
State investment pool	29,679,569	29,679,569	-	-
	<u>\$ 319,955,920</u>	<u>\$ 207,150,660</u>	<u>\$ 40,957,659</u>	<u>\$71,847,601</u>

*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.

*Credit risk.* The City addresses credit risk through the investment policy by restricting the allowable investment instruments. The investments in the US agency obligations were rated AA+ and money market funds were rated AAAM by Standard & Poor's. The repurchase agreements are between JP Morgan and the City of Tempe, Arizona and are considered a short term debt obligation of the bank. The Arizona Local Government Investment Pool 5 is currently rated AAAf/S1+ by Standard & Poor's.

*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, 2013, 38.85% of the City's investments are in US Treasuries, 28.60% of the City's investments are in Fannie Mae, 26.56% of the City's investments are in Federal Home Loan Mortgage Corporation Securities and 5.74% of the City's investments are in Federal Home Loan Bank securities.

*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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

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

Due to/from other funds consisted of the following at June 30, 2013:

	Due to	Due from
General fund	\$ -	\$ 1,089,340
Special assessment debt service fund	357,578	-
Non-major governmental funds	731,762	-
Total governmental funds	<u>\$ 1,089,340</u>	<u>\$ 1,089,340</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 250,417
Golf fund	250,417	-
Total enterprise funds	<u>\$ 250,417</u>	<u>\$ 250,417</u>

The interfund balances at June 30, 2013 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2013 are expected to be repaid within one year.

Interfund balances between the governmental funds and interfund balances between the proprietary funds have been eliminated in the government-wide statement of net position.

Transfers Out								
	General	Transit Special Revenue	General Obligation Debt Service	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Solid Waste	Total
Transfers In	\$ -	\$ -	\$ -	\$ 54,000,000	\$ -	\$ -	\$ -	\$ 54,000,000
Transit Special Revenue	648,831	-	-	-	503,472	5,344,604	3,424	6,500,331
General Obligation Debt Service	-	959,366	-	-	-	-	-	959,366
Transit Capital Projects	1,176,633	-	2,996,158	-	1,045,969	222,919	537,244	5,978,923
Non-major Governmental	-	-	5,265,445	-	-	-	-	5,265,445
Water and Wastewater	-	-	-	-	-	74,000	-	74,000
Golf	210,433	-	-	-	-	-	-	210,433
Cemetery	2,000,000	-	-	-	-	-	-	2,000,000
Risk Management	<u>\$ 4,035,897</u>	<u>\$ 959,366</u>	<u>\$ 8,261,603</u>	<u>\$ 54,000,000</u>	<u>\$ 1,549,441</u>	<u>\$ 5,641,523</u>	<u>\$ 540,668</u>	<u>\$ 74,988,498</u>
Total								

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. Other than the cemetery transfer (see Note 1C and Note 9), there were no significant transfers during fiscal year 2012-13 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## **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, 2013 the note receivable balance is \$14,883,069.

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, 2013 the note receivable balance in the Transit Special Revenue fund is \$1,888,325 and the corresponding revenue has been deferred.

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, 2013 was \$1,028,848.

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, 2013 was \$544,898.

The City executed a loan from the Water and Wastewater Fund to the General Fund for the construction of a municipal building which would be occupied primarily by departments residing in the General Fund. The interest rate ranges from 2% to 5%. The Water and Wastewater Capital Improvement Note Receivable balance at June 30, 2013 was \$1,009,612. See Note 9 for the corresponding Capital Improvement Note Payable and Note 8 for the corresponding asset transfer.

## **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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 7 - JOINT VENTURE (Continued)

### Subregional Operating Group (SROG) (Continued)

As of June 30, 2012 (the latest information available), the City has a 15.74% 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, 2012 (the latest information available) is as follows (in thousands):

Total assets	\$ 913,834
Total liabilities	(35,952)
Total net assets	<u>\$ 877,882</u>
Total revenues	\$ 51,133
Total expenses	(102,532)
Total non-operating revenues (expenses)	24,860
Net decrease in net assets	<u>(\$ 26,539)</u>

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, 2013, was \$140,461,043. The City's net loss from joint venture was \$8,037,868 for the fiscal year ended June 30, 2013. 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, 2013, the City has a 23.92% (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, 2012 (the latest information available) is as follows:

Total assets	\$ 1,199,149,547
Total liabilities	(60,283,116)
Total net assets	<u>\$ 1,138,866,431</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 7 - JOINT VENTURE (Continued)

### Valley Metro Rail, Inc. (VMRI) (Continued)

Total revenues	\$ 58,715,521
Total expenses	(76,225,953)
Total non-operating revenues	7,552,809
Total non-operating expenses	(9,548,583)
Net decrease in net assets	<u>\$ (19,506,206)</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, 2013 was \$273,981,590. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

## NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2013 is as follows:

	Balances June 30, 2012	Additions	Retirements	Transfers in (out)	Balances June 30, 2013
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land	\$ 89,605,173	\$ -	\$ -	\$ -	\$ 89,605,173
Construction-in-progress	14,325,987	20,874,698	(1,699,599)	(27,764,830)	5,736,256
Total non-depreciable assets	103,931,160	20,874,698	(1,699,599)	(27,764,830)	95,341,429
Depreciable assets:					
Buildings	304,221,373	332,675	(12,000)	6,334,222	310,876,270
Infrastructure	717,050,058	-	-	4,445,149	721,495,207
Improvements	170,114,938	-	-	19,547,892	189,662,830
Machinery and equipment	166,761,981	2,067,749	(1,371,227)	6,629,270	174,087,773
Total depreciable assets	1,358,148,350	2,400,424	(1,383,227)	36,956,533	1,396,122,080
Accumulated depreciation:					
Buildings	(80,177,379)	(10,919,929)	9,220	(2,148,895)	(93,236,983)
Infrastructure	(326,679,944)	(16,633,592)	-	-	(343,313,536)
Improvements	(53,603,262)	(6,914,765)	-	(273,867)	(60,791,894)
Machinery and equipment	(121,753,400)	(8,422,586)	1,365,425	(636,988)	(129,447,549)
Total accumulated depreciation	(582,213,985)	(42,890,872)	1,374,645	(3,059,750)	(626,789,962)
Governmental activities capital assets, net	<u>\$ 879,865,525</u>	<u>\$(19,615,750)</u>	<u>\$ (1,708,181)</u>	<u>\$ 6,131,953</u>	<u>\$ 864,673,547</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2012	Additions	Retirements	Transfers in (out)	Balances June 30, 2013
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	2,309,541	18,029,262	(1,239,253)	(14,129,720)	4,969,830
Total non-depreciable assets	9,002,918	18,029,262	(1,239,253)	(14,129,720)	11,663,207
Depreciable assets:					
Buildings	58,822,735	-	-	(6,289,449)	52,533,286
Infrastructure	294,617,266	-	-	14,111,827	308,729,093
Improvements	229,984,369	-	-	(2,243,437)	227,740,932
Machinery and equipment	55,083,983	1,819,005	(1,187,125)	(640,924)	55,074,939
Total depreciable assets	638,508,353	1,819,005	(1,187,125)	4,938,017	644,078,250
Accumulated depreciation:					
Buildings	(24,157,863)	(1,389,236)	-	2,148,895	(23,398,204)
Infrastructure	(129,085,014)	(7,899,074)	-	-	(136,984,088)
Improvements	(84,309,537)	(7,385,252)	-	273,867	(91,420,922)
Machinery and equipment	(41,043,302)	(2,321,319)	1,176,865	636,987	(41,550,769)
Total accumulated depreciation	(278,595,716)	(18,994,881)	1,176,865	3,059,749	(293,353,983)
Business-type activities capital assets, net	<u>\$ 368,915,555</u>	<u>\$ 853,386</u>	<u>\$(1,249,513)</u>	<u>\$ (6,131,954)</u>	<u>\$362,387,474</u>

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

Police	\$ 4,702,388
Fire	2,438,322
Community services	3,899,228
Public works	27,653,272
Community development	1,307,759
Community relations	26,275
Diversity program	997
City attorney	659
Municipal court	34,291
Finance and technology	540,515
Unallocated depreciation	2,287,166
Total depreciation expense	<u>\$ 42,890,872</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

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, \$13.675 million was issued to finance improvements for Street Improvements and Infrastructure Preservation, Community Services, Parks, and Public Safety. In addition, general obligation bonds have been issued to refund previously issued general obligation bonds. 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, 2013, were as follows (the 7/1/2013 principal payment was deducted as the fiscal year 2013 resources were dedicated):

\$19,900,000 2004 Capital Improvement Serial Bonds due in annual installments of \$560,000 to \$1,485,000 through July 1, 2014; interest at 3.5% to 5.5%	\$ 930,000
\$18,775,000 2004R Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$2,925,000 through July 1, 2017; interest at 2.00% to 5.00%	6,120,000
\$52,425,000 2005 Capital Improvement Serial Bonds due in annual installments of \$1,740,000 to \$3,860,000 through July 1, 2024; interest at 3.50% to 5.00%	19,230,000
\$74,495,000 2006 Capital Improvement Serial Bonds due in annual installments of \$2,150,000 to \$5,900,000 through July 1, 2025; interest at 3.50% to 5.00%	35,915,000
\$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%	14,060,000
\$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%	59,150,000
\$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%	55,375,000
\$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%	48,205,000
\$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, 2019; interest at 2.50% to 5.00%	11,855,000
\$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%	48,260,000
\$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%	4,405,000
\$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%	6,370,000
\$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%	11,710,000
\$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%	13,675,000
\$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%	41,070,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 404,740,000</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

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
2014	\$ 29,690,000	\$ 17,605,258	\$ 47,295,258
2015	31,040,000	16,268,506	47,308,506
2016	28,935,000	15,119,149	44,054,149
2017	30,175,000	12,928,849	43,103,849
2018	30,275,000	11,725,712	42,000,712
2019-2023	148,665,000	34,859,332	183,524,332
2024-2028	91,850,000	12,270,386	104,120,386
2029-2033	14,110,000	1,022,270	15,132,270
	<u>\$ 404,740,000</u>	<u>\$ 121,799,462</u>	<u>\$ 526,539,462</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
2014	\$ 12,680,000	\$ 6,626,779	\$ 19,306,779
2015	13,225,000	6,102,749	19,327,749
2016	11,895,000	5,657,624	17,552,624
2017	12,290,000	4,957,786	17,247,786
2018	12,160,000	4,517,942	16,677,942
2019-2023	55,750,000	14,197,260	69,947,260
2024-2028	35,950,000	6,109,897	42,059,897
2029-2033	10,285,000	823,403	11,108,403
	<u>\$ 164,235,000</u>	<u>\$ 48,993,440</u>	<u>\$ 213,228,440</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 17,010,000	\$ 10,978,479	\$ 27,988,479
2015	17,815,000	10,165,757	27,980,757
2016	17,040,000	9,461,526	26,501,526
2017	17,885,000	7,971,063	25,856,063
2018	18,115,000	7,207,770	25,322,770
2019-2023	92,915,000	20,662,072	113,577,072
2024-2028	55,900,000	6,160,489	62,060,489
2029-2033	3,825,000	198,866	4,023,866
	<u>\$ 240,505,000</u>	<u>\$ 72,806,022</u>	<u>\$ 313,311,022</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*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, 2013, the special assessments receivable of \$25,592,686, 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, 2013, there is \$882,543 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.

Special assessment bonds payable with governmental commitment outstanding at June 30, 2013, were as follows (the 7/1/2013 principal payment was deducted as the fiscal year 2013 resources were dedicated):

\$6,175,000 ID 175 Special Assessment Bonds Payable with Governmental Commitment issued May 6, 1999; maturing January 1, 2015; due in annual installments of \$295,000 to \$555,000; interest at 4.70%	\$ 1,085,000
\$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%	2,680,000
\$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>21,910,000</u>
Total special assessment bonds outstanding	<u><u>\$ 25,675,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,745,000	\$ 1,214,850	\$ 2,959,850
2015	1,830,000	1,129,758	2,959,758
2016	1,335,000	1,054,233	2,389,233
2017	1,395,000	988,863	2,383,863
2018	1,465,000	920,355	2,385,355
2019-2023	7,640,000	3,483,997	11,123,997
2024-2028	8,340,000	1,564,250	9,904,250
2029	1,925,000	48,125	1,973,125
	<u>\$25,675,000</u>	<u>\$10,404,431</u>	<u>\$36,079,431</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## **NOTE 9 - LONG-TERM DEBT** (Continued)

**Excise Tax Revenue Obligations.** On June 1, 2004, the City issued \$37,595,000 of Excise Tax Revenue Obligations. The proceeds were used to (i) refund \$14,185,000 of the 2002 Variable Rate Demand Excise Tax Revenue Obligations related to the Tempe Center for the Performing Arts Project (Performing Arts Project), (ii) to fund a portion of the cost of the Performing Arts Project and (iii) to pay costs incurred to issue 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 Excise Taxes noted above 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.

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. 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. In the following outstanding balance, the 7/1/2013 principal payment was deducted as the fiscal year 2013 resources were dedicated.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

\$37,595,000 2004 Excise Tax Revenue Obligations due in annual installments of \$1,500,000 to \$3,350,000 through July 1, 2014; interest at 2.25% to 5.25% \$ 2,460,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	<u>\$ 2,460,000</u>	<u>\$ 129,150</u>	<u>\$ 2,589,150</u>

**Excise Tax Revenue Obligations.** On September 1, 2005, the City issued \$21,315,000 of Excise Tax Revenue Obligations. The proceeds were used to finance the construction and renovation of various projects for Tempe Diablo Stadium, various cemetery improvements 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 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 7/1/2013 principal payment was deducted as the fiscal year 2013 resources were dedicated.

\$21,315,000 2005 Excise Tax Revenue Obligations due in annual installments of \$345,000 to \$2,135,000 through July 1, 2016; interest at 3.50% to 5.00% \$ 2,300,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 450,000	\$ 92,000	\$ 542,000
2015	460,000	74,000	534,000
2016	<u>1,390,000</u>	<u>55,600</u>	<u>1,445,600</u>
	<u>\$ 2,300,000</u>	<u>\$ 221,600</u>	<u>\$ 2,521,600</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

**Excise Tax Revenue Obligations.** On May 1, 2006 the City issued \$22,265,000 of Excise Tax Revenue Obligations. The proceeds were used to fund a portion of the cost of the Tempe Center for the Arts Project and to pay costs incurred to issue 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 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 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. 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. In the following outstanding balance, the 7/1/2013 principal payment was deducted as the fiscal year 2013 resources were dedicated.

\$22,265,000 2006 Excise Tax Revenue Obligations due in annual installments of  
\$1,650,000 to \$2,385,000 through July 1, 2016; interest at 4.00% to 4.50%

\$ 6,855,000

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,190,000	\$ 303,000	\$ 2,493,000
2015	2,280,000	209,926	2,489,926
2016	2,385,000	107,326	2,492,326
	<u>\$ 6,855,000</u>	<u>\$ 620,252</u>	<u>\$ 7,475,252</u>

**Excise Tax Revenue Refunding Obligations.** On January 1, 2007, the City issued \$21,310,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$4,205,000 of the 2000A Excise Tax Revenue Obligations, \$17,025,000 of the 2003 Excise Tax Revenue Refunding 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. In the following outstanding balance, the 7/1/2013 principal payment was deducted as the fiscal year 2013 resources were dedicated.

\$21,310,000 2007 Excise Tax Revenue Refunding Obligations due in annual installments of \$25,000 to \$3,100,000 through July 1, 2022; interest at 4.00% to 5.00%	<u>\$20,390,000</u>
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The following is a summary of debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 435,000	\$ 983,550	\$ 1,418,550
2015	455,000	966,150	1,421,150
2016	2,550,000	947,950	3,497,950
2017	2,675,000	820,450	3,495,450
2018	2,810,000	686,700	3,496,700
2019-2022	11,465,000	1,312,525	12,777,525
	<u>\$20,390,000</u>	<u>\$ 5,717,325</u>	<u>\$ 26,107,325</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

**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 7/1/2013 principal payment was deducted as the fiscal year 2013 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% \$27,385,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 630,000	\$ 1,265,419	\$ 1,895,419
2015	650,000	1,241,794	1,891,794
2016	675,000	1,217,419	1,892,419
2017	705,000	1,190,419	1,895,419
2018	730,000	1,162,219	1,892,219
2019-2023	4,130,000	5,342,844	9,472,844
2024-2028	5,110,000	4,356,969	9,466,969
2029-2033	6,495,000	2,967,750	9,462,750
2034-2038	8,260,000	1,213,625	9,473,625
	<u>\$27,385,000</u>	<u>\$19,958,458</u>	<u>\$47,343,458</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, 2013

*City of Tempe, Arizona*

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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 7/1/2013 principal payment was deducted as the fiscal year 2013 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%	\$ 11,015,000
\$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
<b>Total</b>	<b>\$ 20,330,000</b>

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
2014	\$ 905,000	\$ 885,222	\$ 1,790,222
2015	935,000	858,072	1,793,072
2016	960,000	827,684	1,787,684
2017	1,010,000	779,684	1,789,684
2018	1,060,000	729,184	1,789,184
2019-2023	6,145,000	2,807,819	8,952,819
2024-2028	7,600,000	1,351,577	8,951,577
2029	1,715,000	72,459	1,787,459
	\$20,330,000	\$ 8,311,701	\$ 28,641,701

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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
2014	\$ 265,000	\$ 258,413	\$ 523,413
2015	275,000	250,468	525,468
2016	280,000	241,544	521,544
2017	295,000	227,543	522,543
2018	310,000	212,795	522,795
2019-2023	1,790,000	819,448	2,609,448
2024-2028	2,220,000	394,404	2,614,404
2029	500,000	21,125	521,125
	<u>\$ 5,935,000</u>	<u>\$ 2,425,740</u>	<u>\$ 8,360,740</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
2014	\$ 640,000	\$ 626,809	\$ 1,266,809
2015	660,000	607,604	1,267,604
2016	680,000	586,140	1,266,140
2017	715,000	552,142	1,267,142
2018	750,000	516,389	1,266,389
2019-2023	4,355,000	1,988,371	6,343,371
2024-2028	5,380,000	957,174	6,337,174
2029	1,215,000	51,334	1,266,334
	<u>\$ 14,395,000</u>	<u>\$ 5,885,963</u>	<u>\$20,280,963</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, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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 7/1/2013 principal payment was deducted as the fiscal year 2013 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, 2031; interest at 2.00% to 5.00%	\$ 29,710,000
\$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	<u>7,300,000</u>
<b>Total</b>	<b><u>\$ 37,010,000</u></b>

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
2014	\$ 1,120,000	\$ 1,521,708	\$ 2,641,708
2015	1,150,000	1,488,108	2,638,108
2016	1,195,000	1,442,108	2,637,108
2017	1,245,000	1,394,308	2,639,308
2018	1,300,000	1,344,508	2,644,508
2019-2023	7,500,000	5,699,290	13,199,290
2024-2028	16,710,000	3,342,266	20,052,266
2029-2031	6,790,000	690,000	7,480,000
	<u>\$ 37,010,000</u>	<u>\$ 16,922,296</u>	<u>\$ 53,932,296</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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
2014	\$ 30,000	\$ 117,608	\$ 147,608
2015	30,000	116,708	146,708
2016	30,000	115,508	145,508
2017	30,000	114,308	144,308
2018	30,000	113,108	143,108
2019-2023	185,000	541,290	726,290
2024-2028	<u>7,386,000</u>	<u>203,066</u>	<u>7,589,066</u>
2029-2031	<u>\$ 7,721,000</u>	<u>\$ 1,321,596</u>	<u>\$ 9,042,596</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,090,000	\$ 1,404,100	\$ 2,494,100
2015	1,120,000	1,371,400	2,491,400
2016	1,165,000	1,326,600	2,491,600
2017	1,215,000	1,280,000	2,495,000
2018	1,270,000	1,231,400	2,501,400
2019-2023	7,315,000	5,158,000	12,473,000
2024-2028	9,324,000	3,139,200	12,463,200
2029-2031	<u>6,790,000</u>	<u>690,000</u>	<u>7,480,000</u>
	<u>\$ 29,289,000</u>	<u>\$ 15,600,700</u>	<u>\$44,889,700</u>

**Excise Tax Revenue 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, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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 7/1/2013 principal payment was deducted as the fiscal year 2013 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%

\$ 17,965,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 100,000	\$ 736,100	\$ 836,100
2015	2,695,000	734,100	3,429,100
2016	2,825,000	604,350	3,429,350
2017	2,880,000	547,850	3,427,850
2018	3,025,000	403,850	3,428,850
2019-2020	6,440,000	421,950	6,861,950
	<u>\$ 17,965,000</u>	<u>\$ 3,448,200</u>	<u>\$ 21,413,200</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

**Excise Tax Revenue 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 7/1/2013 principal payment was deducted as the fiscal year 2013 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>\$30,220,000</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
2014	\$ 2,135,000	\$ 1,327,675	\$ 3,462,675
2015	2,220,000	1,242,275	3,462,275
2016	305,000	1,208,975	1,513,975
2017	1,735,000	1,196,775	2,931,775
2018	1,805,000	1,127,375	2,932,375
2019-2023	13,300,000	4,188,625	17,488,625
2024-2028	6,475,000	949,150	7,424,150
2029-2032	2,245,000	196,963	2,441,963
	<u>\$30,220,000</u>	<u>\$ 11,437,813</u>	<u>\$ 41,657,813</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,845,000	\$ 1,005,700	\$ 2,850,700
2015	1,920,000	931,900	2,851,900
2016	-	903,100	903,100
2017	1,415,000	903,100	2,318,100
2018	1,475,000	846,500	2,321,500
2019-2023	11,390,000	3,048,500	14,438,500
2024-2027	4,065,000	307,250	4,372,250
	<u>\$ 22,110,000</u>	<u>\$ 7,946,050</u>	<u>\$ 30,056,050</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 290,000	\$ 321,975	\$ 611,975
2015	300,000	310,375	610,375
2016	305,000	305,875	610,875
2017	320,000	293,675	613,675
2018	330,000	280,875	610,875
2019-2023	1,910,000	1,140,125	3,050,125
2024-2028	2,410,000	641,900	3,051,900
2029-2032	2,245,000	196,963	2,441,963
	<u>\$ 8,110,000</u>	<u>\$ 3,491,763</u>	<u>\$11,601,763</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, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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 \$27,990,000.

\$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%

\$40,960,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,070,000	\$ 1,690,294	\$ 2,760,294
2015	1,095,000	1,668,894	2,763,894
2016	1,130,000	1,636,044	2,766,044
2017	1,150,000	1,613,444	2,763,444
2018	1,170,000	1,596,194	2,766,194
2019-2023	6,610,000	7,201,019	13,811,019
2024-2028	8,405,000	5,419,219	13,824,219
2029-2033	10,415,000	3,412,044	13,827,044
2034-2037	9,915,000	1,138,969	11,053,969
	<u>\$40,960,000</u>	<u>\$ 25,376,121</u>	<u>\$ 66,336,121</u>

**Excise Tax Revenue Obligations.** On June 26, 2013, the City issued \$27,240,000 of Excise Tax Revenue Refunding 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, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue 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%

\$27,240,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 905,000	\$ 1,207,009	\$ 2,112,009
2015	1,000,000	1,172,375	2,172,375
2016	970,000	1,142,375	2,112,375
2017	1,010,000	1,103,575	2,113,575
2018	1,030,000	1,085,900	2,115,900
2019-2023	5,735,000	4,834,675	10,569,675
2024-2028	7,315,000	3,261,875	10,576,875
2029-2033	9,275,000	1,297,925	10,572,925
	<u>\$27,240,000</u>	<u>\$ 15,105,709</u>	<u>\$ 42,345,709</u>

**Capital Improvement Notes.** Capital improvement notes represent borrowings to provide long-term financing for certain major capital improvement program projects (see Note 6).

Capital improvement note outstanding at June 30, 2013 was as follows:

\$7,400,000 capital improvement notes issued in 1995 due to the Water and Wastewater Enterprise Fund from the General Fund payable in equal annual installments through January 1, 2015; interest ranging from 2.00% to 5.00%

\$ 1,009,612

The following discloses debt service requirements as of June 30, 2013 segregating principal and interest, to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 499,808	\$ 20,192	\$ 520,000
2015	509,804	10,196	520,000
	<u>\$ 1,009,612</u>	<u>\$ 30,388</u>	<u>\$ 1,040,000</u>

**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 requires 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%. 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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Section 108 Guaranteed Loan (Continued)

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 5.37% to 6.01% \$ 5,247,000

The following discloses debt service requirements as of June 30, 2013 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 340,000	\$ 289,708	\$ 629,708
2015	355,000	271,860	626,860
2016	371,000	252,705	623,705
2017	387,000	232,158	619,158
2018	405,000	210,234	615,234
2019-2023	2,313,000	672,884	2,985,884
2024-2025	1,076,000	65,222	1,141,222
	<u>\$ 5,247,000</u>	<u>\$ 1,994,771</u>	<u>\$ 7,241,771</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% \$ 1,592,719

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2013 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
2014	\$ 78,618	\$ 48,801	\$ 127,419
2015	81,027	46,392	127,419
2016	83,510	43,909	127,419
2017	86,068	41,351	127,419
2018	88,705	38,714	127,419
2019-2023	486,000	151,094	637,094
2024-2028	565,160	71,935	637,095
2029	123,631	3,788	127,419
	<u>\$ 1,592,719</u>	<u>\$ 445,984</u>	<u>\$ 2,038,703</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Water Infrastructure Finance Authority Loans (Continued)

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%

\$ 11,663,184

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2013 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
2014	\$ 625,731	\$ 233,264	\$ 858,995
2015	638,246	220,749	858,995
2016	651,011	207,984	858,995
2017	664,031	194,964	858,995
2018	677,312	181,683	858,995
2019-2023	3,595,252	699,723	4,294,975
2024-2028	3,969,449	325,526	4,294,975
2029	842,152	16,843	858,995
	<u>\$ 11,663,184</u>	<u>\$ 2,080,736</u>	<u>\$ 13,743,920</u>

**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 \$110,617. 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, 2013. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2014	\$ 31,080
Less: interest at 4.84% to 11.85%		(1,435)
Present value of future minimum lease payments		<u>\$ 29,645</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Capital Leases (Continued)

The proprietary assets acquired through capital leases are for equipment with an original cost of \$892,699. 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, 2013. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2014	\$ 223,175
	2015	223,175
	2016	223,175
	2017	63,966
Total minimum lease payments		733,491
Less: interest at 3.05% to 3.13%		(22,025)
Present value of future minimum lease payments		\$ 711,466

**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, 2013, the 20 percent debt limitation was \$339,447,408 with \$418,225,647 of outstanding debt. Due to the decline in property values, there is no additional capacity in the 20 percent debt margin category. The 6 percent debt limitation was \$101,834,222 with \$28,365,000 of outstanding debt. This provided a 6 percent debt margin of \$73,469,222. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2013, was \$171,104,698.

**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, 2013. However, the City has assigned \$500,000 in the General Fund for this purpose.

**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 \$164,235,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2033. Annual principal and interest payments on the bonds are expected to require less than 78.75% of total 2012-13 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$213,228,440. Principal and interest paid for the current year and total ad valorem tax revenues were \$18,098,391 and \$22,983,109, respectively.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## **NOTE 9 - LONG-TERM DEBT** (Continued)

**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 \$240,505,000 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, 2030. Annual principal and interest payments on the bonds are expected to require less than 36.13% of 2012-13 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$313,311,022. Principal and interest paid for the current year and water and wastewater system revenues were \$27,088,886 and \$74,979,067, respectively.

**Debt Service Coverage for Governmental Excise Tax Obligations.** The City has pledged all future unrestricted excise taxes to repay a total of \$58,456,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2031. Annual principal and interest payments on the bonds are expected to require less than 3.89% of total 2012-13 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$76,088,308. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$5,556,849 and \$142,917,848, 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 \$79,034,000 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 3.06% of total 2012-13 excise taxes. The total principal and interest remaining to be paid on the bonds is \$119,118,133. Principal and interest paid for the current year and total excise taxes were \$4,374,414 and \$142,917,848, respectively.

**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 \$68,345,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 12.25% of total 2012-13 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$113,679,575. Principal and interest paid for the current year and transit excise taxes were \$3,685,428 and \$30,087,229, 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 \$27,280,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be less than 94.96% of total 2012-13 performing arts excise taxes. The total principal and interest remaining to be paid on the bonds is \$31,477,602. Principal and interest paid for the current year and total available excise taxes were \$5,922,350 and \$139,223,465, respectively.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

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, 2013 (the ending balance does not include 7/1/2013 "matured" payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Debt payable:					
General obligation bonds payable	\$162,200,000	\$26,195,000	\$ (24,160,000)	\$164,235,000	\$12,680,000
Special assessments	27,815,000	-	(2,140,000)	25,675,000	1,745,000
2003 Excise tax refunding obligations	1,830,000	-	(1,830,000)	-	-
2004 Excise tax obligations	4,800,000	-	(2,340,000)	2,460,000	2,460,000
2005 Excise tax obligations	2,305,000	420,000	(425,000)	2,300,000	450,000
2006 Excise tax obligations	8,955,000	-	(2,100,000)	6,855,000	2,190,000
2006 Variable rate demand excise tax obligations	53,670,000	-	(53,670,000)	-	-
2007 Excise tax refunding obligations	20,810,000	-	(420,000)	20,390,000	435,000
2007 Variable rate demand excise tax obligations	45,295,000	-	(45,295,000)	-	-
2008 Excise tax obligations	27,990,000	-	(605,000)	27,385,000	630,000
2009 Excise tax obligations	6,185,000	-	(250,000)	5,935,000	265,000
2011 Excise tax obligations	7,746,000	-	(25,000)	7,721,000	30,000
2011 Excise tax refunding obligations	18,065,000	-	(100,000)	17,965,000	100,000
2012 Excise tax obligations	20,871,900	1,238,100	-	22,110,000	1,845,000
2012 Excise tax refunding obligations	-	41,390,000	(430,000)	40,960,000	1,070,000
2013 Capital Improvement note payable	-	1,009,612	-	1,009,612	499,808
2004 HUD Section 108 loan	5,572,000	-	(325,000)	5,247,000	340,000
	<u>414,109,900</u>	<u>70,252,712</u>	<u>(134,115,000)</u>	<u>350,247,612</u>	<u>24,739,808</u>
Capital leases	57,921	-	(28,276)	29,645	29,645
Compensated absences	25,327,942	11,002,370	(10,938,774)	25,391,538	11,311,867
Claims and judgments	4,597,033	2,594,391	(1,914,463)	5,276,961	3,170,542
Governmental activities long-term	<u>\$444,092,796</u>	<u>\$83,849,473</u>	<u>\$(146,996,513)</u>	<u>\$380,945,756</u>	<u>\$39,251,862</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$256,770,000	\$28,550,000	\$ (44,815,000)	\$240,505,000	\$17,010,000
2005 Excise tax obligations	420,000	-	(420,000)	-	-
2005 Excise tax obligation premium amortization	25,264	-	(25,264)	-	-
2009 Excise tax obligations	15,005,000	-	(610,000)	14,395,000	640,000
2011 Excise tax obligations	30,349,000	-	(1,060,000)	29,289,000	1,090,000
2012 Excise tax obligations	9,628,100	-	(1,518,100)	8,110,000	290,000
2012 Excise tax obligation premium amortization	78,068	-	(78,068)	-	-
2013 Excise tax obligations	-	27,240,000	-	27,240,000	905,000
2010 WIFA Loan	1,669,000	-	(76,281)	1,592,719	78,618
2010 WIFA Loan	12,276,646	-	(613,461)	11,663,185	625,731
Capital leases	45,352	861,649	(195,535)	711,466	211,990
Total debt payable	<u>\$326,266,430</u>	<u>\$56,651,649</u>	<u>\$ (49,411,710)</u>	<u>\$333,506,370</u>	<u>\$20,851,339</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Changes in Long-term Liabilities (Continued)

The long-term liabilities at June 30, 2013 have been reduced by deposits made with the City's fiscal agent for July 1, 2013 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

On July 1, 2012, the Cemetery Fund ceased operating as an Enterprise Fund and was absorbed into the General Fund. The related debt (2005 and 2012 excise tax obligations) which was associated with this fund was transferred from a Business-type activity into the Governmental activities.

## 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 January 1, 2007, the City issued \$21,310,000 of excise tax revenue refunding obligation bonds with a premium of \$1,387,396 to partially refund \$4,205,000 of Series 2000A; and \$17,025,000 of Series 2003 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 4.80%. The net proceeds of \$22,436,893, after allocation of \$260,503 of issuance costs and accrued interest of \$22,674, 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 Community Facilities District funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$946,355, which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$701,966.

On November 10, 2010, the City issued \$60,280,000 of general obligation refunding bonds with a premium of \$4,997,165 to refund \$3,215,000 of Series 1998; \$9,860,000 of Series 1998A; \$9,015,000 of Series 2001A \$14,475,000 of Series 2002A; and partially refund \$15,530,000 of Series 2003 and \$8,185,000 of Series 2004 of outstanding general obligation bonds. The bonds were issued with an average interest rate of 3.71%. The net proceeds of \$64,670,397, after payment of \$124,528 issuance costs and an underwriter's discount of \$482,240, 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/Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$4,858,809 which resulted in an economic gain of \$4,342,453.

On August 31, 2011, the City issued \$18,300,000 of excise tax revenue refunding obligation bonds with a premium of \$2,322,676 to partially refund \$17,735,000 of Series 2004 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 2.11%. The net proceeds of \$20,384,744, after allocation of \$100,683 of issuance costs and an underwriter's discount of \$137,250 were used to purchase State and local government securities.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

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

### **Advance Bond Refundings (Continued)**

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the Performing Arts fund. As a result of the advance refunding, the City reduced its total debt service requirements by \$819,224, which resulted in an economic gain of \$751,095.

On June 11, 2012, the City issued \$22,110,000 of excise tax revenue refunding obligation bonds with a premium of \$3,992,095 to partially refund \$6,835,000 of Series 2003 and \$15,925,000 of Series 2005 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 2.50%. The net proceeds of \$25,258,908 after transferring \$553,944 to the debt service fund, the payment of \$123,418 in issuance costs and an underwriter's discount of \$165,825, 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, Community Facilities District, and Cemetery funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$1,616,232, which resulted in an economic gain of \$1,462,225.

On June 21, 2012, the City issued \$12,765,000 of general obligation refunding bonds with a premium of \$775,588 to refund \$3,205,000 of Series 2002R and partially refund \$9,560,000 of Series 2003 outstanding general obligation bonds. The bonds were issued with an average interest rate of 2.36%. The net proceeds of \$13,090,453, after transferring \$239,463 to the debt service fund, the payment of \$114,066 in issuance costs and an underwriter's discount of \$96,606, 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/Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$635,751 which resulted in an economic gain of \$697,681.

On June 19, 2013, the City issued \$41,070,000 of general obligation refunding bonds with a premium of \$4,318,047 to partially advance refund \$3,865,000 of Series 2004, \$16,030,000 of Series 2005 and \$18,945,000 of Series 2006 outstanding general obligation bonds. In addition, the proceeds were utilized for a current refunding of \$2,230,000 of Series 2003 bonds. The bonds were issued with an average interest rate of 3.90%. The net proceeds of \$44,958,214 after the payment of \$146,450 in issuance costs and an underwriter's discount of \$283,383 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 \$1,720,519, which resulted in an economic gain of \$1,552,184.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

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, 2013 are as follows:

\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2007 (final redemption date is 7/1/2013)	\$ 17,025,000
\$44,820,000 general obligation bonds issued in 2003 and partially refunded in 2011 (final redemption date is 7/1/2013)	15,530,000
\$19,900,000 general obligation bonds issued in 2004 and partially refunded in 2011 (final redemption date is 7/1/2014)	8,185,000
\$37,595,000 excise tax revenue obligation bonds issued in 2004 and partially refunded in 2012 (final redemption date is 7/1/2014)	17,735,000
\$44,820,000 general obligation bonds issued in 2003 and partially refunded in 2012 (final redemption date is 7/1/2013)	9,560,000
\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2012 (final redemption date is 7/1/2013)	6,835,000
\$21,315,000 excise tax revenue obligation bonds issued in 2005 and partially refunded in 2012 (final redemption date is 7/1/2015)	15,925,000
\$19,900,000 general obligation bonds issued in 2004 and partially refunded in 2013 (final redemption date is 7/1/2014)	3,865,000
\$52,425,000 general obligation bonds issued in 2005 and partially refunded in 2013 (final redemption date is 7/1/2015)	16,030,000
\$74,495,000 general obligation bonds issued in 2005 and partially refunded in 2013 (final redemption date is 7/1/2016)	18,945,000
Total bonds advance refunded	<u>\$129,635,000</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 another type of formal action) is required to commit resources or to rescind the commitment.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

*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.

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, 2013, the fund balance details by classification are listed as follows:

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
<b>Fund balances:</b>							
<b>Non-spendable:</b>							
Inventories	\$ 393,980	\$ -	\$ -	\$ -	\$ -	\$ 1,066,106	\$ 1,460,086
Prepaid items	-	-	-	-	-	667,643	667,643
Capital improvements notes receivable	250,000	-	-	-	-	-	250,000
	643,980	-	-	-	-	1,733,749	2,377,729
<b>Restricted:</b>							
Debt service reserve	-	-	33,262,194	-	-	-	33,262,194
Public works	-	16,540,410	-	-	11,871,412	11,220,421	39,632,243
Community development	-	-	-	-	-	2,672,287	2,672,287
	-	16,540,410	33,262,194	-	11,871,412	13,892,708	75,566,724
<b>Committed to:</b>							
Police	-	-	-	-	-	680,082	680,082
Fire	-	-	-	-	-	845,616	845,616
Community services	-	-	-	-	-	1,460,975	1,460,975
Public works	-	5,059,799	-	-	-	3,814,012	8,873,811
Community development	-	-	-	-	-	2,973,382	2,973,382
Debt service	-	4,220,265	-	-	-	-	4,220,265
	-	9,280,064	-	-	-	9,774,067	19,054,131
<b>Assigned to:</b>							
Self-insurance purposes	6,841,391	-	-	-	-	-	6,841,391
Capital projects	350,877	-	-	-	-	8,054,522	8,405,399
Reserved Property Lease Revenue	435,000	-	-	-	-	-	435,000
Arbitrage rebate	500,000	-	-	-	-	-	500,000
Transit	-	1,750,219	-	-	-	-	1,750,219
SRP in-lieu	-	-	3,297,531	-	-	-	3,297,531
TSA	-	-	1,715,277	-	-	-	1,715,277
	8,127,268	1,750,219	5,012,808	-	-	8,054,522	22,944,817
<b>Unassigned:</b>	52,658,705	-	-	(571,299)	-	-	52,087,406
<b>Total fund balances</b>	<b>\$61,429,953</b>	<b>\$27,570,693</b>	<b>\$38,275,002</b>	<b>\$ (571,299)</b>	<b>\$ 11,871,412</b>	<b>\$ 33,455,046</b>	<b>\$ 172,030,807</b>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

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, 2013, the aggregate balance is 31.05% of General Fund revenues.

## NOTE 12 - COMMITMENTS

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

At June 30, 2013 the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
<b>Governmental funds:</b>		
Transit	\$ 1,726,322	\$ 1,533,394
Streets	783,254	207,728
Fire	-	31,809
Storm drains	84,963	27,160
Parks	29,186	20,055
Rio Salado	631,225	2,967,278
Community development	1,142,948	855,732
Signals	287,029	93,105
	<u>\$ 4,684,927</u>	<u>\$ 5,736,261</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
<b>Proprietary funds:</b>		
Water/wastewater	\$ 4,684,662	\$ 4,969,830
	<u>\$ 4,684,662</u>	<u>\$ 4,969,830</u>

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

	<u>Commitment</u>
<b>Governmental funds:</b>	
General	\$ 99,646
Non-major special revenue	55,728
	<u>\$ 155,374</u>
	<u>Commitment</u>
<b>Proprietary funds:</b>	
Water/wastewater	\$ 8,745
Solid waste	1,649,609
	<u>\$ 1,658,354</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## 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, 2013 were \$245,655.

The following is a schedule by year of future minimum lease payments:

Fiscal Year Ending June 30,	Amount
2014	\$ 208,744
2015	91,159
2016	69,857
2017	2,029
Total minimum payments required	\$ 371,789

## NOTE 14 - RETIREMENT AND PENSION PLANS

The City contributes to four separate defined benefit pension plans for the benefit of all full-time employees and elected officials. The Arizona Public Safety Personnel Retirement System administers separate agent multiple-employer retirement plans for all full-time police and fire personnel. The Arizona Public Safety Personnel Retirement System also acts as fund administrator for the Elected Officials Retirement Plan, a multiple-employer cost-sharing plan for elected officials of the City. The Arizona State Retirement System administers a multiple-employer cost-sharing plan for all other full-time employees. The City has met all required payment dates for these plans.

### Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees)

#### A. Plan Description

The City contributes to the Arizona Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various police and fire agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes (A.R.S). The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arizona Public Safety Personnel Retirement System, PO Box 17670, Phoenix, Arizona, 85011-0670 or by calling 602-255-5575.

#### B. Funding Policy

The System is funded through a member contribution of 9.55 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's current aggregate contribution rate for fire is 32.94 percent of annual covered payroll, of which 0.26 percent was the health insurance premium portion. The current aggregate contribution rate for police is 29.86 percent of annual covered payroll, of which 0.33 percent was the health insurance premium portion. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

### C. Annual Pension Cost

Police personnel contributed \$2,672,297 and fire personnel \$1,180,501 during fiscal year 2012-13. For 2013, the City's annual pension cost was \$8,329,160 for police and \$4,071,802 for fire and was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation determining contribution requirements for fiscal year 2012-13, using the projected unit credit method. The actuarial assumptions included (a) 8.00% investment rate of return (b) projected salary increases of 5.00% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 5.00% to 8.00% per year, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013 was 23 years.

### D. Three Year Trend Information :

#### Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011 (Pension)	\$ 6,749,378	100%	-
2011 (Health)	415,632	100	-
2012 (Pension)	7,185,625	100	-
2012 (Health)	447,526	100	-
2013 (Pension)	8,042,003	100	-
2013 (Health)	458,323	100	-

#### Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011 (Pension)	\$ 3,107,361	100%	-
2011 (Health)	231,319	100	-
2012 (Pension)	3,393,286	100	-
2012 (Health)	230,392	100	-
2013 (Pension)	3,836,999	100	-
2013 Health	223,096	100	-

### E. Schedule of Funding Progress:

#### Police

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2011	\$101,406,476	\$ 181,662,671	55.8%	\$ 80,255,925	\$ 25,820,652	310.8%
2012	103,346,360	200,736,814	51.5	97,390,454	26,046,499	373.9
2013	106,886,995	214,790,355	49.8	107,903,360	28,346,961	380.7

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

### Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees) (Continued)

#### E. Schedule of Funding Progress (Continued):

##### Fire

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2011	\$ 73,698,685	\$ 112,778,109	65.3%	\$ 39,079,424	\$ 11,179,799	349.6%
2012	76,211,736	123,125,911	61.9	46,914,175	11,373,929	412.5
2013	77,456,500	130,242,089	59.5	52,785,589	12,538,385	421.0

### Arizona State Retirement System (All Other Full-time Employees)

#### A. Plan Description

The City has elected to participate in the Arizona State Retirement System (ASRS or The System), a multiple-employer cost-sharing retirement plan, which provides retirement benefits for all full-time employees, except police and fire employees. The plan provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, AZ, 85012 or by calling 602-240-2000.

#### B. Funding Policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined.

The actuarially determined contribution rates for the year ended June 30, 2013 were 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) for active members and the City was required to contribute 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium and 0.24 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2013, 2012, and 2011 were \$7,654,272, \$7,104,490 and \$6,586,650 respectively, equal to the annual required contributions for each year.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

### Elected Officials Retirement Plan (Mayor and City Council)

#### A. Plan Description

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System ("PSPRS") is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. The authority to amend Title 38, Chapter 5, Article 3 is reserved for the State Legislature. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona, 85016 or by calling 602-255-5575.

#### B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 10.00 percent of their annual covered salary. The employer rate for 2012-13 was 36.44 percent of the members' annual covered payroll, of which 0.74 percent was the health insurance premium portion. The City's contributions to EORP for the fiscal years ended June 30, 2013, 2012 and 2011 were \$84,054, \$72,692, and \$65,673, respectively, equal to the annual required contributions for each year. The City's employees contributed \$26,526, \$22,035, and \$15,432, respectively, for the same time period.

## 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 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.

#### A. Plan Description

The City offers (single-employer plan) the continuation of group health insurance benefits, 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, 2013, 775 retirees meet those eligibility requirements to receive post employment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	775
Active employees eligible	550
Total	<u>1,325</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

### A. Plan Description (Continued)

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. (With this change, active employees are the only group participating in a defined benefit plan for health benefits.) 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 Department 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.

### 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.

### 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 enroll in a City sponsored Medicare Supplemental Plan.

### D. Funding Policy

The pre-Medicare plan contributions are determined annually by the City's Human Resources Department. 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 20.1% 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 city made an initial contribution of \$4,530,000 during the fiscal year.

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 and Net OPEB Obligation

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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

### E. Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation

ARC	\$ 12,288,177
ARC adjustment	(3,117,641)
Interest on the net OPEB obligation	2,265,465
Annual OPEB cost	11,436,001
Contributions made	(9,547,324)
Increase in net OPEB obligation	1,888,677
Net OPEB obligation – beginning of year	56,636,594
Net OPEB obligation – end of year	<u>\$ 58,525,271</u>

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, 2013, 2012, and 2011 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 10,132,549	\$ 5,897,126	58.2%	\$ 49,970,553
2012	11,280,697	4,614,656	41.0	56,636,594
2013	11,436,001	9,547,324	83.5	58,525,271

### F. Health Care Cost Trend Rate

The following annual trend rates are applied on a select and ultimate basis:

Benefit	Select	Ultimate
Medical/Rx Pre 65	10.0%	5.0%
Medical/Rx Post 65	7.5	5.0

Select trends are reduced 0.5% each year until reaching the ultimate trend.

### 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
7/1/2008	\$ -	\$ 159,149,836	\$159,149,836	0.0%	\$ 51,388,438	309.7%
7/1/2009	-	154,671,513	154,671,513	0.0	51,923,274	297.9
7/1/2011	-	166,968,101	166,968,101	0.0	47,378,802	352.4

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

## NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

### G. Funded Status and Funding Progress (Continued)

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 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 an actuarial valuation on a bi-annual 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 were as follows:

Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Remaining amortization period	26 years, closed
Asset valuation method	N/A
Actuarial assumptions:	
Healthcare inflation rate	10.0% select rate, 5% ultimate rate, 8 year grade in period
Investment rate of return	4%
Projected salary increases	Not applicable
Amortization method	Level dollar

## NOTE 16 - DEFERRED COMPENSATION PLANS

The City offers its employees two 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, 2013

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 and Health Fund (both 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 reduce 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 \$811.1 million; for workers' compensation the first \$750,000 for police, firefighters, and EMT 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 \$250,000 per occurrence, with an aggregate stop loss deductible of \$18.5 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, 2013, 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, 2012	Claims Incurred Net of Change in Estimates	Payments	June 30, 2013
General liability	\$ 3,707,500	\$ 577,781	\$ (339,489)	\$ 3,945,792
Automobile liability	102,977	773,343	(130,220)	746,100
Property liability	75,840	141,220	(92,159)	124,901
Workers' compensation	1,992,511	835,523	(1,352,595)	1,475,439
Health insurance	1,431,940	13,737,052	(14,057,519)	1,111,473
	<u>\$ 7,310,768</u>	<u>\$ 16,064,919</u>	<u>\$(15,971,982)</u>	<u>\$ 7,403,705</u>
	June 30, 2011	Claims Incurred Net of Change in Estimates	Payments	June 30, 2012
General liability	\$ 5,999,095	\$ (202,183)	\$ (2,089,412)	\$ 3,707,500
Automobile liability	57,767	176,874	(131,664)	102,977
Property liability	39,341	203,183	(166,684)	75,840
Workers' compensation	1,491,668	1,500,606	(999,763)	1,992,511
Health insurance	1,306,341	15,022,310	(14,896,711)	1,431,940
	<u>\$ 8,894,212</u>	<u>\$ 16,700,790</u>	<u>\$(18,284,234)</u>	<u>\$ 7,310,768</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

## **NOTE 17 - RISK FINANCING ACTIVITIES (Continued)**

At June 30, 2013, the Risk Management Internal Service Fund accrued expenses totaled \$6,301,535. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$6,292,232 and other accrued expenses of \$9,303. The health claims liability at June 30, 2013 of \$1,111,471 is deemed due and payable at June 30, 2013 and recorded as accrued expenditures/expense in the Health Internal Service Fund. Additionally, at June 30, 2013, the City had \$6,841,391 of General Fund fund balance assigned 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.

## **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 - DEFICIT IN FUND BALANCE/NET ASSETS**

The Special Assessment Debt Service Fund had a deficit fund balance of \$571,299 at June 30, 2013. The deficit will be covered by anticipated assessment payments. The Health Fund had a negative asset balance of \$731,649. The deficit will be covered by future transfers from operating funds.

**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.
- **Local Transportation Assistance Fund.** To account for the receipt and expenditure of the City's share of state lottery allocations. These monies are restricted to transportation programs only.
- **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.
- **Grants and Court Awards.** To account for the receipt and expenditure of miscellaneous grant monies and revenue received from court awarded confiscated property under both the Federal and State Organized Crime Acts.
- **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.

# Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2013

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<b><u>Assets</u></b>				
Pooled cash and investments	\$ 1,101,089	\$ 7,602,226	\$ 1,156,530	\$ -
Receivables:				
Taxes	579,464	837,496	-	-
Accounts	16,508	-	-	-
Accrued interest	309	-	-	-
Due from other governments	-	-	-	1,227,239
Inventories	-	1,066,106	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	5,231,175	-	-	15,950
Total assets	<u>\$ 6,928,545</u>	<u>\$ 9,505,828</u>	<u>\$ 1,156,530</u>	<u>\$ 1,243,189</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 69,128	\$ 219,857	\$ -	\$ 271,738
Deposits	-	-	-	-
Accrued expenditures	167,267	99,488	-	8,996
Due to other funds	-	-	-	731,762
Deferred revenue	-	-	-	61,162
Matured bonds payable	4,540,000	-	-	-
Matured interest payable	691,175	-	-	124,310
Total liabilities	<u>5,467,570</u>	<u>319,345</u>	<u>-</u>	<u>1,197,968</u>
<b><u>Fund Balances</u></b>				
Fund balance:				
Non-spendable	-	1,066,106	-	-
Restricted	-	8,120,377	1,156,530	45,221
Committed	1,460,975	-	-	-
Assigned	-	-	-	-
Total fund balances	<u>1,460,975</u>	<u>9,186,483</u>	<u>1,156,530</u>	<u>45,221</u>
Total liabilities and fund balances	<u>\$ 6,928,545</u>	<u>\$ 9,505,828</u>	<u>\$ 1,156,530</u>	<u>\$ 1,243,189</u>

Special Revenue

Housing Assistance	Grants and Court Awards	Community Facilities District	Total
\$ 386,176	\$ 2,897,595	\$ 558,940	\$ 13,702,556
-	-	-	1,416,960
37,589	-	-	54,097
-	3,589	-	3,898
-	1,632,397	-	2,859,636
-	-	-	1,066,106
667,643	-	-	667,643
-	-	2,424,224	7,671,349
<u>\$ 1,091,408</u>	<u>\$ 4,533,581</u>	<u>\$ 2,983,164</u>	<u>\$ 27,442,245</u>
\$ 1,145	\$ 249,807	\$ 128,358	\$ 940,033
-	377,274	-	377,274
141,262	6,093	-	423,106
-	-	-	731,762
-	2,982,475	-	3,043,637
-	-	1,855,000	6,395,000
-	-	569,200	1,384,685
<u>142,407</u>	<u>3,615,649</u>	<u>2,552,558</u>	<u>13,295,497</u>
667,643	-	-	1,733,749
281,358	917,932	430,606	10,952,024
-	-	-	1,460,975
-	-	-	-
<u>949,001</u>	<u>917,932</u>	<u>430,606</u>	<u>14,146,748</u>
<u>\$ 1,091,408</u>	<u>\$ 4,533,581</u>	<u>\$ 2,983,164</u>	<u>\$ 27,442,245</u>

(continued)

# Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2013

### Capital Projects

	<u>Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Storm Sewers</u>	<u>Parks</u>
<b><u>Assets</u></b>					
Pooled cash and investments	\$ 6,059,680	\$ 3,809,246	\$ 1,174,204	\$ 909,596	\$ 3,288,051
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	94,735
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 6,059,680</u>	<u>\$ 3,809,246</u>	<u>\$ 1,174,204</u>	<u>\$ 909,596</u>	<u>\$ 3,382,786</u>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 2,537,108	\$ 1,817,025	\$ 946	\$ 20,300	\$ 176,092
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	94,735
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>2,537,108</u>	<u>1,817,025</u>	<u>946</u>	<u>20,300</u>	<u>270,827</u>
<b><u>Fund Balances</u></b>					
Fund balance:					
Non-spendable	-	-	-	-	-
Restricted	615,058	-	-	51,129	1,206,139
Committed	1,398,453	680,082	845,616	717,507	876,632
Assigned	1,509,061	1,312,139	327,642	120,660	1,029,188
Total fund balances	<u>3,522,572</u>	<u>1,992,221</u>	<u>1,173,258</u>	<u>889,296</u>	<u>3,111,959</u>
Total liabilities and fund balances	<u>\$ 6,059,680</u>	<u>\$ 3,809,246</u>	<u>\$ 1,174,204</u>	<u>\$ 909,596</u>	<u>\$ 3,382,786</u>

**Capital Projects**

<u>Rio Salado</u>	<u>Community Development</u>	<u>Signals</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,855,918	\$ 4,083,668	\$ 1,123,934	\$ 23,304,297	\$ 37,006,853
-	-	-	-	1,416,960
-	-	137,312	232,047	286,144
-	-	-	-	3,898
-	-	-	-	2,859,636
-	-	-	-	1,066,106
-	-	-	-	667,643
-	1,146,588	-	1,146,588	8,817,937
<u>\$ 2,855,918</u>	<u>\$ 5,230,256</u>	<u>\$ 1,261,246</u>	<u>\$ 24,682,932</u>	<u>\$ 52,125,177</u>
\$ 195,372	\$ 464,660	\$ 68,396	\$ 5,279,899	\$ 6,219,932
-	-	-	-	377,274
-	-	-	-	423,106
-	-	-	-	731,762
-	-	-	94,735	3,138,372
-	-	-	-	6,395,000
-	-	-	-	1,384,685
<u>195,372</u>	<u>464,660</u>	<u>68,396</u>	<u>5,374,634</u>	<u>\$ 18,670,131</u>
-	-	-	-	1,733,749
-	997,170	71,188	2,940,684	13,892,708
2,471,070	502,312	821,420	8,313,092	9,774,067
189,476	3,266,114	300,242	8,054,522	8,054,522
<u>2,660,546</u>	<u>4,765,596</u>	<u>1,192,850</u>	<u>19,308,298</u>	<u>33,455,046</u>
<u>\$ 2,855,918</u>	<u>\$ 5,230,256</u>	<u>\$ 1,261,246</u>	<u>\$ 24,682,932</u>	<u>\$ 52,125,177</u>

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<b>Revenues:</b>				
Sales taxes	\$ 6,236,879	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	2,434,635
State grants	-	-	-	-
State sales tax	-	8,855,957	-	-
Other	-	-	-	-
Investment income	1,899	-	-	16
Charges for services	782,233	122,849	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	7,037	2,952	-	624,687
Total revenues	<u>7,028,048</u>	<u>8,981,758</u>	<u>-</u>	<u>3,059,338</u>
<b>Expenditures:</b>				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	2,505,124	-	-	-
Public works	-	7,351,439	-	-
Community development	-	-	-	2,434,681
Community relations	-	-	-	-
City attorney	-	-	-	-
Municipal court	-	-	-	-
Debt service:				
Principal retirement	4,540,000	-	-	325,000
Interest and fiscal fees	1,401,978	-	-	299,687
Capital outlay	-	-	-	-
Total expenditures	<u>8,447,102</u>	<u>7,351,439</u>	<u>-</u>	<u>3,059,368</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,419,054)</u>	<u>1,630,319</u>	<u>-</u>	<u>(30)</u>
<b>Other financing sources (uses):</b>				
Transfers in:				
General fund	-	1,176,633	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	24,478	-	-
Enterprise funds	-	350,000	-	-
Transfers out:				
Special revenue funds	-	-	-	-
Debt service funds	-	(503,304)	-	-
Capital projects funds	(116,622)	(24,297)	(116,511)	-
Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	3,360	-	-
Total other financing sources (uses)	<u>(116,622)</u>	<u>1,026,870</u>	<u>(116,511)</u>	<u>-</u>
Net change in fund balances	(1,535,676)	2,657,189	(116,511)	(30)
Fund balance at beginning of year	2,996,651	6,529,294	1,273,041	45,251
Fund balance at end of year	<u>\$ 1,460,975</u>	<u>\$ 9,186,483</u>	<u>\$ 1,156,530</u>	<u>\$ 45,221</u>

City of Tempe, Arizona

**Special Revenue**

Housing Assistance	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ 6,236,879
8,902,737	2,536,097	-	13,873,469
-	227,431	-	227,431
-	-	-	8,855,957
-	4,283,833	-	4,283,833
1,160	727	-	3,802
-	606,025	2,247,506	3,758,613
14,359	390,524	-	404,883
-	-	-	-
-	613,520	-	1,248,196
<u>8,918,256</u>	<u>8,658,157</u>	<u>2,247,506</u>	<u>38,893,063</u>
-	3,953,252	-	3,953,252
-	1,035,916	-	1,035,916
-	1,153,908	-	3,659,032
-	-	-	7,351,439
9,193,166	216,295	2,141,695	13,985,837
-	1,670,321	-	1,670,321
-	299,175	-	299,175
-	304,742	-	304,742
-	-	1,855,000	6,720,000
-	-	1,141,158	2,842,823
-	-	-	-
<u>9,193,166</u>	<u>8,633,609</u>	<u>5,137,853</u>	<u>41,822,537</u>
<u>(274,910)</u>	<u>24,548</u>	<u>(2,890,347)</u>	<u>(2,929,474)</u>
-	-	-	1,176,633
-	-	-	-
-	-	2,996,158	2,996,158
-	748,344	110	772,932
-	-	-	350,000
-	-	-	-
-	-	(5)	(503,309)
-	-	(5,751)	(263,181)
-	-	-	-
-	-	-	3,360
<u>-</u>	<u>748,344</u>	<u>2,990,512</u>	<u>4,532,593</u>
(274,910)	772,892	100,165	1,603,119
1,223,911	145,040	330,441	12,543,629
<u>\$ 949,001</u>	<u>\$ 917,932</u>	<u>\$ 430,606</u>	<u>\$ 14,146,748</u>

(continued)

# Combining Statement of Revenues, Expenditures and Changes in Fund Balance

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
<b>Revenues:</b>					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	216,305	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	9,320	-	-
Investment income	239	98	-	379	1,240
Charges for services	424,377	-	-	-	368,199
Fines and forfeitures	-	-	-	-	-
Other entities' participation	-	-	-	-	49,281
Miscellaneous	2,857	-	-	-	-
Total revenues	<u>643,778</u>	<u>98</u>	<u>9,320</u>	<u>379</u>	<u>418,720</u>
<b>Expenditures:</b>					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community relations	-	-	-	-	-
City attorney	-	-	-	-	-
Municipal court	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	3,186,501	4,507,402	141,007	170,044	1,665,753
Total expenditures	<u>3,186,501</u>	<u>4,507,402</u>	<u>141,007</u>	<u>170,044</u>	<u>1,665,753</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(2,542,723)</u>	<u>(4,507,304)</u>	<u>(131,687)</u>	<u>(169,665)</u>	<u>(1,247,033)</u>
<b>Other financing sources (uses):</b>					
Transfers in:					
General fund	-	-	-	-	-
Special revenue funds	24,297	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	9,840
Enterprise funds	-	250,296	-	-	-
Transfers out:					
Special revenue funds	(12,149)	-	-	-	-
Debt service funds	-	(98)	-	-	(65)
Capital projects funds	-	-	-	-	(12)
Issuance of debt	3,731,925	4,254,000	101,000	-	1,766,264
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>3,744,073</u>	<u>4,504,198</u>	<u>101,000</u>	<u>-</u>	<u>1,776,027</u>
Net change in fund balances	1,201,350	(3,106)	(30,687)	(169,665)	528,994
Fund balance at beginning of year	2,321,222	1,995,327	1,203,945	1,058,961	2,582,965
Fund balance at end of year	<u>\$ 3,522,572</u>	<u>\$ 1,992,221</u>	<u>\$ 1,173,258</u>	<u>\$ 889,296</u>	<u>\$ 3,111,959</u>

Capital Projects				
Rio Salado	Community Development	Signals	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 6,236,879
470,349	195,063	664,979	1,546,696	15,420,165
-	780	-	780	228,211
-	-	-	-	8,855,957
-	-	-	9,320	4,293,153
-	99	8	2,063	5,865
-	-	-	792,576	4,551,189
-	-	-	-	404,883
-	28,085	102,884	180,250	180,250
-	30,637	-	33,494	1,281,690
<u>470,349</u>	<u>254,664</u>	<u>767,871</u>	<u>2,565,179</u>	<u>41,458,242</u>
-	-	-	-	3,953,252
-	-	-	-	1,035,916
-	-	-	-	3,659,032
-	-	-	-	7,351,439
-	-	-	-	13,985,837
-	-	-	-	1,670,321
-	-	-	-	299,175
-	-	-	-	304,742
-	-	-	-	6,720,000
-	-	-	-	2,842,823
<u>2,074,856</u>	<u>5,477,066</u>	<u>1,044,322</u>	<u>18,266,951</u>	<u>18,266,951</u>
<u>2,074,856</u>	<u>5,477,066</u>	<u>1,044,322</u>	<u>18,266,951</u>	<u>60,089,488</u>
<u>(1,604,507)</u>	<u>(5,222,402)</u>	<u>(276,451)</u>	<u>(15,701,772)</u>	<u>(18,631,246)</u>
-	-	-	-	1,176,633
122,262	116,622	-	263,181	263,181
-	-	-	-	2,996,158
-	13	-	9,853	782,785
-	159,870	-	410,166	760,166
(110)	(748,344)	(12,330)	(772,933)	(772,933)
-	(3)	-	(166)	(503,475)
-	(9,840)	-	(9,852)	(273,033)
768,736	2,275,000	778,075	13,675,000	13,675,000
-	-	-	-	3,360
<u>890,888</u>	<u>1,793,318</u>	<u>765,745</u>	<u>13,575,249</u>	<u>18,107,842</u>
(713,619)	(3,429,084)	489,294	(2,126,523)	(523,404)
3,374,165	8,194,680	703,556	21,434,821	33,978,450
<u>\$ 2,660,546</u>	<u>\$ 4,765,596</u>	<u>\$ 1,192,850</u>	<u>\$ 19,308,298</u>	<u>\$ 33,455,046</u>



## **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, property liability and workers 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, 2013

City of Tempe, Arizona

	Risk Management	Health	Total
<b><u>Assets</u></b>			
Current assets:			
Pooled cash and investments	\$ 8,321,185	\$ 869,364	\$ 9,190,549
Accounts receivable	58,733	-	58,733
Total assets	<u>8,379,918</u>	<u>869,364</u>	<u>9,249,282</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	74,204	489,542	563,746
Accrued expenses and claims payable	6,301,535	1,111,471	7,413,006
Total current liabilities	<u>6,375,739</u>	<u>1,601,013</u>	<u>7,976,752</u>
Noncurrent liabilities:			
Net OPEB obligation	32,690	-	32,690
Total noncurrent liabilities	<u>32,690</u>	<u>-</u>	<u>32,690</u>
Total liabilities	<u>6,408,429</u>	<u>1,601,013</u>	<u>8,009,442</u>
<b><u>Net Position</u></b>			
Unrestricted	<u>1,971,489</u>	<u>(731,649)</u>	<u>1,239,840</u>
Total net position	<u>\$ 1,971,489</u>	<u>\$ (731,649)</u>	<u>\$ 1,239,840</u>

## Combining Statement of Revenues, Expenses and Changes in Net Position

### Internal Service Funds

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 3,934,753	\$ 24,276,522	\$ 28,211,275
Miscellaneous	22,322	-	22,322
Total operating revenues	3,957,075	24,276,522	28,233,597
Operating expenses:			
Fees and services	3,957,075	24,065,935	28,023,010
Total operating expenses	3,957,075	24,065,935	28,023,010
Income before operating transfers	-	210,587	210,587
Transfers in	2,000,000	-	2,000,000
Changes in net position	2,000,000	210,587	2,210,587
Total net position - beginning	(28,511)	(942,236)	(970,747)
Total net position - ending	\$ 1,971,489	\$ (731,649)	\$ 1,239,840

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 3,898,342	\$ 24,276,522	\$28,174,864
Payments for settlement of claims	(3,559,778)	(22,744,221)	(26,303,999)
Net cash provided by operating activities	<u>338,564</u>	<u>1,532,301</u>	<u>1,870,865</u>
Cash flows from noncapital financing activities:			
Advances from (to) other funds	662,937	(662,937)	-
Transfers in	2,000,000	-	2,000,000
Net cash provided (used) by noncapital financing activities	<u>2,662,937</u>	<u>(662,937)</u>	<u>2,000,000</u>
Net increase in cash and cash equivalents	3,001,501	869,364	3,870,865
Cash and cash equivalents, beginning of year	<u>5,319,684</u>	<u>-</u>	<u>5,319,684</u>
Cash and cash equivalents, end of year	<u>\$ 8,321,185</u>	<u>\$ 869,364</u>	<u>\$ 9,190,549</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ 210,587	\$ 210,587
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Change in assets and liabilities:			
Increase (decrease) in receivables	(58,733)	-	(58,733)
Increase (decrease) in accounts payable	(10,903)	210,243	199,340
Increase (decrease) in accrued expenses	406,353	1,111,471	1,517,824
Increase (decrease) in net OPEB obligation	1,847	-	1,847
Net cash provided by operating activities	<u>\$ 338,564</u>	<u>\$ 1,532,301</u>	<u>\$ 1,870,865</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, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 169,074,479	\$ 169,342,710	\$ 268,231
Intergovernmental	84,385,388	76,686,707	(7,698,681)
Investment income	857,723	937,939	80,216
Charges for services	122,896,769	123,739,257	842,488
Fines and forfeitures	9,531,743	9,191,062	(340,681)
Licenses and permits	1,527,000	1,931,776	404,776
Miscellaneous	12,725,623	6,474,944	(6,250,679)
Total revenues	<u>400,998,725</u>	<u>388,304,395</u>	<u>(12,694,330)</u>
<b>Expenditures</b>			
Current:			
Police	79,726,898	76,669,527	3,057,371
Fire	30,293,739	28,749,761	1,543,978
Community services	28,998,125	26,230,128	2,767,997
Public works	208,830,594	162,600,837	46,229,757
Community development	34,473,355	27,948,912	6,524,443
Community relations	8,594,378	7,111,799	1,482,579
Mayor and council	382,698	224,268	158,430
City manager	358,959	757,055	(398,096)
Diversity program	481,212	441,893	39,319
Internal audit/consulting	426,011	388,686	37,325
Tempe learning center	551,256	419,285	131,971
City clerk and elections	570,890	512,991	57,899
City attorney	3,122,484	3,042,199	80,285
Municipal court	5,032,557	3,832,157	1,200,400
Finance and technology	16,831,949	15,696,897	1,135,052
Human resources	2,354,078	2,076,986	277,092
Contingency	7,034,728	-	7,034,728
Interdepartmental charges	(12,452,069)	(11,902,278)	(549,791)
Debt Service:			
Principal	98,102,397	139,359,743	(41,257,346)
Interest and fiscal fees	27,814,274	28,298,800	(484,526)
Total expenditures	<u>541,528,513</u>	<u>512,459,646</u>	<u>29,068,867</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	14,852,297	72,988,498	58,136,201
Transfers to other funds	(14,852,297)	(74,988,498)	(60,136,201)
Issuance of debt	17,576,944	13,675,000	(3,901,944)
Premium on issuance of debt	-	6,392,968	6,392,968
Proceeds of refunding bonds	-	53,910,000	53,910,000
Payment to refunded bond escrow agent	(17,936,235)	(12,985,558)	4,950,677
Proceeds (loss) from sale of capital assets	254,864	294,976	40,112
Total other financing sources (uses)	<u>(104,427)</u>	<u>59,287,386</u>	<u>59,391,813</u>
Net change in fund balance	<u>\$ (140,634,215)</u>	<u>\$ (64,867,865)</u>	<u>\$ 75,766,350</u>

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

### General Obligation Debt Service Fund

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 23,000,956	\$ 22,983,109	\$ (17,847)
Intergovernmental-other	657,625	1,762,947	1,105,322
Investment income	-	13,016	13,016
Total revenues	<u>23,658,581</u>	<u>24,759,072</u>	<u>1,100,491</u>
Expenditures:			
Debt service:			
Principal retirement	18,622,397	13,735,000	4,887,397
Interest and fiscal fees	10,000,976	7,949,288	2,051,688
Total expenditures	<u>28,623,373</u>	<u>21,684,288</u>	<u>6,939,085</u>
Excess (deficiency) of revenues over expenditures	(4,964,792)	3,074,784	8,039,576
Other financing sources (uses):			
Transfers in	6,540,953	6,500,331	(40,622)
Transfers out	(5,304,190)	(8,261,603)	(2,957,413)
Premium on issuance of debt	-	2,066,578	2,066,578
Proceeds of refunding bonds	-	12,520,000	12,520,000
Payment to refunded bond escrow agent	(17,936,235)	(12,985,558)	4,950,677
Total other financing sources (uses)	<u>(16,699,472)</u>	<u>(160,252)</u>	<u>16,539,220</u>
Net change in fund balance	<u>\$ (21,664,264)</u>	<u>\$ 2,914,532</u>	<u>\$ 24,578,796</u>

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

### Performing Arts Fund

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 6,374,872	\$ 6,236,879	\$ (137,993)
Investment income	19,582	14,999	(4,583)
Charges for services	601,500	782,233	180,733
Miscellaneous	5,550	7,037	1,487
Total revenues	<u>7,001,504</u>	<u>7,041,148</u>	<u>39,644</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community services	2,593,105	2,505,841	87,264
<b>Debt service:</b>			
Principal retirement	4,540,000	4,540,000	-
Interest and fiscal fees	1,392,350	1,401,978	(9,628)
Total expenditures	<u>8,525,455</u>	<u>8,447,819</u>	<u>77,636</u>
Deficiency of revenues over expenditures	(1,523,951)	(1,406,671)	117,280
<b>Other financing uses:</b>			
Transfers out	(116,622)	(116,622)	-
Total other financing uses	<u>(116,622)</u>	<u>(116,622)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,640,573)</u>	<u>\$ (1,523,293)</u>	<u>\$ 117,280</u>

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

## Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State sales tax	\$ 9,101,143	\$ 8,855,957	\$ (245,186)
Charges for services	71,000	122,849	51,849
Miscellaneous	-	2,952	2,952
Total revenues	<u>9,172,143</u>	<u>8,981,758</u>	<u>(190,385)</u>
Expenditures:			
Current:			
Public works	<u>8,184,087</u>	<u>7,673,741</u>	<u>510,346</u>
Total expenditures	<u>8,184,087</u>	<u>7,673,741</u>	<u>510,346</u>
Excess of revenues over expenditures	988,056	1,308,017	319,961
Other financing sources (uses):			
Transfers in	1,446,000	1,551,111	105,111
Transfers out	(503,304)	(527,601)	(24,297)
Proceeds from sale of capital assets	-	3,360	3,360
Total other financing sources (uses)	<u>942,696</u>	<u>1,026,870</u>	<u>84,174</u>
Net change in fund balance	<u>\$ 1,930,752</u>	<u>\$ 2,334,887</u>	<u>\$ 404,135</u>

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

### Local Transportation Assistance Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Other	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-
Other financing uses:			
Transfers out	-	(116,511)	(116,511)
Total other financing uses	<u>-</u>	<u>(116,511)</u>	<u>(116,511)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (116,511)</u>	<u>\$ (116,511)</u>

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

### Community Development Fund For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 4,107,574	\$ 2,434,635	\$(1,672,939)
Other	50,000	-	(50,000)
Investment income	-	16	16
Miscellaneous	631,404	624,687	(6,717)
Total revenues	<u>4,788,978</u>	<u>3,059,338</u>	<u>(1,729,640)</u>
Expenditures:			
Current:			
Community development	4,157,574	2,434,636	1,722,938
Debt service:			
Principal retirement	325,000	325,000	-
Interest and fiscal fees	306,404	299,687	6,717
Total expenditures	<u>4,788,978</u>	<u>3,059,323</u>	<u>1,729,655</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>

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

## Housing Assistance Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 10,887,316	\$ 8,902,737	\$ (1,984,579)
Investment income	-	1,160	1,160
Fines and forfeitures	10,000	14,359	4,359
Miscellaneous	137,026	-	(137,026)
Total revenues	<u>11,034,342</u>	<u>8,918,256</u>	<u>(2,116,086)</u>
Expenditures:			
Current:			
Community development	11,034,342	9,193,047	1,841,295
Total expenditures	<u>11,034,342</u>	<u>9,193,047</u>	<u>1,841,295</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (274,791)</u>	<u>\$ (274,791)</u>

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

## Grants and Court Awards Fund

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Intergovernmental			
Federal grants	\$ 4,004,884	\$ 1,981,844	\$ (2,023,040)
State grants	388,002	347,145	(40,857)
Other	3,544,040	4,753,344	1,209,304
Investment income	293	538	245
Charges for services	1,002,004	654,711	(347,293)
Fines and forfeitures	1,326,175	1,044,508	(281,667)
Miscellaneous	6,873,629	1,243,663	(5,629,966)
Total revenues	<u>17,139,027</u>	<u>10,025,753</u>	<u>(7,113,274)</u>
<b>Expenditures:</b>			
Current:			
Police	4,417,986	4,008,980	409,006
Fire	774,386	1,035,916	(261,530)
Community services	1,400,801	1,153,908	246,893
Community development	599,129	216,295	382,834
Community relations	3,125,876	1,670,321	1,455,555
City attorney	320,000	299,175	20,825
Municipal court	1,214,465	304,742	909,723
Contingency	6,034,728	-	6,034,728
Total expenditures	<u>17,887,371</u>	<u>8,689,337</u>	<u>9,198,034</u>
Excess (deficiency) of revenues over expenditures	(748,344)	1,336,416	2,084,760
<b>Other financing sources:</b>			
Transfers in	-	748,344	748,344
Total other financing sources	<u>-</u>	<u>748,344</u>	<u>748,344</u>
Net change in fund balance	<u>\$ (748,344)</u>	<u>\$ 2,084,760</u>	<u>\$ 2,833,104</u>

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

## Community Facilities District Fund For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Charges for services	\$ 969,808	\$ 2,247,506	\$ 1,277,698
Total revenues	<u>969,808</u>	<u>2,247,506</u>	<u>1,277,698</u>
<b>Expenditures:</b>			
Current:			
Community development	2,338,044	2,141,695	196,349
Debt service:			
Principal	-	1,855,000	(1,855,000)
Interest and fiscal fees	-	1,141,158	(1,141,158)
Total expenditures	<u>2,338,044</u>	<u>5,137,853</u>	<u>(2,799,809)</u>
Deficiency of revenues over expenditures	(1,368,236)	(2,890,347)	(1,522,111)
<b>Other financing sources (uses):</b>			
Transfers in	-	2,996,268	2,996,268
Transfers out	-	(5,756)	(5,756)
Total other financing sources (uses)	<u>-</u>	<u>2,990,512</u>	<u>2,990,512</u>
Net change in fund balance	<u>\$ (1,368,236)</u>	<u>\$ 100,165</u>	<u>\$ 1,468,401</u>

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

### Transit Capital Projects Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 7,678,267	\$ 2,953,722	\$ (4,724,545)
Other entities' participation	-	15,856	15,856
Total revenues	<u>7,678,267</u>	<u>2,969,578</u>	<u>(4,708,689)</u>
Expenditures:			
Current:			
Public works	12,082,807	4,334,069	7,748,738
Total expenditures	<u>12,082,807</u>	<u>4,334,069</u>	<u>7,748,738</u>
Deficiency of revenues over expenditures	(4,404,540)	(1,364,491)	3,040,049
Other financing sources (uses):			
Transfers in	959,366	959,366	-
Transfers out	-	(54,000,000)	(54,000,000)
Proceeds from sale of capital assets	-	36,708	36,708
Total other financing sources (uses)	<u>959,366</u>	<u>(53,003,926)</u>	<u>(53,963,292)</u>
Net change in fund balance	<u>\$ (3,445,174)</u>	<u>\$ (54,368,417)</u>	<u>\$ (50,923,243)</u>

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

## Streets Capital Projects Fund

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 611,174	\$ 216,305	\$ (394,869)
Investment income	-	239	239
Charges for services	-	424,377	424,377
Miscellaneous	-	2,857	2,857
Total revenues	<u>611,174</u>	<u>643,778</u>	<u>32,604</u>
Expenditures:			
Current:			
Public works	<u>5,595,639</u>	<u>3,969,755</u>	<u>1,625,884</u>
Total expenditures	<u>5,595,639</u>	<u>3,969,755</u>	<u>1,625,884</u>
Deficiency of revenues over expenditures	(4,984,465)	(3,325,977)	1,658,488
Other financing sources (uses):			
Transfers in	-	24,297	24,297
Transfers out	-	(12,149)	(12,149)
Issuance of debt	<u>3,091,085</u>	<u>3,731,925</u>	<u>640,840</u>
Total other financing sources (uses)	<u>3,091,085</u>	<u>3,744,073</u>	<u>652,988</u>
Net change in fund balance	<u>\$ (1,893,380)</u>	<u>\$ 418,096</u>	<u>\$ 2,311,476</u>

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

### Police Capital Projects Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 98	\$ 98
Total revenues	<u>-</u>	<u>98</u>	<u>98</u>
Expenditures:			
Current:			
Police	6,641,204	4,507,402	2,133,802
Total expenditures	<u>6,641,204</u>	<u>4,507,402</u>	<u>2,133,802</u>
Deficiency of revenues over expenditures	(6,641,204)	(4,507,304)	2,133,900
Other financing sources (uses):			
Transfers in	250,296	250,296	-
Transfers out	-	(98)	(98)
Issuance of debt	5,707,720	4,254,000	(1,453,720)
Total other financing sources (uses)	<u>5,958,016</u>	<u>4,504,198</u>	<u>(1,453,818)</u>
Net change in fund balance	<u>\$ (683,188)</u>	<u>\$ (3,106)</u>	<u>\$ 680,082</u>

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

### Fire Capital Projects Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Other	\$ -	\$ 9,320	\$ 9,320
Total revenues	<u>-</u>	<u>9,320</u>	<u>9,320</u>
Expenditures:			
Current:			
Fire	1,569,346	141,007	1,428,339
Total expenditures	<u>1,569,346</u>	<u>141,007</u>	<u>1,428,339</u>
Deficiency of revenues over expenditures	(1,569,346)	(131,687)	1,437,659
Other financing sources:			
Issuance of debt	615,600	101,000	(514,600)
Total other financing sources	<u>615,600</u>	<u>101,000</u>	<u>(514,600)</u>
Net change in fund balance	<u>\$ (953,746)</u>	<u>\$ (30,687)</u>	<u>\$ 923,059</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, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 379	\$ 379
Total revenues	<u>-</u>	<u>379</u>	<u>379</u>
Expenditures:			
Current:			
Public works	938,680	255,007	683,673
Total expenditures	<u>938,680</u>	<u>255,007</u>	<u>683,673</u>
Net change in fund balance	<u>\$ (938,680)</u>	<u>\$ (254,628)</u>	<u>\$ 684,052</u>

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

**Parks Capital Projects Fund**  
For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 368,199	\$ 368,199
Investment income	-	1,240	1,240
Other entities' participation	47,500	49,281	1,781
Total revenues	<u>47,500</u>	<u>418,720</u>	<u>371,220</u>
Expenditures:			
Current:			
Community services	3,291,863	1,694,939	1,596,924
Total expenditures	<u>3,291,863</u>	<u>1,694,939</u>	<u>1,596,924</u>
Deficiency of revenues over expenditures	(3,244,363)	(1,276,219)	1,968,144
Other financing sources (uses):			
Transfers in	-	9,840	9,840
Transfers out	-	(77)	(77)
Issuance of debt	2,095,000	1,766,264	(328,736)
Total other financing sources (uses)	<u>2,095,000</u>	<u>1,776,027</u>	<u>(318,973)</u>
Net change in fund balance	<u>\$ (1,149,363)</u>	<u>\$ 499,808</u>	<u>\$ 1,649,171</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, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 470,349	\$ 470,349	\$ -
Total revenues	<u>470,349</u>	<u>470,349</u>	<u>-</u>
Expenditures:			
Current:			
Community development	4,545,926	2,706,081	1,839,845
Total expenditures	<u>4,545,926</u>	<u>2,706,081</u>	<u>1,839,845</u>
Deficiency of revenues over expenditures	(4,075,577)	(2,235,732)	1,839,845
Other financing sources (uses):			
Transfers in	-	122,262	122,262
Transfers out	-	(110)	(110)
Issuance of debt	768,736	768,736	-
Total other financing sources (uses)	<u>768,736</u>	<u>890,888</u>	<u>122,152</u>
Net change in fund balance	<u>\$ (3,306,841)</u>	<u>\$ (1,344,844)</u>	<u>\$ 1,961,997</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, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 195,063	\$ 195,063
State grants	-	780	780
Investment income	-	99	99
Miscellaneous	64,556	58,722	(5,834)
Total revenues	<u>64,556</u>	<u>254,664</u>	<u>190,108</u>
Expenditures:			
Current:			
Public works	9,513,806	6,620,014	2,893,792
Total expenditures	<u>9,513,806</u>	<u>6,620,014</u>	<u>2,893,792</u>
Deficiency of revenues over expenditures	(9,449,250)	(6,365,350)	3,083,900
Other financing sources (uses):			
Transfers in	276,492	276,505	13
Transfers out	-	(758,187)	(758,187)
Issuance of debt	4,688,803	2,275,000	(2,413,803)
Total other financing sources (uses)	<u>4,965,295</u>	<u>1,793,318</u>	<u>(3,171,977)</u>
Net change in fund balance	<u>\$ (4,483,955)</u>	<u>\$ (4,572,032)</u>	<u>\$ (88,077)</u>

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

### Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 1,051,490	\$ 664,979	\$ (386,511)
Investment income	-	8	8
Other entities' participation	-	102,884	102,884
Total revenues	<u>1,051,490</u>	<u>767,871</u>	<u>(283,619)</u>
Expenditures:			
Current:			
Public works	1,876,891	1,331,351	545,540
Total expenditures	<u>1,876,891</u>	<u>1,331,351</u>	<u>545,540</u>
Deficiency of revenues over expenditures	(825,401)	(563,480)	261,921
Other financing sources (uses) :			
Transfers out	-	(12,330)	(12,330)
Issuance of debt	610,000	778,075	168,075
Total other financing sources (uses)	<u>610,000</u>	<u>765,745</u>	<u>155,745</u>
Net change in fund balance	<u>\$ (215,401)</u>	<u>\$ 202,265</u>	<u>\$ 417,666</u>

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

### Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2013

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 76,251,566	\$ 75,128,472	\$ (1,123,094)
Investment income	223,495	271,063	47,568
Miscellaneous	625,000	922,912	297,912
Total revenues	<u>77,100,061</u>	<u>76,322,447</u>	<u>(777,614)</u>
Expenditures:			
Current:			
Public works	85,932,812	57,355,302	28,577,510
Debt service:			
Principal	18,925,000	18,904,743	20,257
Interest and fiscal fees	13,950,000	14,294,600	(344,600)
Total expenditures	<u>118,807,812</u>	<u>90,554,645</u>	<u>28,253,167</u>
Deficiency of revenues over expenditures	(41,707,751)	(14,232,198)	27,475,553
Other financing sources (uses):			
Transfers in	5,304,190	5,265,445	(38,745)
Transfers out	(5,681,268)	(5,641,523)	39,745
Issuance of debt	57,933,006	27,240,000	(30,693,006)
Premium on issuance of debt	-	3,217,968	3,217,968
Proceeds from sale of capital assets	49,864	-	(49,864)
Total other financing sources (uses)	<u>57,605,792</u>	<u>30,081,890</u>	<u>(27,523,902)</u>
Net change in fund balance	<u>\$ 15,898,041</u>	<u>\$ 15,849,692</u>	<u>\$ (48,349)</u>

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

### Solid Waste Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 29,370	\$ -	\$ (29,370)
Charges for services	14,842,352	14,341,827	(500,525)
Total revenues	<u>14,871,722</u>	<u>14,341,827</u>	<u>(529,895)</u>
Expenditures:			
Current:			
Public works	16,237,017	15,255,617	981,400
Total expenditures	<u>16,237,017</u>	<u>15,255,617</u>	<u>981,400</u>
Deficiency of revenues over expenditures	(1,365,295)	(913,790)	451,505
Other financing sources (uses):			
Transfers out	(540,668)	(540,668)	-
Proceeds from sale of capital assets	105,000	24,630	(80,370)
Total other financing sources (uses)	<u>(435,668)</u>	<u>(516,038)</u>	<u>(80,370)</u>
Net change in fund balance	<u>\$ (1,800,963)</u>	<u>\$(1,429,828)</u>	<u>\$ 371,135</u>

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

**Golf Fund**

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,394,000	\$ 2,480,815	\$ 86,815
Miscellaneous	-	501	501
Total revenues	<u>2,394,000</u>	<u>2,481,316</u>	<u>87,316</u>
Expenditures:			
Current:			
Public works	2,513,917	2,585,695	(71,778)
Total expenditures	<u>2,513,917</u>	<u>2,585,695</u>	<u>(71,778)</u>
Deficiency of revenues over expenditures	(119,917)	(104,379)	15,538
Other financing sources:			
Transfers in	75,000	74,000	(1,000)
Total other financing sources	<u>75,000</u>	<u>74,000</u>	<u>(1,000)</u>
Net change in fund balance	<u>\$ (44,917)</u>	<u>\$ (30,379)</u>	<u>\$ 14,538</u>

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

### Cemetery Fund

For the Fiscal Year Ended June 30, 2013

*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	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-
Other financing sources:			
Transfers in	-	210,433	210,433
Total other financing sources	<u>-</u>	<u>210,433</u>	<u>210,433</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 210,433</u>	<u>\$ 210,433</u>

**FINANCIAL DATA SCHEDULES**

The Financial Data Schedules in this section are presented as required by the U.S. Department of Housing and Urban Development in accordance with the Uniform Financial Reporting Standards Rule as contained in the Federal Register (24CFR, Part 5, Subpart H). These schedules are presented on a modified accrual basis of accounting.

# Other Supplementary Information - Financial Data Schedule Balance Sheet

## Housing Assistance Fund

June 30, 2013

City of Tempe, Arizona

<i>Line Item #</i>	<i>Account Description</i>	<i>Section 8 Voucher Program</i>
<b><u>Assets</u></b>		
111	Cash - Unrestricted	\$ 6,814
113	Cash - Other Restricted	301,395
115	Cash - Restricted for Payment of Current Liabilities	77,967
128	Accounts Receivable - Fraud Recovery	37,589
142	Prepaid Expense	667,643
	Total Assets	<u>\$ 1,091,408</u>
<b><u>Liabilities</u></b>		
312	Accounts Payable ≤ 90 Days	\$ 1,145
321	Accrued Wages / Payroll Taxes Payable	49,207
345	Other Current Liabilities	27,617
353	Non-Current Liabilities	64,438
	Total Liabilities	<u>142,407</u>
<b><u>Equity</u></b>		
509	Fund Balance Reserved	301,395
511.2	Unreserved, Designated Fund Balance	710,603
512	Undesignated Fund Balance	(62,997)
513	Total Equity	<u>949,001</u>
600	Total Liabilities and Equity	<u>\$ 1,091,408</u>

## Other Supplementary Information - Financial Data Schedule Revenues and Expenses

### Housing Assistance Fund

For the Fiscal Year Ended June 30, 2013

*City of Tempe, Arizona*

<i>Line Item #</i>	<i>Account Description</i>	<i>Section 8 Voucher Program</i>
<b>Revenues:</b>		
706	HUD PHA Grants	\$ 8,902,737
714	Fraud Recovery	14,359
711	Investment Income - Unrestricted	1,090
720	Investment Income - Restricted	70
	Total Revenues	8,918,256
<b>Expenses:</b>		
911	Administrative Salaries	462,718
912	Auditing Fees	5,416
915	Employee Benefit Contributions - Administrative	155,278
916	Other Operating - Administrative	157,771
925	Tenant Services	132,480
973	Housing Assistance Payments	8,279,503
	Total Expenses	9,193,166
	Excess of Revenues Over Expenses	\$ (274,910)
<b>Memo Account Information:</b>		
1120	Unit Months Available	12,984
1121	Number of Unit Months Leased	11,849
1117	Administrative Fee Equity	\$ (62,997)
1118	Housing Assistance Payments Equity	\$ 969,038

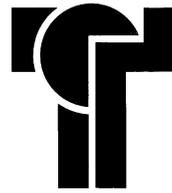


## STATISTICAL SECTION

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.



# 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.

## Net Position by Component (Exhibit S-1)

### Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Governmental activities</b>										
Net investment in capital assets	\$ 426,857,287	\$ 425,257,427	\$ 388,629,882	\$ 397,087,925	\$ 597,765,255	\$ 574,872,877	\$ 562,958,494	\$ 571,925,061	\$ 560,427,507	\$ 548,739,169
Restricted (A)	143,723,739	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736	114,643,888	124,800,334	119,845,935
Unrestricted	91,829,853	153,918,478	226,533,760	414,023,370	277,055,145	237,470,312	241,371,774	259,250,692	248,936,397	253,302,947
Total governmental activities net position	<u>\$ 662,410,879</u>	<u>\$ 716,359,646</u>	<u>\$ 789,492,445</u>	<u>\$ 926,029,552</u>	<u>\$ 1,014,214,328</u>	<u>\$ 993,584,291</u>	<u>\$ 947,278,004</u>	<u>\$ 945,819,641</u>	<u>\$ 934,164,237</u>	<u>\$ 921,888,051</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 174,841,674	\$ 191,670,395	\$ 174,110,077	\$ 177,682,915	\$ 154,867,017	\$ 151,096,394	\$ 144,245,429	\$ 175,625,967	\$ 162,774,388	\$ 149,782,240
Unrestricted	89,162,318	74,678,567	88,802,930	88,554,746	103,816,965	100,251,937	102,511,794	73,018,010	92,951,764	105,207,407
Total business-type activities net position	<u>\$ 264,003,992</u>	<u>\$ 266,348,962</u>	<u>\$ 262,913,007</u>	<u>\$ 266,237,661</u>	<u>\$ 258,683,982</u>	<u>\$ 251,348,331</u>	<u>\$ 246,757,223</u>	<u>\$ 248,643,977</u>	<u>\$ 255,726,152</u>	<u>\$ 254,989,647</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 601,698,961	\$ 616,927,822	\$ 562,739,959	\$ 574,770,840	\$ 752,632,272	\$ 725,969,271	\$ 707,203,923	\$ 747,551,028	\$ 723,201,895	\$ 698,521,409
Restricted (A)	152,737,563	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736	114,643,888	124,800,334	119,845,935
Unrestricted	171,978,347	228,597,045	315,336,690	502,578,116	380,872,110	337,722,249	343,883,568	332,268,702	341,888,161	358,510,354
Total primary government net position	<u>\$ 926,414,871</u>	<u>\$ 982,708,608</u>	<u>\$ 1,052,405,452</u>	<u>\$ 1,192,267,213</u>	<u>\$ 1,272,898,310</u>	<u>\$ 1,244,932,622</u>	<u>\$ 1,194,035,227</u>	<u>\$ 1,194,463,618</u>	<u>\$ 1,189,890,389</u>	<u>\$ 1,176,877,698</u>

(A) With the implementation of GASB No. 54 in fiscal year 2010-11, 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 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Expenses</b>										
Governmental activities:										
Police	\$ 49,973,991	\$ 51,928,073	\$ 59,957,698	\$ 60,929,075	\$ 83,613,800	\$ 86,126,079	\$ 78,283,021	\$ 72,492,475	\$ 76,799,591	\$ 76,585,163
Fire	16,990,382	17,679,667	20,098,598	22,563,083	30,133,124	30,850,700	30,542,829	27,499,884	28,156,863	32,594,512
Community services	20,629,836	21,116,067	22,205,153	16,072,936	24,070,427	30,402,447	21,891,886	27,031,973	31,069,618	28,592,571
Parks and recreation (A)	-	-	-	20,015,034	20,521,457	20,431,433	21,238,479	-	-	-
Public works	61,814,870	61,853,194	67,537,876	56,869,440	82,727,089	101,674,714	115,283,119	94,687,386	98,915,390	103,586,986
Community development	4,021,965	3,187,992	30,358,768	21,444,736	20,037,984	20,445,243	23,494,471	30,778,689	25,113,273	26,757,509
Community relations	2,472,966	2,312,548	2,499,978	2,816,030	3,179,145	3,137,349	4,210,261	4,463,790	7,456,756	7,039,462
Mayor and council	407,818	400,549	362,810	362,281	547,453	418,851	387,723	316,531	356,468	223,472
City manager	209,830	312,882	412,936	445,531	488,323	265,531	369,153	556,354	78,458	615,451
Diversity program	505,865	544,872	534,950	548,552	687,926	583,563	531,651	447,287	476,011	449,428
Internal audit/consulting	440,660	446,333	460,824	476,089	558,706	484,460	427,828	477,080	338,059	393,471
Tempe learning center (D)	-	-	-	-	-	-	-	467,763	462,817	354,866
City clerk and elections	652,442	443,255	752,336	528,493	870,815	684,875	739,884	403,792	910,616	481,374
City attorney	2,087,009	2,262,903	2,348,553	2,903,028	3,641,333	2,933,734	3,101,845	2,659,312	2,854,168	2,963,058
Municipal court	4,053,127	3,655,280	4,342,297	4,708,606	6,066,038	5,496,374	5,245,105	4,179,694	3,934,716	3,900,928
Development services (B)	19,111,722	21,449,181	4,492,161	8,611,601	8,596,785	6,338,984	7,107,213	-	-	-
Finance and technology (C)	-	-	-	-	-	-	-	8,321,853	5,325,401	4,063,048
Financial services (C)	3,946,238	4,102,556	4,256,427	4,597,029	5,969,557	4,458,557	3,923,486	-	-	-
Human resources	2,418,605	2,561,746	2,727,058	2,877,320	3,648,975	3,157,288	3,443,660	2,037,261	2,102,617	2,036,621
Information technology (C)	2,280,717	1,854,603	1,462,595	889,443	2,677,340	1,817,517	2,149,363	-	-	-
Non-departmental	9,637,203	6,895,583	6,122,335	8,127,073	3,067,647	1,297,669	2,383,904	-	-	-
Unallocated depreciation	-	-	-	-	-	-	-	5,733,128	2,301,194	3,662,321
Interest on long-term debt	8,974,827	9,033,035	10,821,420	13,996,681	12,091,111	16,247,598	16,185,139	18,453,487	14,894,293	14,347,644
<b>Total governmental activities expenses</b>	<b>210,630,073</b>	<b>212,040,319</b>	<b>241,754,773</b>	<b>249,782,061</b>	<b>313,195,035</b>	<b>337,252,966</b>	<b>340,940,020</b>	<b>301,007,739</b>	<b>301,546,309</b>	<b>308,647,885</b>
Business-type activities:										
Water and wastewater	42,739,236	47,156,603	53,588,122	53,688,700	64,954,769	64,720,725	73,045,936	67,505,481	72,156,412	72,352,330
Solid waste	10,912,307	11,413,402	11,836,691	12,403,387	15,130,899	14,499,308	13,730,227	13,784,106	14,626,578	14,758,133
Golf course	2,353,586	2,442,925	2,375,802	2,225,214	2,667,539	2,324,208	2,269,182	2,011,316	2,658,416	2,724,422
Cemetery (E)	-	-	152,717	171,817	251,743	218,447	312,525	176,553	129,849	-
<b>Total business-type activities expenses</b>	<b>56,005,129</b>	<b>61,012,930</b>	<b>67,953,332</b>	<b>68,489,118</b>	<b>83,004,950</b>	<b>81,762,688</b>	<b>89,357,870</b>	<b>83,477,456</b>	<b>89,571,255</b>	<b>89,834,885</b>
<b>Total primary government expenses</b>	<b>\$ 266,635,202</b>	<b>\$ 273,053,249</b>	<b>\$ 309,708,105</b>	<b>\$ 318,271,179</b>	<b>\$ 396,199,985</b>	<b>\$ 419,015,654</b>	<b>\$ 430,297,890</b>	<b>\$ 384,485,195</b>	<b>\$ 391,117,564</b>	<b>\$ 398,482,770</b>

(A) In fiscal year 2010-11, 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 2010-11, the Development Services department was merged into Community Development.

(C) In fiscal year 2010-11, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(D) In fiscal year 2010-11, Tempe Learning Center was disaggregated from Human Resources.

(E) In fiscal year 2012-13, the Cemetery Fund was closed into the General Fund.

## Changes in Net Position (Exhibit S-2b)

### Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Police	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973	\$ 1,110,714	\$ 1,201,962	\$ 1,052,723	\$ 1,657,335	\$ 1,649,775	\$ 1,506,807
Fire	305,964	41,561	566,505	1,116,101	303,824	314,969	912,000	2,107,133	1,642,702	153,903
Community services	5,213,032	5,045,852	5,098,319	5,353,815	6,924,685	7,122,650	6,173,870	6,453,226	7,101,043	6,988,375
Parks and recreation (B)	-	-	-	30,053	27,844	9,348	126,455	-	-	-
Public works	5,261,301	9,904,057	6,594,229	7,940,104	11,305,217	20,461,847	19,596,611	19,582,397	18,136,860	18,536,983
Community development	-	-	637,445	526,893	451,535	592,236	1,938,184	4,484,572	7,088,168	6,815,190
Community relations	-	-	-	-	-	24,070	-	-	-	-
City attorney	-	-	-	-	-	-	-	8,682	-	13,310
Municipal court	5,857,804	6,497,384	7,179,554	7,687,007	8,211,574	8,912,739	5,868,369	8,413,798	7,826,823	6,426,389
Development services (C)	2,881,155	3,523,443	5,566,289	5,891,971	6,175,963	5,090,280	3,710,512	-	-	-
Economic development (A)	238,417	325,191	-	-	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	-	-	2,624,190	2,623,338	2,140,898
Financial services (D)	1,378,148	1,744,163	1,932,684	1,900,016	1,728,472	1,781,809	1,997,614	-	-	-
Non-departmental	59,598	78,767	92,827	284,084	79,536	130,492	-	-	-	-
Operating grants and contributions	14,346,903	16,245,880	19,903,398	18,812,530	15,625,633	16,052,299	18,222,849	22,131,520	22,450,002	27,287,325
Capital grants and contributions	12,589,817	33,688,443	54,935,929	103,412,667	79,670,490	35,955,254	38,709,299	24,708,317	15,961,785	6,551,849
Total governmental activities program revenues	<u>48,968,220</u>	<u>77,972,071</u>	<u>103,384,883</u>	<u>153,787,214</u>	<u>131,615,487</u>	<u>97,649,955</u>	<u>98,308,486</u>	<u>92,171,170</u>	<u>84,480,496</u>	<u>76,421,029</u>
Business-type activities:										
Charges for services:										
Water and wastewater	42,604,532	44,443,764	47,012,596	50,922,496	53,208,327	55,504,216	62,511,102	70,094,034	73,392,328	74,979,069
Solid waste	11,014,949	12,054,563	12,989,827	13,820,128	14,669,542	15,130,988	15,242,801	15,326,780	14,866,281	14,341,827
Golf course	2,020,132	1,954,278	1,971,031	1,912,286	1,984,429	1,813,578	1,574,081	1,562,489	2,344,355	2,480,815
Cemetery (E)	-	-	18,943	18,339	231,960	98,356	116,643	110,196	144,242	-
Capital grants and contributions	751,525	2,835,223	506,593	4,782,425	472,928	59,867	4,765,839	1,691,429	1,988,550	-
Total business-type activities program revenues	<u>56,391,138</u>	<u>61,287,828</u>	<u>62,498,990</u>	<u>71,455,674</u>	<u>70,567,186</u>	<u>72,607,005</u>	<u>84,210,466</u>	<u>88,784,928</u>	<u>92,735,756</u>	<u>91,801,711</u>
Total primary government program revenues	<u>\$ 105,359,358</u>	<u>\$ 139,259,899</u>	<u>\$ 165,883,873</u>	<u>\$ 225,242,888</u>	<u>\$ 202,182,673</u>	<u>\$ 170,256,960</u>	<u>\$ 182,518,952</u>	<u>\$ 180,956,098</u>	<u>\$ 177,216,252</u>	<u>\$ 168,222,740</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (161,661,853)	\$ (134,068,248)	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)	\$ (239,603,011)	\$ (242,631,534)	\$ (208,836,569)	\$ (217,065,813)	\$ (232,226,856)
Business-type activities	386,009	274,898	(5,454,342)	2,966,556	(12,437,764)	(9,155,683)	(5,147,404)	5,307,472	3,164,501	1,966,826
Total primary government net expense	<u>\$ (161,275,844)</u>	<u>\$ (133,793,350)</u>	<u>\$ (143,824,232)</u>	<u>\$ (93,028,291)</u>	<u>\$ (194,017,312)</u>	<u>\$ (248,758,694)</u>	<u>\$ (247,778,938)</u>	<u>\$ (203,529,097)</u>	<u>\$ (213,901,312)</u>	<u>\$ (230,260,030)</u>

(A) In fiscal year 2004-05, Economic Development merged into Community Development.

(B) In fiscal year 2010-11, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.

(C) In fiscal year 2010-11, the Development Services department was merged into Community Development.

(D) In fiscal year 2010-11, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(E) In fiscal year 2012-13, the Cemetery Fund was closed into the General Fund.

## Changes in Net Position (Exhibit S-2c)

### Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10 (A)	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>General revenues and other changes in net assets</b>										
Governmental activities:										
General revenues:										
Sales taxes	\$ 120,075,959	\$ 131,256,519	\$ 145,109,192	\$ 157,488,587	\$ 150,687,016	\$ 134,382,181	\$ 125,186,698	\$ 141,844,739	\$ 142,985,910	\$ 149,078,044
State shared income taxes, unrestricted	14,303,004	14,582,117	16,607,943	18,823,759	23,332,475	24,832,128	21,406,004	16,137,383	13,649,203	16,519,248
Property taxes	22,580,678	24,872,388	27,532,893	26,826,227	32,447,203	35,891,803	37,183,541	35,501,233	35,899,010	38,644,241
Franchise taxes	1,457,085	1,678,437	1,858,851	2,693,256	3,424,561	3,976,956	3,559,615	3,821,436	3,428,125	3,253,175
Auto-lieu taxes	6,427,396	6,791,043	7,527,675	6,870,739	6,655,516	6,024,595	5,560,791	5,424,902	5,437,201	5,165,072
Unrestricted investment earnings	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	7,410,643	97,660	1,229,447	822,900	278,102
Miscellaneous	1,681,895	2,126,029	1,864,289	2,780,229	2,879,878	4,348,126	3,429,435	2,991,971	3,199,954	2,987,769
Gain on sale of capital assets	6,362,790	2,004,326	1,813,311	-	36,146,557	1,491,079	17,160	133,677	496,911	261,764
Transfers	(199,750)	168,734	1,149,970	3,711,910	149,242	615,463	(115,657)	293,418	(508,805)	3,763,255
Total governmental activities	<u>175,025,186</u>	<u>188,017,015</u>	<u>211,502,689</u>	<u>232,531,954</u>	<u>269,764,324</u>	<u>218,972,974</u>	<u>196,325,247</u>	<u>207,378,206</u>	<u>205,410,409</u>	<u>219,950,670</u>
Business-type activities:										
Unrestricted investment earnings	959,081	1,408,251	1,909,727	3,305,406	4,618,383	1,940,956	10,698	459,759	335,297	115,362
Miscellaneous	567,189	438,447	993,233	716,338	344,449	262,728	332,955	1,976,132	3,032,990	923,413
Gain (loss) on sale of capital assets	24,400	392,108	265,397	48,264	70,495	231,811	96,986	(5,563,191)	40,582	21,149
Transfers	199,750	(168,734)	(1,149,970)	(3,711,910)	(149,242)	(615,463)	115,657	(293,418)	508,805	(3,763,255)
Total business-type activities	<u>1,750,420</u>	<u>2,070,072</u>	<u>2,018,387</u>	<u>358,098</u>	<u>4,884,085</u>	<u>1,820,032</u>	<u>556,296</u>	<u>(3,420,718)</u>	<u>3,917,674</u>	<u>(2,703,331)</u>
Total primary government	<u>\$ 176,775,606</u>	<u>\$ 190,087,087</u>	<u>\$ 213,521,076</u>	<u>\$ 232,890,052</u>	<u>\$ 274,648,409</u>	<u>\$ 220,793,006</u>	<u>\$ 196,881,543</u>	<u>\$ 203,957,488</u>	<u>\$ 209,328,083</u>	<u>\$ 217,247,339</u>
<b>Changes in net position</b>										
Governmental activities	\$ 13,363,333	\$ 53,948,767	\$ 73,132,799	\$ 136,537,107	\$ 88,184,776	\$ (20,630,037)	\$ (46,306,287)	\$ (1,458,363)	\$ (11,655,404)	\$ (12,276,186)
Business-type activities	2,136,429	2,344,970	(3,435,955)	3,324,654	(7,553,679)	(7,335,651)	(4,591,108)	1,886,754	7,082,175	(736,505)
Total primary government	<u>\$ 15,499,762</u>	<u>\$ 56,293,737</u>	<u>\$ 69,696,844</u>	<u>\$ 139,861,761</u>	<u>\$ 80,631,097</u>	<u>\$ (27,965,688)</u>	<u>\$ (50,897,395)</u>	<u>\$ 428,391</u>	<u>\$ (4,573,229)</u>	<u>\$ (13,012,691)</u>

(A) Due to the prolonged economic downturn, in 2009-10 the City had planned drawdown of fund balance.

## Fund Balances, Governmental Funds (Exhibit S-3)

### Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11 (B)	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>General fund</b>										
Reserved	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060	\$ 4,449,843	\$ 1,322,728	\$ 981,529	\$ -	\$ -	\$ -
Unreserved	72,823,641	78,064,176	94,648,961	96,883,636	92,432,479	75,647,216	42,832,205	-	-	-
Nonspendable	-	-	-	-	-	-	-	650,506	634,526	643,980
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	13,783,790	9,967,268	8,127,268
Unassigned	-	-	-	-	-	-	-	39,604,103	50,954,570	52,658,705
<b>Total general fund</b>	<b>\$ 74,786,670</b>	<b>\$ 81,340,119</b>	<b>\$ 97,025,779</b>	<b>\$ 101,182,696</b>	<b>\$ 96,882,322</b>	<b>\$ 76,969,944</b>	<b>\$ 43,813,734</b>	<b>\$ 54,038,399</b>	<b>\$ 61,556,364</b>	<b>\$ 61,429,953</b>
<b>All other governmental funds</b>										
Reserved	\$ 36,882,416	\$ 76,440,839	\$ 71,648,277	\$ 58,559,662	\$ 69,814,938	\$ 59,067,648	\$ 69,324,494	\$ -	\$ -	\$ -
Unreserved, reported in:										
Debt service funds (A)	-	-	-	(66,826)	-	(45,374)	-	-	-	-
Special revenues funds	64,835,343	55,470,121	66,938,765	65,022,802	36,228,348	23,220,030	32,742,748	-	-	-
Capital projects funds	36,375,643	21,153,248	53,752,477	17,044,525	28,848,898	71,685,317	63,078,330	-	-	-
Nonspendable	-	-	-	-	-	-	-	1,826,335	1,765,739	1,733,749
Restricted	-	-	-	-	-	-	-	75,275,738	76,139,830	75,566,724
Committed	-	-	-	-	-	-	-	75,446,158	67,195,597	19,054,131
Assigned	-	-	-	-	-	-	-	10,614,331	11,707,666	14,817,549
Unassigned	-	-	-	-	-	-	-	(1,097,095)	(1,733,419)	(571,299)
<b>Total all other governmental funds</b>	<b>\$ 138,093,402</b>	<b>\$ 153,064,208</b>	<b>\$ 192,339,519</b>	<b>\$ 140,560,163</b>	<b>\$ 134,892,184</b>	<b>\$ 153,927,621</b>	<b>\$ 165,145,572</b>	<b>\$ 162,065,467</b>	<b>\$ 155,075,412</b>	<b>\$ 110,600,854</b>

(A) In fiscal years 2006-07 and 2008-09, the special assessment debt service fund is reported in "unreserved" fund balance due to the current year deficit balance.

(B) In fiscal year 2010-11, 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 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Revenues:</b>										
Taxes	\$ 119,673,043	\$ 130,779,821	\$ 146,084,925	\$ 159,569,926	\$ 159,798,418	\$ 150,848,798	\$ 145,038,639	\$ 158,749,333	\$ 162,157,488	\$ 168,974,511
Intergovernmental	68,292,581	94,349,370	109,213,832	127,738,319	102,320,894	143,357,538	111,505,248	87,180,913	72,701,235	76,651,736
Investment earnings	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	6,393,595	97,660	1,229,966	822,900	278,102
Charges for services	14,027,946	14,896,580	18,304,846	20,242,897	23,674,598	31,096,490	27,866,740	30,285,327	31,615,115	32,107,656
Fines and forfeitures	7,230,067	7,742,929	8,261,486	8,407,254	10,148,376	11,516,359	11,082,812	8,235,437	8,198,638	8,537,078
Other entities' participation	-	78,433	2,382,056	2,074,553	1,412,155	1,600,100	328,147	622,543	3,542,185	196,106
Special assessments	2,781,314	2,706,951	2,705,348	2,610,195	2,842,153	2,860,571	2,783,916	3,867,979	2,526,283	4,442,862
Licenses and permits	1,131,517	1,250,205	1,389,130	1,524,891	1,592,521	1,546,287	1,670,698	1,666,196	1,650,907	1,931,776
Miscellaneous	3,669,815	4,748,157	3,973,800	5,061,404	5,486,178	6,168,789	5,968,065	7,209,565	7,021,832	4,908,914
<b>Total revenues</b>	<b>219,142,412</b>	<b>261,089,868</b>	<b>300,353,988</b>	<b>340,566,686</b>	<b>321,317,169</b>	<b>355,388,527</b>	<b>306,341,925</b>	<b>299,047,259</b>	<b>290,236,583</b>	<b>298,028,741</b>
<b>Expenditures:</b>										
Police	48,576,160	50,148,794	59,977,366	60,200,957	71,813,995	77,046,317	74,747,734	65,289,995	67,325,484	72,709,534
Fire	15,622,805	17,235,231	19,599,806	21,054,670	24,413,707	28,330,453	27,134,920	25,639,288	25,871,390	28,056,149
Community services	18,809,726	18,653,915	20,743,534	15,289,688	20,844,315	26,158,843	18,254,109	22,010,148	23,473,722	24,551,075
Parks and recreation (A)	-	-	-	15,166,076	15,826,217	17,583,861	16,880,739	-	-	-
Public works	43,811,239	45,853,027	48,822,208	49,026,864	56,316,376	73,659,648	72,253,980	67,998,367	66,845,601	70,784,480
Community development	4,002,794	3,296,692	19,795,483	20,566,776	18,246,591	19,515,673	19,343,140	22,946,249	23,572,565	25,253,707
Community relations	2,414,527	2,380,562	2,470,215	2,773,675	2,843,668	3,095,259	4,217,031	4,332,418	7,180,324	7,088,482
Mayor and council	407,818	400,549	362,810	362,281	367,250	386,483	388,486	318,282	440,161	244,837
City manager	254,578	293,964	383,025	440,915	294,042	347,556	330,992	521,642	101,885	617,384
Diversity program	472,233	544,032	520,748	542,292	641,719	555,034	520,731	427,103	457,292	441,212
Internal audit/consulting	408,862	420,449	450,650	462,751	491,057	506,621	514,069	379,752	393,958	388,263
Tempe learning center (D)	-	-	-	-	-	-	-	445,556	415,447	418,396
City clerk and elections	641,753	440,041	747,588	484,894	748,371	633,640	799,975	395,778	899,917	511,960
City attorney	2,079,092	2,206,857	2,345,165	2,844,636	3,224,007	2,914,014	3,117,084	2,564,283	2,648,388	3,037,216
Municipal court	4,039,664	3,588,317	4,454,473	4,662,214	5,563,038	5,525,601	5,267,930	4,051,517	3,874,634	3,830,508
Development services (B)	17,285,467	19,435,003	5,768,444	17,278,332	7,394,179	6,376,874	7,056,690	-	-	-
Finance and technology	-	-	-	-	-	-	-	6,620,247	3,572,392	3,760,937
Financial services (C)	3,743,137	3,867,513	3,978,571	4,342,723	4,390,171	4,211,080	3,842,927	-	-	-
Human resources	2,388,877	2,567,259	2,730,740	2,842,328	3,282,022	3,127,479	3,405,582	1,945,518	2,087,079	2,045,707
Information technology (C)	633,533	537,006	-	-	-	-	-	-	-	-
Non-departmental	3,440,150	4,433,871	3,937,911	6,031,097	3,407,427	395,648	-	-	-	-
Debt service:										
Principal retirement	10,345,000	10,470,000	14,580,000	15,765,000	18,121,865	19,656,531	22,212,157	26,062,231	25,756,000	122,595,000
Interest and fiscal fees	8,470,153	9,472,601	12,016,680	15,239,760	16,636,211	17,153,400	16,656,095	18,989,678	15,494,153	15,315,235
Capital outlay	52,669,125	84,525,728	153,861,610	193,312,819	138,410,945	106,066,458	58,406,594	35,348,520	29,512,675	20,874,698
<b>Total expenditures</b>	<b>240,516,693</b>	<b>280,771,411</b>	<b>377,547,027</b>	<b>448,690,748</b>	<b>413,277,173</b>	<b>413,246,473</b>	<b>355,350,965</b>	<b>306,286,572</b>	<b>299,923,067</b>	<b>402,524,780</b>
Deficiency of revenues over expenditures before other financing sources (uses)	(21,374,281)	(19,681,543)	(77,193,039)	(108,124,062)	(91,960,004)	(57,857,946)	(49,009,040)	(7,239,313)	(9,686,484)	(104,496,039)

(A) In fiscal year 2010-11, 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 2010-11, the Development Services department was merged into Community Development.

(C) In fiscal year 2010-11, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(D) In fiscal year 2010-11, Tempe Learning Center was disaggregated from Human Resources.

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

### Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Other financing sources (uses):</b>										
Transfers in	35,261,611	40,964,257	23,839,365	37,963,787	71,362,599	64,230,445	59,305,503	16,912,259	18,104,564	67,438,620
Transfers out	(35,461,361)	(40,795,523)	(22,689,395)	(34,250,777)	(71,213,357)	(63,614,982)	(59,421,161)	(16,618,841)	(18,613,369)	(68,806,307)
Issuance of debt	30,560,000	17,680,000	125,845,000	55,640,000	71,170,000	45,980,000	26,040,000	13,146,000	7,005,000	13,675,000
Premium on issuance of debt	1,861,088	-	1,847,396	1,746,522	1,242,369	807,728	755,553	2,401,827	6,668,536	6,392,968
Capital lease proceeds	633,533	537,006	220,940	108,464	-	-	27,986	110,617	-	-
Proceeds from sale of capital assets	8,492,867	2,004,326	3,090,704	656,603	9,430,040	9,577,814	362,900	328,593	534,963	270,346
Proceeds from loan	-	7,000,000	-	-	-	-	-	-	-	-
Issuance of refunding bonds	24,945,000	-	-	31,655,000	-	-	-	26,040,000	45,181,900	53,910,000
Payment to refunded bond escrow agent	(24,145,002)	-	-	(33,017,976)	-	-	-	(27,936,582)	(48,667,199)	(12,985,558)
<b>Total other financing sources</b>	<b>42,147,736</b>	<b>27,390,066</b>	<b>132,154,010</b>	<b>60,501,623</b>	<b>81,991,651</b>	<b>56,981,005</b>	<b>27,070,781</b>	<b>14,383,873</b>	<b>10,214,395</b>	<b>59,895,069</b>
<b>Net change in fund balances</b>	<b>\$ 20,773,455</b>	<b>\$ 7,708,523</b>	<b>\$ 54,960,971</b>	<b>\$ (47,622,439)</b>	<b>\$ (9,968,353)</b>	<b>\$ (876,941)</b>	<b>\$ (21,938,259)</b>	<b>\$ 14,383,873</b>	<b>\$ 527,911</b>	<b>\$ (44,600,970)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	9.8%	10.0%	11.7%	12.0%	12.5%	11.8%	12.9%	16.5%	15.1%	36.0% (A)

(A) In fiscal year 2012-13 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
2003-04	\$ 2,859,898,000	\$ 899,688,000	\$ 497,207,000	\$ 377,853,000	\$ 340,484,000	\$ 107,091,000	\$ 85,961,000	\$ 98,813,000	\$ 5,266,995,000	1.80 %
2004-05	3,143,764,000	917,707,000	501,111,000	412,293,000	410,634,000	122,426,000	97,749,000	109,532,000	5,715,216,000	1.80
2005-06	3,602,528,000	997,198,000	545,661,000	465,231,000	523,679,000	136,971,000	95,181,000	109,300,000	6,475,749,000	1.80
2006-07	3,732,944,000	1,085,111,000	571,722,000	484,500,000	784,444,000	132,889,000	82,278,000	116,722,000	6,990,610,000	1.80
2007-08	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
2008-09	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
2009-10	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
2010-11	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
2011-12	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
2012-13	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

#### Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2003-04	54.30 %	17.08 %	9.44 %	7.17 %	6.46 %	2.03 %	1.63 %	1.89 %	100 %
2004-05	55.01	16.06	8.77	7.21	7.18	2.14	1.71	1.92	100
2005-06	55.63	15.40	8.43	7.18	8.09	2.12	1.47	1.68	100
2006-07	53.40	15.52	8.18	6.93	11.22	1.90	1.18	1.67	100
2007-08	50.98	17.05	8.83	7.54	10.72	2.18	1.22	1.48	100
2008-09	48.57	19.17	9.40	8.03	10.06	1.97	1.40	1.40	100
2009-10	51.35	19.62	9.26	8.16	6.90	1.91	1.66	1.14	100
2010-11	53.62	19.49	8.86	8.24	5.13	1.94	1.55	1.17	100
2011-12	53.43	19.33	8.59	8.46	5.60	2.04	1.44	1.11	100
2012-13	54.04	19.15	8.52	8.37	5.40	1.97	1.25	1.30	100

Source: City of Tempe, Arizona Tax and License Division

Note: In fiscal year 2010-11, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) increase in the City sales tax.

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

### Last Ten Fiscal Years

*City of Tempe, Arizona*

Fiscal Year	City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
2003-04	1.80 %	0.70 %	5.60 %	8.10 %
2004-05	1.80	0.70	5.60	8.10
2005-06	1.80	0.70	5.60	8.10
2006-07	1.80	0.70	5.60	8.10
2007-08	1.80	0.70	5.60	8.10
2008-09	1.80	0.70	5.60	8.10
2009-10	1.80	0.70	6.60	9.10
2010-11	2.00	0.70	6.60	9.30
2011-12	2.00	0.70	6.60	9.30
2012-13	2.00	0.70	5.60	8.30

Source: City of Tempe, Arizona Tax and License Division

Note: In fiscal year 2009-10, State of Arizona voters approved a 1.0% increase in the State sales tax.  
 In fiscal year 2010-11, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) increase in the City sales tax.  
 In fiscal year 2012-13, State of Arizona decreased the State sales tax rate by 1.0%, effective June 1, 2013.

## General Property Tax Information (Exhibit S-7)

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*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 (A)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2003-04	Primary	\$ 935,290,666	\$ 28,432,421	\$ 461,432,599	\$ 139,596,174	\$ 1,695,416	\$ 9,128,538	\$ N/A	\$ 1,575,575,814	0.55	\$ 11,424,612,316	13.79 %
	Secondary	1,016,813,162	40,528,635	466,917,457	153,014,453	1,829,752	9,348,956	N/A	1,688,452,415	0.80	10,779,997,040	15.66
2004-05	Primary	1,013,975,894	28,432,421	461,432,599	146,840,125	2,973,252	7,538,097	N/A	1,661,192,388	0.53	12,379,112,416	13.42
	Secondary	1,094,932,248	37,741,236	472,792,985	152,253,913	3,347,552	7,809,451	N/A	1,768,877,385	0.82	11,034,323,885	16.03
2005-06	Primary	1,245,827,301	238,624,198	499,989,878	163,440,750	2,770,242	1,229,232	350,861,051	1,801,020,550	0.52	13,289,932,548	13.55
	Secondary	1,303,026,577	282,897,988	528,444,640	175,658,220	3,046,217	1,426,854	390,074,308	1,904,426,188	0.88	14,207,441,131	13.40
2006-07	Primary	1,306,192,761	249,763,558	515,469,816	175,924,392	3,008,952	1,341,770	356,496,779	1,895,204,470	0.52	13,995,714,438	13.54
	Secondary	1,392,698,031	335,482,079	523,973,749	182,197,200	3,198,718	1,448,936	432,295,381	2,006,703,332	0.88	15,035,677,275	13.35
2007-08	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	15,428,450,636	13.17
	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	18,964,996,979	12.66
2008-09	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	17,268,165,844	12.54
	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	21,784,820,579	12.20
2009-10	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	19,944,626,693	11.94
	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	23,547,502,463	11.75
2010-11	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	20,571,191,970	11.49
	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	22,071,142,609	11.38
2011-12	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	18,005,315,382	10.78
	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	18,381,762,798	10.65
2012-13	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	15,987,591,189	10.56
	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	16,128,348,415	10.52

Source: Arizona Department of Revenue - State and Country Abstract of the Assessment Roll Maricopa County Tax Levy

Note: 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.

(A) Assessed values are shown net of tax-exempt property for fiscal year 2003-04 through 2004-05.

## 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 Free Library District	Special Health Care District	
2003-04	Primary	0.55	2.24	3.10	-	1.21	0.94	0.47	-	-	-	-	-	8.51
	Secondary	0.80	1.05	1.10	0.05	0.07	0.14	-	0.21	0.12	0.01	0.05	-	3.60
	Total	1.35	3.29	4.20	0.05	1.28	1.08	0.47	0.21	0.12	0.01	0.05	-	12.11
2004-05	Primary	0.53	2.05	2.90	-	1.21	0.92	0.46	-	-	-	-	-	8.07
	Secondary	0.82	0.99	1.09	0.05	-	0.12	-	0.21	0.12	0.01	0.05	-	3.46
	Total	1.35	3.04	3.99	0.05	1.21	1.04	0.46	0.21	0.12	0.01	0.05	-	11.53
2005-06	Primary	0.52	1.73	2.90	-	1.20	0.89	0.44	-	-	-	-	-	7.68
	Secondary	0.88	0.92	1.08	0.06	-	0.14	-	0.21	0.12	0.01	0.05	0.12	3.59
	Total	1.40	2.65	3.98	0.06	1.20	1.03	0.44	0.21	0.12	0.01	0.05	0.12	11.27
2006-07	Primary	0.52	1.74	2.61	-	1.18	0.88	-	-	-	-	-	-	6.93
	Secondary	0.88	0.89	1.38	0.05	-	0.18	-	0.20	0.12	0.01	0.05	0.12	3.88
	Total	1.40	2.63	3.99	0.05	1.18	1.06	-	0.20	0.12	0.01	0.05	0.12	10.81
2007-08	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
2008-09	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
2009-10	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
2010-11	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
2011-12	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
2012-13	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

Source: Maricopa County Assessor's Office  
Maricopa County Tax Levies & Rates 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 \$9.49, \$10.00 or \$12.44, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).

**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 Free Library District	Special Health Care District (B)	
2003-04	Primary	\$ 8,621,551	\$ 63,921,636	\$ 40,269,326	\$ -	\$ 308,122,580	\$ 239,464,278	\$ -	\$ 120,037,513	\$ -	\$ -	\$ -	\$ -	\$ 780,436,884
	Secondary	13,554,896	32,236,303	15,349,563	6,429,195	19,234,591	37,777,314	51,153,993	-	33,010,980	1,931,237	14,316,032	-	224,994,104
	Total	22,176,447	96,157,939	55,618,889	6,429,195	327,357,171	277,241,592	51,153,993	120,037,513	33,010,980	1,931,237	14,316,032	-	1,005,430,988
2004-05	Primary	8,792,691	62,191,787	39,486,342	-	339,882,099	258,560,787	-	128,003,169	-	-	-	-	836,916,875
	Secondary	14,517,177	32,057,837	15,894,306	6,507,464	-	34,904,190	56,334,141	-	36,112,556	2,084,229	15,664,900	-	214,076,800
	Total	23,309,868	94,249,624	55,380,648	6,507,464	339,882,099	293,464,977	56,334,141	128,003,169	36,112,556	2,084,229	15,664,900	-	1,050,993,675
2005-06	Primary	9,413,934	56,658,831	43,132,854	-	371,224,118	277,107,904	-	135,142,821	-	-	-	-	892,680,462
	Secondary	16,707,531	31,948,408	17,095,540	8,400,949	-	45,791,129	62,733,411	-	39,800,085	2,276,200	17,295,751	40,000,000	282,049,004
	Total	26,121,465	88,607,239	60,228,394	8,400,949	371,224,118	322,899,033	62,733,411	135,142,821	39,800,085	2,276,200	17,295,751	40,000,000	1,174,729,466
2006-07	Primary	9,822,845	59,625,270	40,935,824	-	398,725,245	298,014,922	-	-	-	-	-	-	807,124,106
	Secondary	17,693,103	32,003,893	22,931,797	7,877,526	-	66,462,148	67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	318,518,743
	Total	27,515,948	91,629,163	63,867,621	7,877,526	398,725,245	364,477,070	67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	1,125,642,849
2007-08	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
2008-09	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
2009-10	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
2010-11	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
2011-12	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
2012-13	Primary	13,271,172	56,711,827	42,911,003	-	-	396,192,808	-	161,622,544	-	-	-	-	670,709,354
	Secondary	23,000,956	19,078,254	32,431,353	7,428,442	425,111,491	76,200,590	54,584,578	-	34,465,535	3,782,401	16,925,024	57,895,470	750,904,094
	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

Source: Maricopa County Assessor's Office  
Maricopa County Tax Levies and Rates Publication

(A) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).

(B) District which had its first secondary tax levy set in FY 2005-06.

## 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
2003-04	\$ 22,154,599	\$ (564,888)	\$ 21,589,711	\$ 21,283,933	96.1 %	\$ 276,410	\$ 21,560,343	99.9 %
2004-05	23,739,716	(678,783)	23,060,933	23,122,629	97.4	(83,145)	23,039,484	99.9
2005-06	26,366,507	(950,618)	25,415,889	25,519,585	96.8	(129,582)	25,390,003	99.9
2006-07	27,385,069	(860,618)	26,524,451	26,185,044	95.6	315,584	26,500,628	99.9
2007-08	31,520,944	(328,615)	31,192,329	30,686,950	97.4	492,269	31,179,219	100.0
2008-09	35,130,400	(358,256)	34,772,144	33,987,393	96.7	739,454	34,726,847	99.9
2009-10	37,081,738	(686,613)	36,395,125	35,581,096	96.0	772,083	36,353,179	99.9
2010-11	34,455,730	(604,321)	33,851,409	33,299,312	96.6	526,937	33,826,249	99.9
2011-12	34,856,232	(318,630)	34,537,602	33,860,185	97.1	646,893	34,507,078	99.9
2012-13	36,402,794	(170,121)	36,232,673	35,627,136	97.9	-	35,627,136	98.3

Source: Maricopa County Treasurer

- (A) The amounts listed in this column do not tie directly to the amount listed in Exhibit S-10 for City of Tempe 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.
- (B) Negative collections are due to successful tax protests being higher than actual tax payments being made.

**Principal Tax Payers (Exhibit S-12a)**  
**Property Tax**

**Current Year and Nine Years Prior**

*City of Tempe, Arizona*

<i>Taxpayer:</i>	Fiscal Year 2012-13			Fiscal Year 2003-04		
	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
Arizona Mills LLC	\$ 24,609,104	1	1.04 %	\$ 25,796,278	3	1.53 %
Arizona Public Service Company	22,154,504	2	0.93	19,554,733	4	1.16
Verizon Wireless	16,681,774	3	0.70	-	-	-
Qwest Corporation	12,794,159	4	0.54	35,570,239	1	2.11
KBSII Fountainhead LLC	10,878,779	5	0.46	-	-	-
Honeywell International Inc	9,966,855	6	0.42	-	-	-
Tempe Fountainhead Corporate LLC	9,243,000	7	0.39	-	-	-
State Farm Mutual Automobile Insurance Co	7,285,008	8	0.31	12,052,915	7	0.71
BreofBnk2 Southwest LLC	7,005,964	9	0.30	-	-	-
T-Mobile	6,606,203	10	0.28	-	-	-
Motorola Incorporated	-	-	-	28,790,439	2	1.71
AT&T	-	-	-	17,532,301	5	1.04
Britcher Arizona	-	-	-	14,482,874	6	0.86
Allied Signal	-	-	-	10,590,408	8	0.63
Phoenix Coco-Cola	-	-	-	8,046,582	9	0.48
Microchip Technology	-	-	-	7,922,058	10	0.47
<b>Total</b>	<b>\$ 127,225,350</b>		<b>5.37 %</b>	<b>\$ 180,338,827</b>		<b>10.70 %</b>

Source 2012-13: RBC Capital Markets

Source 2003-04: Maricopa County Assessor's Office

**Principal Tax Payers (Exhibit S-12b)**  
**Sales and Use Tax**

**Current Fiscal Year and Nine Years Prior**

*City of Tempe, Arizona*

Taxpayer	Business Type	Fiscal Year 2012-13			Fiscal Year 2003-04		
		Sales and Use Tax Payments	Rank	Percentage of Total Sales and Use Tax Payments	Sales and Use Tax Payments	Rank	Percentage of Total Sales and Use Tax Payments
Taxpayer A	Utility	\$ 5,318,587	1	3.57 %	\$ 5,216,305	1	4.34 %
Taxpayer B	Grocery Stores	2,994,825	2	2.01	2,541,316	2	2.12
Taxpayer C	Electronics/Software	2,821,155	3	1.89			
Taxpayer D	Mixed Retail	2,694,449	4	1.81	1,153,581	8	0.96
Taxpayer E	Mixed Retail	2,501,032	5	1.68			
Taxpayer F	Mixed Retail	2,131,429	6	1.43	2,064,029	4	1.72
Taxpayer G	Auto Sales	1,775,766	7	1.19	2,324,005	3	1.94
Taxpayer H	Auto Sales	1,142,272	8	0.77	1,124,741	9	0.94
Taxpayer I	Hotel	1,123,742	9	0.75			
Taxpayer J	Electronics/Software	1,090,904	10	0.73	1,768,587	5	1.47
Taxpayer K	Auto Sales	-		-	1,527,510	6	1.27
Taxpayer L	Auto Sales	-		-	1,191,769	7	0.99
Taxpayer M	Electronics/Software	-		-	906,359	10	0.75
<b>Total</b>		<b>\$ 23,594,161</b>		<b>15.83 %</b>	<b>\$ 19,818,202</b>		<b>16.50 %</b>

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-13)

### Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Privilege and use tax (A)	\$ 62,884,508	\$ 68,533,088	\$ 77,080,250	\$ 86,750,870	\$ 81,108,518	\$ 74,295,074	\$ 69,043,642	\$ 83,258,888	\$ 84,937,373	\$ 89,714,946
State shared sales tax	13,345,152	14,695,069	16,810,760	15,758,491	15,237,310	13,191,255	12,167,009	12,656,738	12,636,771	13,236,998
State shared income tax	14,303,004	14,582,117	16,607,943	18,823,759	25,401,762	24,832,128	21,406,004	16,137,383	13,649,203	16,519,248
Franchise tax	1,505,133	1,678,437	1,858,851	2,693,256	3,424,560	3,980,674	3,559,615	3,821,436	3,428,125	3,253,175
Vehicle license tax	6,427,396	6,791,043	7,527,675	6,870,739	6,655,516	6,024,595	5,560,791	5,424,902	5,437,201	5,165,072
Permits and Fees (B)	3,722,079	4,643,117	6,708,183	7,300,676	7,812,768	7,227,027	6,171,045	5,491,077	7,139,843	6,896,214
Fines and forfeitures	5,831,133	6,651,934	7,287,717	7,219,328	8,616,319	9,200,777	7,108,900	7,576,496	7,731,585	8,132,195
<b>Total</b>	<b>\$ 108,018,405</b>	<b>\$ 117,574,805</b>	<b>\$ 133,881,379</b>	<b>\$ 145,417,119</b>	<b>\$ 148,256,753</b>	<b>\$ 138,751,530</b>	<b>\$ 125,017,007</b>	<b>\$ 134,366,920</b>	<b>\$ 134,960,101</b>	<b>\$ 142,917,848</b>

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-14)

### Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental General Obligation Debt	Enterprise General Obligation Debt and WIFA	Less: Debt Service Reserves	Total	Secondary Assessed Valuation (A)	Percentage of Governmental Debt to Assessed Value	Percentage of Total Assessed Value of Property	Net Direct Debt Per Capita
2003-04	\$ 91,640,000	\$ 103,735,000	\$ 13,335,706	\$ 182,039,294	\$ 1,688,452,415	4.6 %	10.8 %	\$ 1,140
2004-05	99,880,000	137,390,000	15,991,147	221,278,853	1,768,877,385	4.7	12.5	1,376
2005-06	117,610,000	180,935,000	18,547,848	279,997,152	1,904,426,188	5.2	14.7	1,689
2006-07	116,500,000	243,265,000	17,607,767	342,157,233	2,006,703,332	4.9	17.1	2,053
2007-08	125,075,000	282,520,000	23,858,992	383,736,008	2,401,898,466	4.2	16.0	2,292
2008-09	156,265,000	285,735,000	31,844,188	410,155,812	2,656,948,194	4.7	15.4	2,376
2009-10	172,665,000	303,168,706	38,126,393	437,707,313	2,767,488,864	4.9	15.8	2,504
2010-11	166,680,000	287,621,092	34,718,252	419,582,840	2,512,995,468	5.3	16.7	2,595
2011-12	162,200,000	270,715,646	35,360,470	397,555,176	1,957,328,610	6.5	20.3	2,424
2012-13	164,235,000	253,760,904	38,275,002	379,720,902	1,697,237,040	7.4	22.4	2,294

Source: (A) Assessed valuation from Maricopa County Assessor's Office

Note: General obligation debt for business-type activities is not paid by secondary property taxes and therefore the "Percentage of Governmental Debt to Assessed Value" is disclosed.

## Ratios of Outstanding Debt by Type (Exhibit S-15)

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	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases	Total Government-Type Debt	
2003-04	\$ 91,640,000	\$ 16,725,000	\$ 2,840,000	\$ 81,910,000	\$ -	\$ 3,258,112	\$ 7,186,712	\$ 203,559,824	
2004-05	99,880,000	19,345,000	2,320,000	78,780,000	7,000,000	2,845,604	7,209,396	217,380,000	
2005-06	117,610,000	17,490,000	1,780,000	174,710,000	7,000,000	2,416,596	6,732,171	327,738,767	
2006-07	116,500,000	15,345,000	1,220,000	218,480,000	7,000,000	1,970,427	4,923,764	365,439,191	
2007-08	125,075,000	38,310,000	625,000	241,125,000	6,739,000	1,506,411	3,351,733	416,732,144	
2008-09	156,265,000	36,095,000	-	239,560,000	6,466,000	1,023,835	1,888,630	441,298,465	
2009-10	172,665,000	33,025,000	-	230,470,000	6,181,000	521,955	1,776,147	444,639,102	
2010-11	166,580,000	29,875,000	-	228,746,000	5,883,000	-	96,735	431,180,735	
2011-12	162,200,000	27,815,000	-	218,522,900	5,572,000	-	57,921	414,167,821	
2012-13	164,235,000	25,675,000	-	154,081,000	5,247,000	1,009,612	29,645	350,277,257	
<i>Business-Type Activities</i>									
Fiscal Year	General Obligation Bonds	Municipal Property Corporation Bonds	Excise Tax Revenue Bonds	WIFA Loans	Capital Leases	Total Business-Type Debt	Total Primary Government	Per Capita	Percentage of Personal Income
2003-04	\$ 103,735,000	\$ 400,000	\$ -	\$ -	\$ -	\$ 104,135,000	\$ 307,694,824	1,928	8.38 %
2004-05	137,390,000	275,000	-	-	-	137,665,000	355,045,000	2,208	9.48
2005-06	180,935,000	140,000	2,330,004	-	-	183,405,004	511,143,771	3,083	13.09
2006-07	243,265,000	-	2,130,000	-	-	245,395,000	610,834,191	3,666	14.91
2007-08	282,520,000	-	2,050,000	-	-	284,570,000	701,302,144	4,188	15.98
2008-09	285,735,000	-	18,685,000	-	194,416	304,614,416	745,912,881	4,321	18.05
2009-10	289,895,000	-	18,050,000	13,273,706	147,089	321,365,795	766,004,897	4,381	16.43
2010-11	273,000,000	-	48,827,424	14,621,092	97,439	336,545,955	767,726,690	4,747	14.95
2011-12	256,770,000	-	55,505,432	13,945,646	45,352	326,266,430	740,434,251	4,515	16.57
2012-13	240,505,000	-	79,034,000	13,255,904	711,466	333,506,370	683,783,627	4,132	16.27

## Direct and Overlapping Governmental Activities Debt (Exhibit S-16)

City of Tempe, Arizona

<b>Governmental Unit:</b>	<u>Debt Outstanding</u>	<i>Portion Applicable To</i>	
		<u>Percent</u>	<u>Amount</u>
Debt repaid with property taxes:			
Maricopa County Community College	\$ 766,085,000	4.93 %	\$ 37,767,991
Tempe Elementary School District No. 3	114,010,000	66.13	75,394,813
Mesa Unified School District No. 4	256,315,000	1.12	2,870,728
Kyrene Elementary School District No. 28	122,330,000	31.55	38,595,115
Scottsdale Unified School District No. 48	287,045,000	1.66	4,764,947
Tempe Union High School District No. 213	40,470,000	52.66	21,311,502
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 (A)			<u>180,705,096</u>
City direct debt	\$ 350,277,257	100.00	<u>350,277,257</u>
Total direct and overlapping debt			<u><u>\$ 530,982,353</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.

(A) Excludes the outstanding principal amount of Maricopa County Hospital District No.1 general obligation bonds, as this obligation has historically and is presently being paid from revenues generated from the operations of the District.

**Legal Debt Margin Information (Exhibit S-17)**

**Last Ten Fiscal Years**

*City of Tempe, Arizona*

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Assessed Valuation</b>	<u>\$ 1,688,452,415</u>	<u>\$ 1,768,877,385</u>	<u>\$ 1,904,426,188</u>	<u>\$ 2,006,703,332</u>	<u>\$ 2,401,898,466</u>	<u>\$ 2,656,948,194</u>	<u>\$ 2,767,488,864</u>	<u>\$ 2,512,995,468</u>	<u>\$ 1,957,328,610</u>	<u>\$ 1,697,237,040</u>
<b>20% Limitation:</b>										
Debt limit equal to 20% of assessed valuation	\$ 337,690,483	\$ 353,775,477	\$ 380,885,238	\$ 401,340,666	\$ 480,379,693	\$ 531,389,638	\$ 553,497,773	\$ 502,599,094	\$ 391,465,722	\$ 339,447,408
Total net debt applicable to 20% limit	<u>142,185,000</u>	<u>174,265,000</u>	<u>219,465,000</u>	<u>371,965,000</u>	<u>424,675,000</u>	<u>462,255,000</u>	<u>492,153,706</u>	<u>474,887,545</u>	<u>446,276,092</u>	<u>418,225,647</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 195,505,483</u>	<u>\$ 179,510,477</u>	<u>\$ 161,420,238</u>	<u>\$ 29,375,666</u>	<u>\$ 55,704,693</u>	<u>\$ 69,134,638</u>	<u>\$ 61,344,067</u>	<u>\$ 27,711,549</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	42.11%	49.26%	57.62%	92.68%	88.40%	86.99%	88.92%	94.49%	114.00%	123.21%
<b>6% Limitation:</b>										
Debt limit equal to 6% of assessed valuation	\$ 101,307,145	\$ 106,132,643	\$ 114,265,571	\$ 120,402,200	\$ 144,113,908	\$ 159,416,891	\$ 166,049,332	\$ 150,779,728	\$ 117,439,717	\$ 101,834,222
Total net debt applicable to 6% limit	<u>65,690,000</u>	<u>73,535,000</u>	<u>92,300,000</u>	<u>3,065,000</u>	<u>1,455,000</u>	<u>1,395,000</u>	<u>8,285,000</u>	<u>8,330,000</u>	<u>15,030,000</u>	<u>28,365,000</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 35,617,145</u>	<u>\$ 32,597,643</u>	<u>\$ 21,965,571</u>	<u>\$ 117,337,200</u>	<u>\$ 142,658,908</u>	<u>\$ 158,021,891</u>	<u>\$ 157,764,332</u>	<u>\$ 142,449,728</u>	<u>\$ 102,409,717</u>	<u>\$ 73,469,222</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	64.84%	69.29%	80.78%	2.55%	1.01%	0.88%	4.99%	5.52%	12.80%	27.85%

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

Note: Effective with fiscal years beginning 2006-07, 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-18)

City of Tempe, Arizona

	<u>Authorization</u>	<u>WIFA Funding (A)</u>	<u>Prior Issues</u>	<u>Current Year Issue</u>	<u>Remaining Authorization</u>
<b>2008 Program:</b>					
Water/Wastewater	\$ 113,300,000	\$ 18,130,302	\$ 36,095,000	\$ -	\$ 59,074,698
Streets/Transportation/Storm Drains	44,200,000	-	3,995,000	4,510,000	35,695,000
Public Safety - Police/Fire	32,010,000	-	11,170,000	4,355,000	16,485,000
Community Services/Park Improvements	51,800,000	-	16,940,000	2,535,000	32,325,000
Total 2008 Program	241,310,000	18,130,302	68,200,000	11,400,000	143,579,698
<b>2012 Program:</b>					
Water/Wastewater	-	-	-	-	-
Streets/Transportation/Storm Drains	-	-	-	-	-
Public Safety - Police/Fire	6,400,000	-	-	-	6,400,000
Community Services/Park Improvements	10,500,000	-	-	-	10,500,000
Municipal Infrastructure Preservation	12,900,000	-	-	2,275,000	10,625,000
Total 2012 Program	29,800,000	-	-	2,275,000	27,525,000
Grand Total	<u>\$ 271,110,000</u>	<u>\$ 18,130,302</u>	<u>\$ 68,200,000</u>	<u>\$ 13,675,000</u>	<u>\$ 171,104,698</u>

Source: City of Tempe, Arizona Finance and Technology 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.

# Pledged-Revenue Coverage (Exhibit S-19)

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Special Assessment Bonds</i>				<i>Excise Tax Revenue Obligations</i>		
<b>Fiscal Year</b>	<b>Special Assessment Collections</b>	<b>Debt Service (D)</b>	<b>Coverage</b>	<b>Excise Tax Revenue Collections (A)</b>	<b>Debt Service (D)</b>	<b>Coverage</b>
2003-04	\$ 2,781,576	\$ 2,821,905	0.99	\$ 101,591,009	\$ 4,497,682	22.59
2004-05	2,709,851	2,704,827	1.00	110,783,762	4,495,011	24.65
2005-06	2,705,348	2,866,617	0.94	126,353,704	5,737,352	22.02
2006-07	2,610,195	3,023,174	0.86	138,546,380	5,783,921	23.95
2007-08	2,842,153	4,066,900	0.70	141,601,237	5,626,868	25.17
2008-09	2,860,571	4,094,274	0.70	132,726,935	6,177,704	21.48
2009-10	2,783,916	4,796,008	0.58	119,456,216	6,760,138	17.67
2010-11	3,867,979	4,697,441	0.82	128,942,018	6,761,359	19.07
2011-12	2,526,283	3,469,611	0.73	129,522,900	9,399,739	13.78
2012-13	4,442,862	3,448,085	1.29	142,917,848	9,931,262	14.39

<i>Performing Arts Excise Tax Obligations</i>				<i>Transit Excise Tax Obligations</i>		
<b>Fiscal Year</b>	<b>0.1% Privilege and Use Tax Collections (B)</b>	<b>Debt Service (D)</b>	<b>Coverage</b>	<b>0.5% Privilege and Use Tax Collections (C)</b>	<b>Debt Service (D)(E)</b>	<b>Coverage</b>
2003-04	\$ 5,279,580	\$ 710,448	7.43	\$ 26,740,623	\$ -	-
2004-05	5,768,058	3,524,316	1.64	28,848,493	-	-
2005-06	6,480,218	6,017,247	1.08	32,440,082	-	-
2006-07	7,007,790	6,021,476	1.16	34,971,294	3,301,829	10.59
2007-08	6,820,193	6,009,925	1.13	32,449,710	5,092,190	6.37
2008-09	6,158,761	6,012,725	1.02	29,850,942	5,449,867	5.48
2009-10	5,749,649	6,005,626	0.96	27,891,084	4,356,904	6.40
2010-11	5,979,900	6,016,226	0.99	29,012,370	4,428,049	6.55
2011-12	6,236,500	5,377,764	1.16	30,172,338	4,410,547	6.84
2012-13	6,236,879	5,922,350	1.05	30,087,229	3,685,428	8.16

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.
- (E) Not included in the debt service amount above is the 2006 Variable Rate Demand Excise Tax Revenue Obligations defeasance in the amount of \$53,670,000 or the current refunding on the 2007 Variable Rate Demand Excise Tax Revenue Obligations in the amount of \$45,295,000.

## Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-20)

Excise Tax Obligations (Excluding Transit Excise Tax Obligations)

City of Tempe, Arizona

Fiscal Year	Senior Excise Tax Obligations			Subordinate Excise Tax Obligations		
	2012-13 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)	Revenue Available for Debt Service (D)	Outstanding Subordinate Excise Tax Debt Service Requirements (E)	Coverage (F)
2012-13	\$ 142,917,848	\$ 9,931,262	14.39	\$ 139,223,465	\$ 5,922,350	23.51
2013-14		11,967,164	11.94		5,918,250	23.52
2014-15		12,020,979	11.89		5,919,026	23.52
2015-16		12,994,692	11.00		5,921,676	23.51
2016-17		12,969,792	11.02		3,427,850	40.62
2017-18		12,978,667	11.01		3,428,850	40.60
2018-19		12,974,892	11.01		3,428,100	40.61
2019-20		12,982,092	11.01		3,433,850	40.54
2020-21		12,368,092	11.56			
2021-22		12,366,067	11.56			
2022-23		12,296,792	11.62			
2023-24		9,344,767	15.29			
2024-25		16,636,617	8.59			
2025-26		7,009,385	20.39			
2026-27		7,005,365	20.40			
2027-28		7,008,735	20.39			
2028-29		7,009,334	20.39			
2029-30		5,217,238	27.39			
2030-31		5,215,800	27.40			
2031-32		2,723,850	52.47			
2032-33		2,116,125	67.54			

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in fiscal year 2012-13. See Excise Tax Collection schedule (Exhibit S-13).
- (B) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Refunding Obligations, Series 2005, currently outstanding in the principal amount of \$2,300,000 and the City of Tempe, Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$20,390,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009A+B, currently outstanding in the principal amount of \$20,330,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2011A+B, currently outstanding in the principal amount of \$37,010,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2012, currently outstanding in the principal amount of \$30,220,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2013, currently outstanding in the principal amount of \$27,240,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2012-13 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 2012-13.
- (E) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2004, currently outstanding in the principal amount of \$4,800,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2006, currently outstanding in the principal amount of \$8,955,000; the City of Tempe, Arizona Excise Tax Refunding Obligations, Series 2011, currently outstanding in the principal amount of \$18,065,000. 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-21)

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)(D)	Outstanding Senior Excise Tax Obligations Coverage (C)
2012-13	\$ 30,087,229	\$ 3,685,428	8.16
2013-14		4,655,713	6.46
2014-15		4,655,688	6.46
2015-16		4,658,463	6.46
2016-17		4,658,863	6.46
2017-18		4,658,413	6.46
2018-19		4,657,413	6.46
2019-20		4,658,413	6.46
2020-21		4,656,213	6.46
2021-22		4,656,063	6.46
2022-23		4,655,763	6.46
2023-24		4,659,356	6.46
2024-25		4,657,450	6.46
2025-26		4,660,044	6.46
2026-27		4,655,294	6.46
2027-28		4,659,044	6.46
2028-29		4,655,544	6.46
2029-30		4,659,194	6.46
2030-31		4,659,319	6.46
2031-32		4,656,806	6.46
2032-33		4,658,931	6.46
2033-34		4,657,913	6.46
2034-35		4,657,625	6.46
2035-36		4,659,119	6.46
2036-37		4,656,963	6.46
2037-38		1,895,975	15.87

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in Fiscal Year 2012-13.
- (B) Includes annual debt service requirements for the Series 2008 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$27,385,000 and the Series 2012 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$40,960,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2012-13 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

## Demographic and Economic Statistics (Exhibit S-22)

### Last Ten Fiscal Years

*City of Tempe, Arizona*

Fiscal Year	Population (A)	Total Personal Income (B)	Per Capita Personal Income (C)	Average Household Income (C)	Median Age (C)	School Enrollment (D)	ASU School Enrollment (E)	Unemployment Rate (F)
2003-04	159,615	\$ 3,673,858,455	\$ 23,017	N/A	N/A	26,960	52,265	4.20 %
2004-05	160,820	3,745,015,340	23,287	N/A	N/A	26,787	49,171	3.40
2005-06	165,796	3,906,153,760	23,560	58,000	30.9	26,800	61,033	3.50
2006-07	166,625	4,097,808,625	24,593	59,936	31.3	26,292	63,278	3.00
2007-08	167,458	4,387,734,516	26,202	66,864	29.7	25,929	64,394	2.80
2008-09	172,641	4,131,989,694	23,934	63,866	31.6	25,780	67,082	4.20
2009-10	174,833	4,661,747,112	26,664	67,971	31.8	25,857	68,064	6.70
2010-11	161,719	5,133,769,655	31,745	68,427	35.2	26,670	70,440	8.00
2011-12	163,989	4,469,848,173	27,257	63,881	31.3	28,136	72,254	8.20
2012-13	165,499	4,203,343,602	25,398	61,201	31.5	25,510	73,378	6.80

Source: (A) Estimate provided by Sites USA (June 2012)  
 (B) Amount is calculated using population times per capita personal income  
 (C) Estimate provided by Sites USA (June 2012)  
 (D) Arizona Department of Education (Azed.gov)  
 (E) ASU.edu/enrollment-summary  
 (F) workforce.az.gov

## Principal Employers (Exhibit S-23)

### Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

	Fiscal Year 2012-13			Fiscal Year 2003-04		
	Employees (A)	Rank	Employment	Employees (B)	Rank	Employment
<i>Employers:</i>						
Arizona State University	11,185	1	27.67 %	12,569	1	31.39 %
Maricopa Community Colleges	4,611	2	11.41	-	-	-
SRP	4,374	3	10.82	3,331	4	8.32
Safeway Inc.	3,996	4	9.89	-	-	-
Wells Fargo Banking Division	3,576	5	8.85	6,601	2	16.49
Motorola	3,000	6	7.42	4,779	3	11.94
Honeywell	3,000	7	7.42	3,000	5	7.49
Kyrene School District	2,401	8	5.94	2,205	7	5.51
Chase Manhattan Corporation	2,377	9	5.88	2,377	6	5.94
US Airways	1,898	10	4.70	-	-	-
Bank One Telephone Banking Division	-		-	2,000	8	4.99
City of Tempe	-		-	1,679	9	4.19
Phillips 66 Company	-		-	1,500	10	3.75
<b>Total</b>	<b>40,418</b>		<b>100.00 %</b>	<b>40,041</b>		<b>100.00 %</b>

Source: (A) [www.tempe.gov/Economic Development/Tempe's Top Employers](http://www.tempe.gov/Economic%20Development/Tempe's%20Top%20Employers)  
 (B) City of Tempe, Arizona Comprehensive Annual Financial Report, 2003-04

## Full-Time Equivalent City Government Employees by Function (Exhibit S-24)

### Last Ten Fiscal Years

City of Tempe, Arizona

#### Full-Time Equivalent Employees

	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Police	522	522	535	530	577	580	568	499	494	497
Fire	157	157	171	160	187	187	185	182	182	182
Community services	305	308	340	234	230	232	308	289	287	288
Parks and recreation	-	-	-	208	208	210	-	-	-	-
Public works	377	377	380	307	323	330	535	489	485	484
Community relations	20	18	18	20	20	20	27	25	25	24
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	3	3	4	4	4	4	3	4	4	4
Diversity program	3	4	4	4	5	5	4	3	3	3
Internal audit/consulting	4	4	4	4	4	4	4	3	3	3
Tempe learning center	-	-	-	-	-	-	-	3	3	3
City clerk and elections	5	5	5	5	5	5	5	5	5	5
City attorney	25	25	26	29	29	29	25	25	25	25
Municipal court	37	38	41	41	46	46	42	42	42	42
Development services	87	89	52	63	63	62	-	-	-	-
Community development	-	-	53	60	62	62	106	88	83	82
Economic development	12	13	-	-	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	-	-	132	132	132
Financial services	70	69	69	72	72	73	139	-	-	-
Human resources	19	19	19	21	23	24	20	17	17	17
Information technology	73	72	72	73	76	76	-	-	-	-
Water/wastewater	131	131	135	136	138	143	-	-	-	-
<b>Total</b>	<b>1,857</b>	<b>1,861</b>	<b>1,935</b>	<b>1,978</b>	<b>2,079</b>	<b>2,097</b>	<b>1,977</b>	<b>1,813</b>	<b>1,797</b>	<b>1,798</b>

Source: City of Tempe, Arizona 2012-13 Annual Budget

Note: In fiscal year 2009-10, 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-25)**

Last Eight Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
<b>Function /Program</b>								
<b>Police</b>								
Crime rate (per 100,000 population)	8,269	8,000	6,700	6,100	5,500	5,898	5,800 (A)	5,288 (B)
Traffic accidents	5,562	6,729	5,895	4,920	4,595	4,693	4,834	4,825
Emergency service average response time (minimum)	4:43	5:01	5:07	5:08	5:17	5:30	6:35 (A)	5:00 (B)
Citizen calls for police service	124,923	123,847	112,409	106,317	86,074	85,673	87,730	86,996
Operating expenditures per citizen calls	\$ 391.87	\$ 353.37	\$ 415.22	\$ 443.34	\$ 432.95	\$ 748.69	\$ 725.33	\$ 829.91
<b>Fire</b>								
Firefighters per capita (10,000)	8.52	8.24	9.43	9.37	9.13	8.95	9.45 (A)	9.44 (B)
No. of fire calls	2,097	2,148	1,964	2,414	2,144	2,208	2,167	2,002
No. of medical calls	13,059	13,469	13,255	15,199	15,413	15,264	17,156	17,411
No. of other assistance calls	1,722	2,429	2,708	1,260	1,253	1,275	1,336	2,033
Emergency service average response time (minimum)	4:25	4:17	4:22	4:20	4:20	4:20	4:10 (A)	4:07 (B)
% of emergency responses taking 5.0 minutes or less	70%	72%	71%	72%	74%	74%	76% (A)	76% (B)
<b>Transportation</b>								
On-time performance (bus)	94%	92%	89%	90%	94%	95%	95%	93%
Annual boardings (bus)	6,805,383	8,156,782	7,387,024	9,157,912	8,877,964	7,971,817	8,430,857	8,168,990
Number of square yards repaired	1,884,102	1,136,956	1,391,711	2,090,504	74,471	64,665	569,600	412,739
<b>Library</b>								
Registered borrowers	141,509	142,323	142,524	142,500	147,914	140,600	145,948 (A)	140,523 (B)
Circulation	1,404,318	1,246,650	1,257,336	1,250,000	1,089,174	937,500	1,015,578 (A)	933,824 (B)
<b>Development services</b>								
# of permits issued for commercial /industrial	69	69	46	21	18	8	18	18
Valuation of commercial/industrial permits	\$ 83,599,700	\$ 170,983,900	\$ 88,143,100	\$ 109,851,600	\$ 86,704,700	\$ 6,874,200	\$ 88,812,800	\$ 26,619,100
# of permits issued for residential	1,061	700	675	508	425	314	297	271
Valuation of residential permits	\$ 250,869,200	\$ 152,320,600	\$ 96,512,400	\$ 161,914,600	\$ 27,741,900	\$ 18,260,624	\$ 68,954,800	\$ 96,518,351
# of permits issued other	715	673	653	577	534	521	600	647
Valuation of other permits	\$ 119,168,700	\$ 89,884,365	\$ 188,916,700	\$ 105,413,500	\$ 68,502,500	\$ 77,951,841	\$ 99,407,953	\$ 54,339,500
<b>Water/wastewater</b>								
Number of customer accounts	42,059	42,261	42,494	42,686	42,453	42,218	42,398 (A)	42,351 (B)
Total water gallons treated (million gallons - mg)	17,589 (C)	16,686 (C)	17,135 (C)	15,774 (C)	15,606	15,877	16,700 (A)	16,900 (B)
O&M per customer account	\$ 221.20	\$ 316.56	\$ 251.00	\$ 256.46	\$ 181.33	\$ 217.49	\$ 249.00 (A)	\$ 278.00 (B)
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%	100%	100%	100%	100% (A)	100% (B)
Total wastewater gallons treated (million gallons per day)	21.5 (C)	21.3 (C)	20.9 (C)	19.7 (C)	18.7	18.6	18.6	18.5
<b>Solid waste collection</b>								
Residential container/recycling cost per ton	\$ 73	\$ 70	\$ 102	\$ 71	\$ 114	\$ 112	\$ 115 (A)	\$121 (B)
# of residential accounts	33,021	33,056	32,964	32,916	32,886	33,927	33,759	33,405
Residential recycling diversion rate	34%	29%	28%	28%	28%	29%	15% (A)	15% (B)
# of commercial accounts	1,976	1,861	1,942	1,875	1,837	1,940	2,030	2,133
Commercial collection cost per ton	\$ 57	\$ 52	\$ 59	\$ 59	\$ 77	\$ 73	\$ 78 (A)	\$81 (B)

Source: City of Tempe, Arizona Budget and Research Division and other applicable City departments.

Note: Information prior to fiscal year 2005-06 was not available in this format.

(A) Numbers are updated to actual values as shown in City of Tempe, Arizona Annual Budget 2011-12

(B) Numbers are estimates as shown in City of Tempe, Arizona Annual Budget 2012-13

(C) Numbers revised by department to reflect change in methodology in tracking.

## Capital Asset Statistics by Function/Program (Exhibit S-26)

### Last Eight Fiscal Years

*City of Tempe, Arizona*

	Fiscal Year <u>2005-06</u>	Fiscal Year <u>2006-07</u>	Fiscal Year <u>2007-08</u>	Fiscal Year <u>2008-09</u>	Fiscal Year <u>2009-10</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>
Police								
Stations	2	2	3	3	3	3	3	3
Patrol Units (Squads)	22	22	22	22	22	20	20	21
Fire Stations	6	6	6	6	6	6	6	6
Transportation								
Streets (miles)	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Streetlights	11,754	11,774	11,810	12,021	12,428	11,778	11,778	11,797
Traffic Signals	193	199	217	219	219	221	221	221
Buses	123	115	148	198	188	188	140	135
Parks and recreation								
Acreage	1,684	1,684	1,872	1,872	1,872	1,872	1,872	1,872
Playgrounds	44	44	45	45	45	45	45	45
Sports Fields	195	195	200	200	200	200	200	200
Community centers	4	4	4	4	4	5	5	5
Golf Courses	2	2	2	2	2	2	2	2
Water/Wastewater								
Water mains (miles)	852	852	823	825	839	839	839	833
Water production capacity (million gallons per day)	120	120	120	120	129	125	125	125
Water storage capacity (million gallons)	53	53	53	53	53	42	42	42
Sanitary sewers (miles)	502	502	500	497	498	498	498	496
Storm sewers (miles)	174	174	193	193	195	194	194	173
Wastewater treatment capacity (million gallons per day)	32	32	32	38	38	33	33	19
Solid waste collection								
Collection trucks	68	56	60	58	58	58	58	51

Source: City of Tempe, Arizona Budget and Research Division and other applicable City departments.

Note: Information prior to fiscal year 2005-06 was not available in this format.