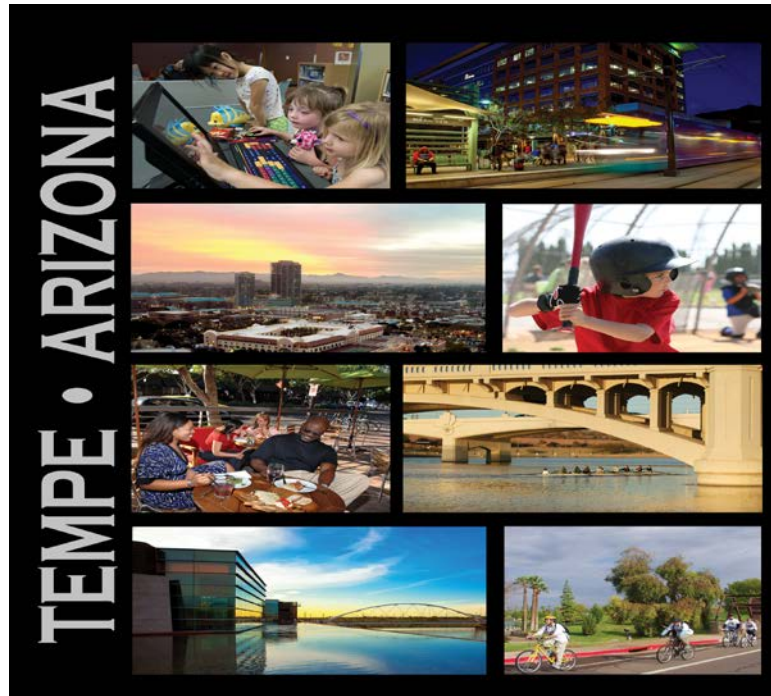


TEMPE • ARIZONA



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2015



City Council:

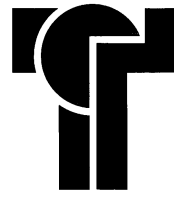
Mark Mitchell, Mayor
Corey Woods, Vice Mayor
Robin Arredondo-Savage
Kolby Granville
Lauren Kuby
Joel Navarro
David Schapira

Administrative Staff:

Andrew Ching, City Manager

Presented by:

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



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	7
Certificate of Achievement for Excellence in Financial Reporting	12
List of Principal Officials	13
City Organizational Chart	14

FINANCIAL SECTION

Independent Auditor's Report	15
Management's Discussion and Analysis (required supplementary information)	17

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	37
Statement of Activities	38

Fund Financial Statements:

Balance Sheet - Governmental Funds	40
Reconciliation of the Balance Sheet to the Statement of Net Position	42
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	44
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund	47
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Transit Special Revenue Fund	48
Statement of Net Position - Proprietary Funds	50
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	52
Statement of Cash Flows - Proprietary Funds	53
Statement of Net Position - Fiduciary Fund	54
Statement of Changes in Net Position - Fiduciary Fund	54

Notes to the Financial Statements	55
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Required Supplementary Information:

Schedules of Required Supplementary Information

Schedule of Contributions- All Pension Funds	117
Schedule of the Proportionate Share of the Net Pension Liability – ASRS	118
Schedule of Changes in the Net Pension Liability and Related Ratios - PSPRS: Police	119
Schedule of Changes in the Net Pension Liability and Related Ratios - PSPRS: Fire	120
Schedule of Funding Progress- PSPRS: Other Post Employment Benefits	121

Notes to Required Supplementary Information	122
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Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

FINANCIAL SECTION (continued)

Combining Fund Financial Statements:

Non-Major Governmental Funds:

Combining Balance Sheet	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	130

Internal Service Funds:

Combining Statement of Net Position	135
Combining Statement of Revenues, Expenses and Changes in Net Position	136
Combining Statement of Cash Flows	137

Other Supplementary Information:

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

General, Debt Service, Special Revenue, Capital Projects and Enterprise Fund Types	139
General Obligation Debt Service Fund	140
Special Assessment Debt Service Fund	141
Performing Arts Fund	142
Highway User Revenue Fund	143
Community Development Fund	144
Housing Assistance Fund	145
Donations and Court Awards Fund	146
Grants Fund	147
Community Facilities District Fund	148
Transit Capital Projects Fund	149
Streets Capital Projects Fund	150
Police Capital Projects Fund	151
Fire Capital Projects Fund	152
Storm Sewers Capital Projects Fund	153
Parks Capital Projects Fund	154
Rio Salado Capital Projects Fund	155
Community Development Capital Projects Fund	156
Signals Capital Projects Fund	157
Community Facilities District Capital Projects Fund	158
Water and Wastewater Fund	159
Solid Waste Fund	160
Golf Fund	161

STATISTICAL SECTION

Financial Trends

Net Position by Component - Last Ten Fiscal Years (accrual basis of accounting)	S-1	165
Changes in Net Position - Last Ten Fiscal Years (accrual basis of accounting)	S-2	166
Fund Balances, Governmental Funds - Last Ten Fiscal Years (modified accrual basis of accounting)	S-3	169
Changes in Fund Balance, Governmental Funds - Last Ten Fiscal Years (modified accrual basis of accounting)	S-4	170

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

STATISTICAL SECTION (continued)

Revenue Capacity

Taxable Sales and Percentage of Taxable Sales by Category		
- Last Ten Fiscal Years (cash basis)	S-5	172
Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years	S-6	173
General Property Tax Information	S-7	174
Primary and Secondary Assessed Value and Estimated Actual Value of Taxable		
Property - Last Ten Fiscal Years	S-8	175
Property Tax Rates - All Direct and Overlapping Governments		
- Last Ten Fiscal Years	S-9	176
Property Tax Levies - All Direct and Overlapping Governments		
- Last Ten Fiscal Years	S-10	177
Property Tax Levies and Collections - Last Ten Fiscal Years	S-11	178
Principal Tax Payers, Property Tax - Current Year and Nine Years Prior	S-12	179
Principal Tax Payers, Sales and Use Tax - Current Year and Nine Years Prior	S-13	180

Debt Capacity

Excise Tax Collections - Last Ten Fiscal Years	S-14	181
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	S-15	182
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	S-16	183
Direct and Overlapping Governmental Activities Debt- Property Tax Supported	S-17	184
Total Direct and Overlapping Governmental Activities Debt	S-18	185
Legal Debt Margin Information - Last Ten Fiscal Years	S-19	186
Remaining General Obligation Bond Authorizations	S-20	187
Pledged-Revenue Coverage - Last Ten Fiscal Years	S-21	188
Pledged Revenue, Projected Debt Service and Estimated Coverage	S-22	189
- Excise Tax Obligation (Excluding Transit Excise Tax Obligations)		
Pledged Revenue, Projected Debt Service and Estimated Coverage		
- Transit Excise Tax Obligations	S-23	190

Demographic and Economic Information

Demographic and Economic Statistics - Last Ten Fiscal Years	S-24	191
Principal Employers - Current Fiscal Year and Nine Years Prior	S-25	192

Operating Information

Full-Time Equivalent City Government Employees by Function		
- Last Ten Fiscal Years	S-26	193
Operating Indicators by Function/Program - Last Nine Fiscal Years	S-27	194
Capital Asset Statistics by Function/Program - Last Nine Fiscal Years	S-28	195



Introductory Section

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



December 11, 2015

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, 2015 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 169,000 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 Councilmembers are elected at large on a non-partisan ballot for staggered four-year terms. The City Council appoints the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, community development and general administration. The Rio Salado Community Facilities District is a separate component unit of the City and facilitates the development around Tempe Town Lake.

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

LOCAL ECONOMY

The economy continues to gradually improve as the metro area recovers from the effects of the recession. With its access to the broad and diverse regional economic base, Tempe's economy is considered to be strong. The city's pipeline of new construction activity remains full, which is expected to contribute to the city's continued medium-term economic growth. Considerable progress was made during the year in development projects including most notably, the 1.9 million square foot office project (Marina Heights) anchored by State Farm Insurance; tenants began occupying the completed portions of this project this fall. Overall property valuation in the City has regained a considerable portion of the losses sustained during the downturn. Improving consumer confidence has provided a boost to taxable sales activity for the year. Additionally, the City's unemployment rate, estimated at 5.1 % at the end of the fiscal year, remains below both the statewide (6.3%) and national (5.3%) averages. As a result, improvement was experienced in all major categories of revenue including sales taxes and property taxes as indicated below.

Sales Tax

Growth continued in the local sales tax base across many categories including retail, utilities/communication, contracting, hotel/motel and restaurants. Total taxable sales increased by 10.0%. Retail taxable sales (comprising 50% of total taxable sales) grew by 6.9%. General Fund sales tax revenues decreased by \$4.1 million (4.0%) for the year to \$94.2 million. This decrease, though anticipated due to the June 30, 2014 expiration of the 0.2% temporary sales tax, was minimized due to the strong growth in taxable sales. Sales tax revenue represented 49.7% of total General Fund revenues for the year.

State-Shared Revenue

State-shared sales tax revenue (\$14.8 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 \$1.6 million (8.6%) due to the continuing growth in the pool of state income tax revenues shared with cities and towns. State shared income tax received during the fiscal year (\$19.6 million) is from actual collections by the State for fiscal year 2012-13. Auto lieu tax (\$6.2 million) increased by \$0.2 million (2.7%) compared to the prior year, reflective of continuing strong auto sales. These state-shared revenues combined represented about 21.0% of General Fund revenue for the year.

Property Tax

Property tax revenues grew by \$0.7 million (4.4%) to \$17.2 million and by \$0.9 million (3.6%) to \$24.4 million over the prior year in the General Fund and General Obligation Debt Service Fund, respectively. Again, the modest increases are reflective of the property tax revenue stabilization policy recently implemented by the City to mitigate the impact of the decline in property valuation due to the recession. This stabilization has ensured the City's ability to service currently outstanding debt and maintain basic infrastructure. Property tax comprised approximately 9.0% of General Fund revenues for the year.

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

LONG-TERM FINANCIAL PLANNING

The City prepares a five-year, comprehensive long-range financial forecast for each of its major operating funds in the fall and spring of each fiscal year. In addition, the city annually updates the debt management plan. These forecasts are critical to identifying and establishing the budgetary parameters that guide management and policy makers in the budget allocation process.

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

Overall, our five-year forecast for local revenues is better than our spring projections. In particular, construction sales tax collections continued at a very strong rate throughout the fiscal year 2014/15 (principally due the Marina Heights development), easing the adjustment to the expiration of the temporary sales tax. Improvement in local taxable sales activity as well as other local taxes is expected to offset reduced tax collection related to the decelerating construction activity associated with the nearing completion of Marina Heights.

CITY COUNCIL STRATEGIC PRIORITIES

The City Council strategic priorities were reviewed and updated after a series of open meetings to discuss, identify and prioritize their collective vision for the future of Tempe. The resulting five priorities provide the framework to align our top strategic priorities through city staff in creating goals that support the City Council's vision and achieve operational and sustainable accountability. This means continually finding ways to transform our strategic priorities into strategies that guide the development of the budget, allocation of resources and citywide departmental performance goals in getting the most important things accomplished. The following represent the priorities:

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

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

MAJOR INITIATIVES

During the year, the City embarked on a new planning effort to help guide future development decision-making. The City was divided up into eight distinct "character areas" for the purpose of discovering what residents value most about their area, what they would like to see improved and what would make their life more livable. The City is looking at Light Rail Station areas, streetscapes, bike paths, commercial corners, housing options, public transit, parks, historic preservation and much more. The planning process for each area takes about a year and produces a plan that is approved by the Development Review Commission and the Tempe City Council. For 2015-16, the City is working on Apache (Character Area 4) and Alameda (CA5). Kiwanis / The Lakes (CA7) and Corona / South Tempe (CA8) were completed in 2014. A Character Area Plan is a way of conveying the vision and goals of an area to create positive change.

The City's Economic Development team can refer to the plan to see what kinds of businesses would be most appreciated in an area. City Planners can refer to this when working with businesses and developers to help guide landscape treatments and housing options, or when creating new bike paths, planning public art or designing streetscapes. During the budget process, City staff can look to these plans to see where residents most want city amenities. The City's Development Review Commission may also consult Character Area Plans before making decisions and making recommendations. The plan cannot supersede the General Plan, Zoning & Development Code or existing state and city laws.

The State of Arizona enacted a new law during the spring 2013 legislative session mandating that the Department of Revenue (DOR) would be responsible for all privilege tax licensing, collection, and auditing in the state beginning January 1, 2015. As a result of extensive discussions between state agencies, cities and the League of Arizona Cities & Towns, the start date for administration of transaction privilege tax for the 18 self-collecting cities by the DOR is not expected to occur prior to July 1, 2016. This is to allow time for the computer system changes at DOR required to handle the necessary level of detail reporting for the additional cities. Specifically, DOR will be collecting and reporting by separate business location with detailed tax data including separately stated gross receipts by classification, and itemized deductions claimed. 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. The City is unable to estimate the potential impact of the change at this time.

Construction continued during the fiscal year on 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 new structure will 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. The City expects that construction of the new dam will be completed by spring 2016.

The City is currently planning for the expansion of Orbit, its neighborhood circulator service. Orbit is a free-fare service that uses small buses to serve residential areas and connect them to local destinations such as shopping areas, other neighborhoods, major bus routes, light rail, parks, schools and multi-generational centers. There currently are five Orbit routes: Mercury, Venus, Earth, Mars and Jupiter. A proposed sixth route, Saturn, will be the first to provide service to south Tempe with operations anticipated to begin in 2017.

Progress continues to be made towards making the Street Car transit option a reality for Tempe. On October 28, 2015, the Federal Transit Administration (FTA) issued a Finding of No Significant Impact (FONSI) for the Tempe Streetcar Project, which indicates that the three-mile project will have no significant environmental effect on the neighboring communities. The FONSI comes following the project's Environmental Assessment (EA), which evaluates the potential impacts to the neighboring environment, including noise and vibration, traffic and parking, and historical and archaeological resources. The FONSI marks the final step in the project's environmental review process under the National Environmental Policy Act (NEPA). Valley Metro and the City of Tempe await notification from the Federal Transit Administration in early 2016 on the application submitted to receive funding through the Small Starts grant program.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

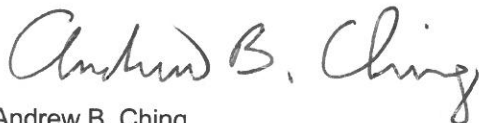
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious 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-nine consecutive years (fiscal years 1975-76 through 2013-14). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for award consideration.

In further demonstration of its commitment to financial excellence, the City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year 2014-15 annual budget and the National Purchasing Institute's **Achievement of Excellence in Procurement Award** for 2015.

Acknowledgment

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

Respectfully submitted,



Andrew B. Ching
City Manager



Kenneth Jones
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Tempe
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



For the Fiscal Year
Ended June 30, 2015

City of Tempe, Arizona List of Principal Officials

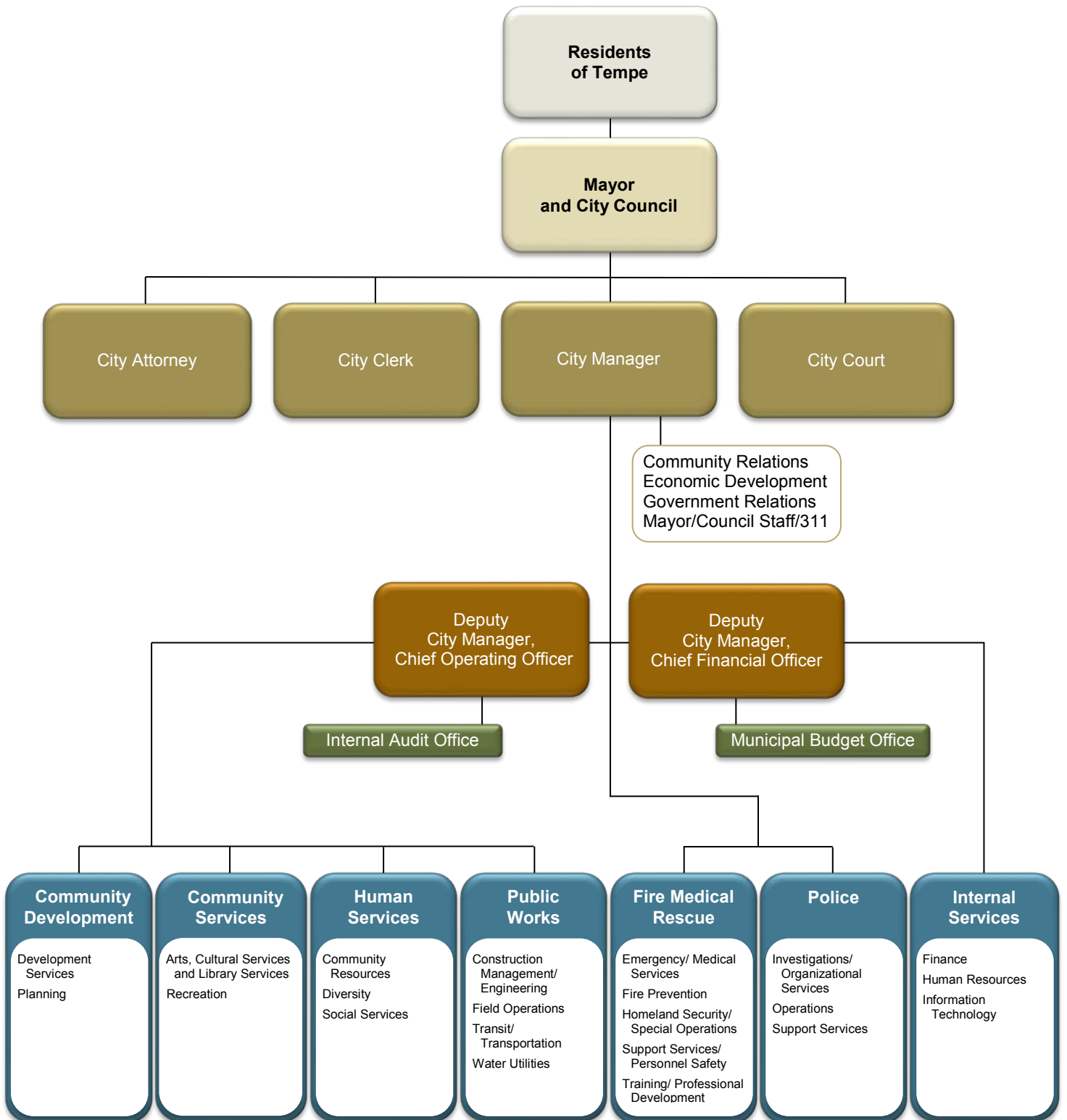
City Council

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Kolby Granville
Lauren Kuby
Joel Navarro
David Schapira

Administrative Staff

Andrew Ching, City Manager
Ken Jones, Deputy City Manager-Chief Financial Officer
Steven Methvin, Deputy City Manager-Chief Operating Officer
Tom Ryff, Police
Gregory Ruiz, Fire
Shelley Hearn, Community Services
Don Bessler, Public Works
David Nakagawara, Community Development
Naomi Farrell, Human Services
MaryAnne Majestic, Municipal Court
Judith R. Baumann, City Attorney
Barbara Blue, Internal Audit Office
Cecilia Velasco-Robles, Municipal Budget Office
Brigitta Kuiper, City Clerk and Elections
Renie Broderick, Internal Services

City Organizational Chart



Financial Section

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

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, 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, net pension liability information, and schedules of funding progress for other post-employment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of City of Tempe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tempe, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

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

December 11, 2015

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, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$874.6 million (net position). Of this amount, \$71.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$7.2 million during the fiscal year compared to an increase of \$9.4 million in the prior year. The governmental activities experienced a decrease in net position of \$10.5 million compared to an increase of \$1.4 million in the prior year and the business-type activities experienced an increase of \$3.3 million compared to an increase of \$8.1 million in the prior year.
- For the fiscal year ended June 30, 2015, the City's governmental revenues overall increased by \$5.1 million. Even though there was a decrease in *operating grants and contributions* of \$4.9 million, this was offset by an increase of \$3.4 million in *charges for services*, \$1.3 million in *capital grants and contributions*, \$2.4 million in *intergovernmental revenue, unrestricted*, \$1.4 million in *property taxes* as well as an increase of \$1.5 million in the *gain on sale of capital assets* category. Expenses increased by \$17.4 million. The increase in expenses was primarily in the area of the *Police, Fire, Public Works* and the *Community Development* functions.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$200.5 million. Approximately 58.9% of this total amount (\$118.1 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2015, total fund balance for the General Fund was \$83.5 million, which represents an increase of \$8.8 million over the prior year's fund balance as revenues continued to exceed expenditures. Although revenues only increased by a modest \$0.7 million, related expenditures decreased by \$2.4 million. The increase in prior year fund balance was \$13.3 million. A factor which contributed to the decrease in the *net change in fund balance* was *transfers in* decreased by \$4.9 million while *transfers out* increased by \$3.1 million.
- At June 30, 2015, the City's enterprise funds reported combined total net position of \$232.8 million, and total unrestricted net position of \$90.6 million. \$96.5 million of the unrestricted net position was in the Water and Wastewater Fund.
- At June 30, 2015, the total long-term obligations of the City increased by \$15.4 million due primarily to the net increase in pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **required supplementary information** and **other supplementary information** in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The **statement of net position** presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City uses a fiduciary fund to account for other post-employment benefits provided to retirees. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

NOTES TO THE FINANCIAL STATEMENTS

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

COMBINING STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

Net position- June 30, 2015			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 596,318,121	\$ 266,561,764	\$ 862,879,885
Capital assets, net	852,123,016	348,522,776	1,200,645,792
Total assets	<u>1,448,441,137</u>	<u>615,084,540</u>	<u>2,063,525,677</u>
Deferred outflows of resources			
Deferred charge on refunding	7,921,287	7,629,226	15,550,513
Deferred outflow from pensions	55,736,537	2,707,177	58,443,714
Total deferred outflows of resources	<u>63,657,824</u>	<u>10,336,403</u>	<u>73,994,227</u>
Liabilities			
Long-term liabilities	752,719,932	348,852,731	1,101,572,663
Other liabilities	89,059,027	38,578,934	127,637,961
Total liabilities	<u>841,778,959</u>	<u>387,431,665</u>	<u>1,229,210,624</u>
Deferred inflows of resources			
Deferred inflow from pensions	28,478,077	5,203,286	33,681,363
Total deferred inflows of resources	<u>28,478,077</u>	<u>5,203,286</u>	<u>33,681,363</u>
Net position			
Net Investment in capital assets	519,040,090	142,208,059	661,248,149
Restricted	141,565,366	-	141,565,366
Unrestricted	(18,763,531)	90,577,933	71,814,402
Total net position	<u>\$ 641,841,925</u>	<u>\$ 232,785,992</u>	<u>\$ 874,627,917</u>

Net position- June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 569,046,890	\$ 263,602,102	\$ 832,648,992
Capital assets, net	845,731,031	352,748,536	1,198,479,567
Total assets	<u>1,414,777,921</u>	<u>616,350,638</u>	<u>2,031,128,559</u>
Deferred outflows of resources			
Deferred charge on refunding	8,189,289	5,098,378	13,287,667
Total deferred outflows of resources	<u>8,189,289</u>	<u>5,098,378</u>	<u>13,287,667</u>
Liabilities			
Long-term liabilities	388,539,260	323,813,515	712,352,775
Other liabilities	111,158,243	40,937,852	152,096,095
Total liabilities	<u>499,697,503</u>	<u>364,751,367</u>	<u>864,448,870</u>
Net position			
Net Investment in capital assets	537,940,057	137,971,614	675,911,671
Restricted	148,338,902	-	148,338,902
Unrestricted	236,990,748	118,726,035	355,716,783
Total net position	<u>\$ 923,269,707</u>	<u>\$ 256,697,649</u>	<u>\$ 1,179,967,356</u>

ANALYSIS OF NET POSITION

As noted earlier, net position may serve as a useful indicator of a government's financial position. With the current year implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the *Net Position- June 30, 2015* table presents a new line item of *deferred outflows of resources* called *deferred outflow from pensions* along with a new category of *deferred inflows of resources* containing a *deferred inflow from pensions*. These were not existing line items as of June 30, 2014 and therefore do not have comparable data.

As the beginning *Net Position* balance for June 30, 2015 was restated, the following analysis restates the *Net Position* components for comparison purposes. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$874.6 million and \$881.8 million as of June 30, 2015 and 2014, 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 \$661.2 million and \$675.9 million at June 30, 2015 and 2014, respectively. These totals represent 75.6% and 76.7% of total net position at June 30, 2015 and 2014, 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 \$141.6 million (16.2% of total net position) at June 30, 2015. At June 30, 2014 restricted net position was \$148.3 million (16.8% of total net position). With the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, new categories of net position were established and existing ones redefined. One new category represents non-spendable items which are inventories, prepaid items, and notes receivable. This category is considered unrestricted. The remaining balance of net position is also unrestricted (committed, assigned, and unassigned), and may be used to meet the government's ongoing obligations to citizens and creditors. The total balance of unrestricted net position was \$71.8 million (8.2% of total net position) and \$57.6 million (6.5% of total net position) at June 30, 2015 and 2014, respectively.

At the end of each fiscal year, the City reported \$18.7 million in negative unrestricted net position in the governmental funds but was able to report positive balances in the other two categories. The business-type activities as a whole reported positive fund balances in all applicable categories.

ANALYSIS OF CHANGE IN NET POSITION

The City's net position decreased by \$7.2 million during the current fiscal year. These changes in net position are explained in the governmental and business-type activities discussion below. The *Changes in Net Position- June 30, 2015, "net position at the beginning of the year, restated"* does not agree to the prior year *Changes in Net Position- June 30, 2014 "net position at end of year"* due to the implementation of GASB Statement No. 68 and No. 71. In addition, in the current year the City reorganized its structure. A portion of *Community Services* along with the *Diversity* office were combined into a new department called *Human Services*. *Economic Development* was moved into the *City Manager's* department. The *Budget* division of the *Finance and Technology* department became the *Municipal Budget Office* and the *Finance and Technology* department along with the *Human Resources* Department were combined into a new department called *Internal Services*. The expenditures in the *Changes in Net Position- June 30, 2014* table have been reallocated according to the new structure for comparison purposes.

Changes in Net Position- June 30, 2015

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 53,082,399	\$ 95,016,093	\$ 148,098,492
Operating grants and contributions	19,784,859	-	19,784,859
Capital grants and contributions	7,258,243	-	7,258,243
General revenues:			
Sales taxes	147,787,315	-	147,787,315
Intergovernmental revenue, unrestricted	40,571,933	-	40,571,933
Property taxes	41,457,646	-	41,457,646
Franchise taxes	2,933,239	-	2,933,239
Unrestricted investment earnings	889,594	488,477	1,378,071
Miscellaneous	5,042,875	142,914	5,185,789
Gain on sale of capital assets	2,170,917	247,296	2,418,213
Total revenues	320,979,020	95,894,780	416,873,800
Expenses			
Police	92,214,451	-	92,214,451
Fire	32,914,994	-	32,914,994
Community services	29,239,583	-	29,239,583
Public works	107,411,254	-	107,411,254
Community development	18,832,177	-	18,832,177
Human services	13,374,117	-	13,374,117
Municipal court	4,028,068	-	4,028,068
Mayor and council	330,042	-	330,042
City manager	7,045,783	-	7,045,783
City attorney	3,712,245	-	3,712,245
Internal audit office	433,339	-	433,339
Municipal budget office	415,774	-	415,774
City clerk and elections	751,331	-	751,331
Internal services	6,403,407	-	6,403,407
Unallocated depreciation	1,955,520	-	1,955,520
Interest on long-term debt	12,882,924	-	12,882,924
Water/wastewater	-	73,548,319	73,548,319
Solid waste	-	15,868,498	15,868,498
Golf	-	2,685,634	2,685,634
Total expenses	331,945,009	92,102,451	424,047,460
Increase(decrease) in net position before transfers	(10,965,989)	3,792,329	(7,173,660)
Transfers	479,071	(479,071)	-
Change in net position	(10,486,918)	3,313,258	(7,173,660)
Net position at beginning of year, restated	652,328,843	229,472,734	881,801,577
Net position at end of year	\$ 641,841,925	\$ 232,785,992	\$ 874,627,917

Changes in Net Position- June 30, 2014

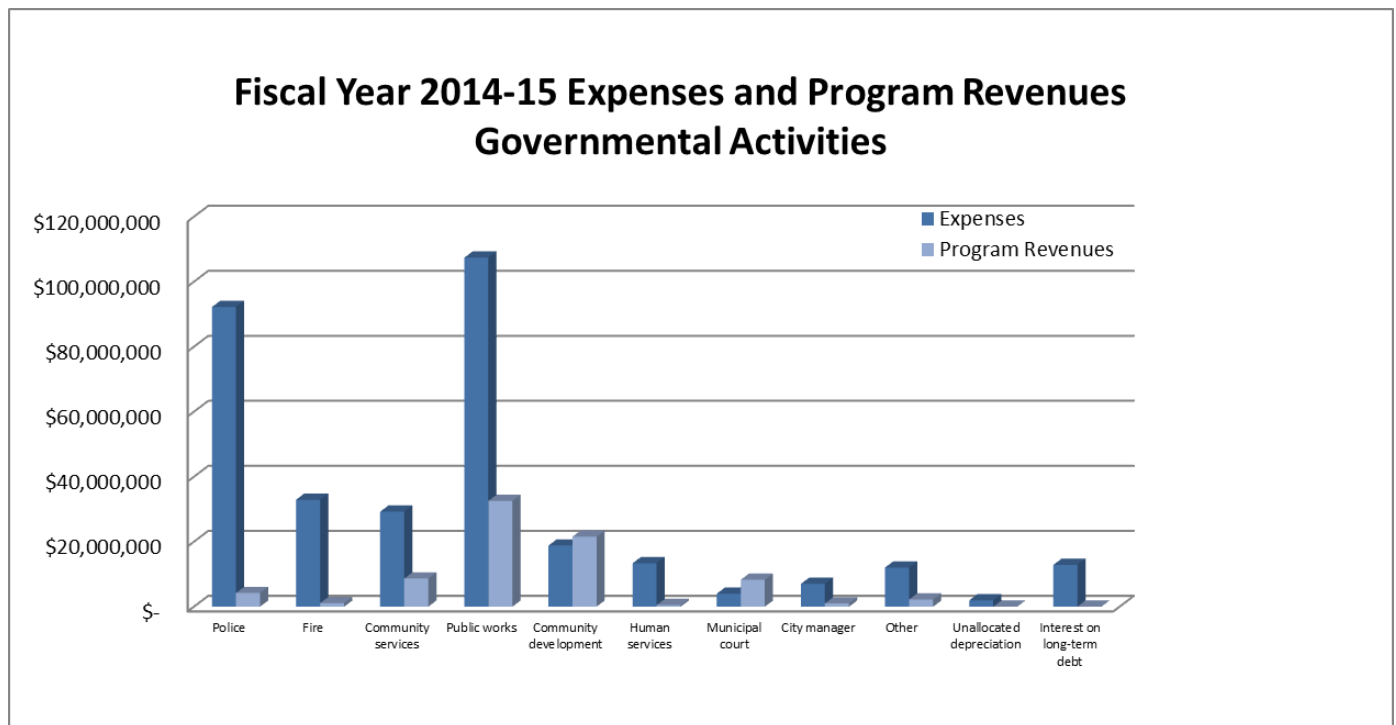
	Governmental Activities	Business-type Activities	Total
Program revenues:			
Charges for services	\$ 49,723,023	\$ 98,051,546	\$ 147,774,569
Operating grants and contributions	24,668,792	-	24,668,792
Capital grants and contributions	5,933,017	-	5,933,017
General revenues:			
Sales taxes	147,815,825	-	147,815,825
Intergovernmental revenue, unrestricted	38,155,275	-	38,155,275
Property taxes	40,074,441	-	40,074,441
Franchise taxes	3,310,940	-	3,310,940
Unrestricted investment earnings	725,099	436,821	1,161,920
Miscellaneous	4,114,557	1,643,570	5,758,127
Gain on sale of capital assets	657,224	52,947	710,171
Total revenues	<u>315,178,193</u>	<u>100,184,884</u>	<u>415,363,077</u>
Expenses			
Police	78,658,426	-	78,658,426
Fire	31,103,237	-	31,103,237
Community services	29,363,339	-	29,363,339
Public works	102,892,245	-	102,892,245
Community development	16,981,026	-	16,981,026
Human services	13,716,960	-	13,716,960
Municipal court	4,288,787	-	4,288,787
Mayor and council	408,196	-	408,196
City manager	7,220,482	-	7,220,482
City attorney	2,844,965	-	2,844,965
Internal audit/consulting	392,629	-	392,629
Municipal budget office	284,816	-	284,816
City clerk and elections	844,934	-	844,934
Internal services	7,058,541	-	7,058,541
Unallocated depreciation	1,331,649	-	1,331,649
Interest on long-term debt	17,153,207	-	17,153,207
Water/wastewater	-	73,208,373	73,208,373
Solid waste	-	15,379,174	15,379,174
Golf	-	2,799,922	2,799,922
Total expenses	<u>314,543,439</u>	<u>91,387,469</u>	<u>405,930,908</u>
Increase in net position before transfers	634,754	8,797,415	9,432,169
Transfers	746,902	(746,902)	-
Change in net position	<u>1,381,656</u>	<u>8,050,513</u>	<u>9,432,169</u>
Net position at beginning of year, restated	921,888,051	248,647,136	1,170,535,187
Net position at end of year	<u>\$ 923,269,707</u>	<u>\$ 256,697,649</u>	<u>\$ 1,179,967,356</u>

Governmental activities. The governmental net position decreased by \$10.5 million for the fiscal year ended June 30, 2015. The fiscal year ended June 30, 2014 had a \$1.4 million increase in net position. Overall revenues increased by \$5.8 million while expenditures increased by \$17.4 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 an increase in expenses for *Police* of \$13.6 million (17.2%). This is due primarily to the implementation of GASB Statement No. 68 and No. 71. The net current year pension expense for *Police* was \$9.2 million. In addition, *Public Works* increased expenses by \$4.5 million (4.4%). Again, this was due to the implementation of the pension reporting along with the moderate increase in employee compensation.
- *Interest on long-term debt* decreased by \$4.2 million (24.9%) due primarily to the general obligation refunding that occurred in late Fiscal Year 2014 which contributed to Fiscal Year 2015 savings along with the general obligation refunding which occurred in early Fiscal Year 2015.
- The increase in expenses was offset with an increase in *charges for services* of \$3.4 million (6.8%) over prior year. The increase was due to factors such as an increase in planning and engineering fees and recreational revenue.
- *Intergovernmental revenue, unrestricted* increased in the amount of \$2.4 million (6.3%) due to an increase in *state shared income tax*.
- *Property taxes* increased by \$1.4 million (3.5%) due to the continuation of the property tax stabilization policy implemented by the City in Fiscal Year 2012.

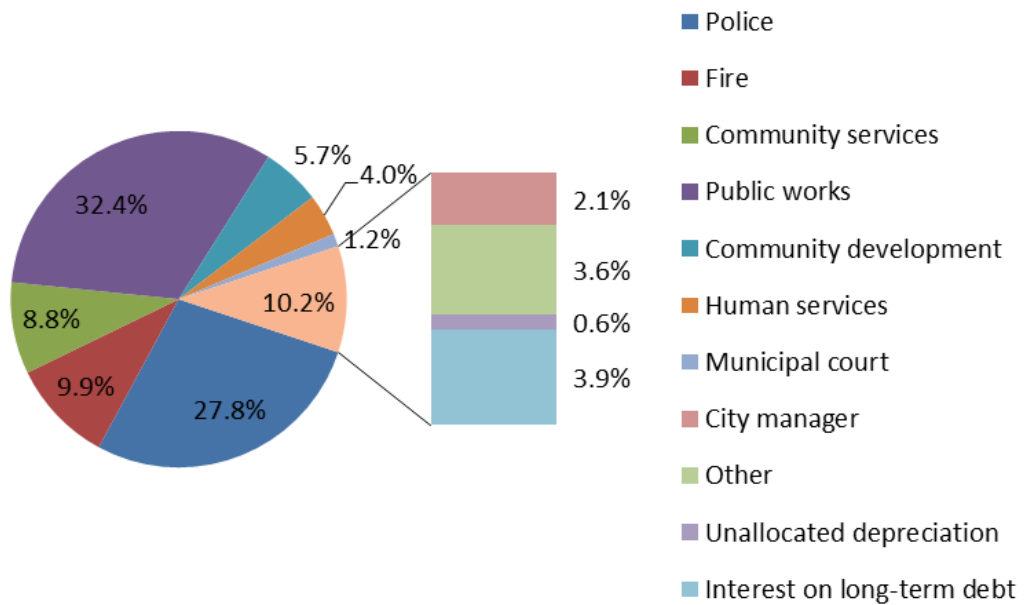
The following charts, over the next few pages, illustrate the City’s governmental expenses and program revenues by function and its revenues by source for the current fiscal year:



A comparison of expenses by function and the percentage of total expenses for the largest functions are presented in the chart. Total expenses for the City's governmental activities increased from prior year by \$17.4 million (5.5%). Within the functions, there was an increase in expenses for *Police, Fire, Public Works* and *Community Development* due to employee compensation along with the changes resulting from the pension expenses associated with the implementation of GASB No. 68 and No. 71. The increases in expenses were offset with a decrease in *interest on long-term debt*.

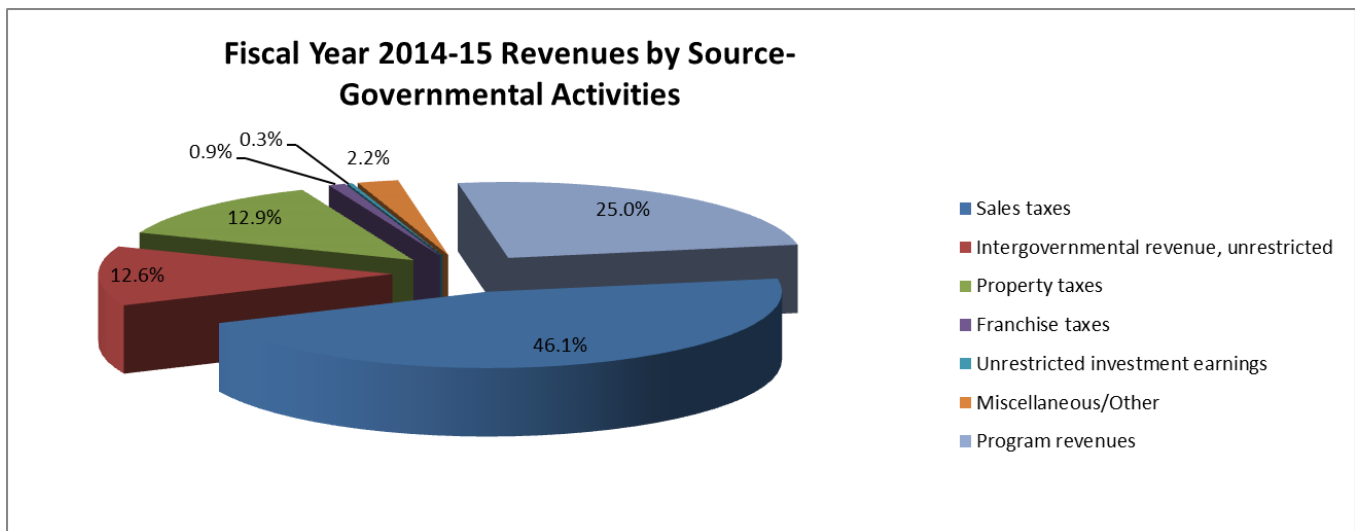
	Fiscal Year Ended			
	June 30, 2015		June 30, 2014	
Public works	\$107,411,254	32.4%	\$102,892,245	32.7%
Police	92,214,451	27.8	78,658,426	25.0
Fire	32,914,994	9.9	31,103,237	9.9
Community services	29,239,583	8.8	29,363,339	9.3
Community development	18,832,177	5.7	16,981,026	5.4

Fiscal Year 2014-15 Expenses by Function- Governmental Activities



General revenues such as *sales taxes, property taxes, intergovernmental revenue, unrestricted* 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, *property taxes and intergovernmental revenue, unrestricted* each displayed growth by increasing by \$1.4 million and \$2.4 million, respectively. In addition, the category of *Miscellaneous/Other* also increased due to the \$1.5 million increase in the sale of land.

	Fiscal Year Ended			
	June 30, 2015		June 30, 2014	
Sales taxes	\$147,787,315	46.1%	\$147,815,825	46.9%
Property taxes	41,457,646	12.9	40,074,441	12.7
Intergovernmental revenue, unrestricted	40,571,933	12.6	38,155,275	12.1
Miscellaneous/Other	7,213,794	2.2	4,771,781	1.5
Franchise taxes	2,933,239	0.9	3,310,940	1.1



Business-type activities. Business-type activities increased the City's net position by \$3.3 million for the year ended June 30, 2015 compared to an increase of \$8.1 million for the year ended June 30, 2014. The prior year increase was derived primarily from water and wastewater rate increases which resulted in *charges for services* increasing in the Water and Wastewater Fund. In the current year, water consumption was down due to more annual rain than usual along with the City's continuing promotion of its water conservation program.

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

For the Year Ended June 30, 2015				
	Water and Wastewater	Solid Waste	Golf	Total
Charges for services	\$ 78,043,384	\$ 14,216,743	\$2,755,966	\$ 95,016,093
Unrestricted investment earnings/ other	<u>714,483</u>	<u>113,172</u>	<u>51,032</u>	<u>878,687</u>
Total	<u>\$ 78,757,867</u>	<u>\$ 14,329,915</u>	<u>\$2,806,998</u>	<u>\$ 95,894,780</u>

For the Year Ended June 30, 2014				
	Water and Wastewater	Solid Waste	Golf	Total
Charges for services	\$ 80,989,551	\$ 14,400,476	\$2,661,519	\$ 98,051,546
Unrestricted investment earnings/ other	<u>2,059,645</u>	<u>68,702</u>	<u>4,991</u>	<u>2,133,338</u>
Total	<u>\$ 83,049,196</u>	<u>\$ 14,469,178</u>	<u>\$2,666,510</u>	<u>\$100,184,884</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 \$73.5 million for the fiscal year, followed by Solid Waste with \$15.9 million and Golf with \$2.7 million.

Expenses for the Water and Wastewater Fund remained fairly consistent increasing minimally by \$0.3 million (0.5%). The current year *charges for services* however were reduced by \$2.9 million (3.6%). Thus, bringing the *change in net position* from \$9.4 million in fiscal year 2014 to \$4.7 million in Fiscal Year 2015.

The Solid Waste Fund incurred a moderate increase of expenses of \$0.5 million (3.2%) while *charges for services* decreased by less than \$0.2 million (1.3%). As a result, the *change in net position* increased from a deficit of \$1.3 million in prior year to a deficit of \$1.6 million in the current year.

The Golf Fund improved between years. *Charges for services* increased by \$0.1 million (3.5%) while operating expenses decreased by approximately \$0.1 million (4.2%). This resulted in an increase in the net position of \$0.2 million from a prior year deficit balance of less than \$0.1 million.

FUND STATEMENTS FINANCIAL ANALYSIS

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

GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$200.5 million, an increase of \$17.1 million from the prior year. Approximately \$118.1 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 combined categories reflect an increase of 15.1 million over the prior year's combined balance of \$103.1 million. The increase is due primarily to a combination of moderate increases in *property taxes*, *state sales taxes*, *state income taxes*, *charges for services* and *fines and forfeitures*.

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, 2015, the fund balance included amounts for *inventories* (\$1.6 million) and *prepaid items* (\$0.7 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (City Charter). The restricted portion of fund balance consists primarily of amounts for *debt service* (\$21.1 million), *public works* (\$48.8 million) and *community development* (\$9.3 million).

Revenues for governmental functions overall totaled \$325.7 million in the fiscal year ended June 30, 2015, which represents an increase of \$8.9 million (2.8%) from the fiscal year ended June 30, 2014. This change is primarily due to the increase in the following areas: \$1.6 million (4.0%) in *property taxes*, \$1.6 million (6.9%) in *state sales taxes*, \$1.6 million (8.6%) in *state income taxes*, \$1.1 million in *charges for services* (2.8%) and \$1.1 million in *fines and forfeitures* (12.1%).

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$83.5 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 an increase in the current year of \$8.8 million. In the prior year the net increase was \$13.3 million.

Total revenues increased by \$0.7 million (0.4%) from the prior year. Due to the expiration of the temporary 0.2% sales tax, *sales taxes* decreased by \$4.1 million (4.1%). The decrease in sales taxes was offset by increases in other taxes such as *property taxes* of \$0.7 million (0.4%), *state sales taxes* of \$0.7 million (0.5%), *state income taxes* of \$1.6 million (8.6%), and *charges for services* of \$0.7 million (4.1%), all of which was due to the natural growth in the economy. Adding to the net favorable change in fund balances, overall expenditures decreased by \$2.4 million (1.4%).

	Fiscal Year Ended			
	June 30, 2015		June 30, 2014	
Revenues	\$ 189,202,478		\$ 188,451,965	
Total fund balance	83,547,447	44.2 %	74,754,916	39.7 %
Unassigned fund balance	73,879,480	39.0	63,878,841	33.9

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 a net \$3.1 million. Transit *sales tax* revenues increased by \$2.6 million.

The fund balance totaled \$37.8 million at June 30, 2015, compared to a \$31.1 million fund balance at June 30, 2014. The fund balance was able to grow by \$6.7 million compared to last year's growth of \$3.5 million due to the increase in revenues (predominately from *sales taxes*) along with a slight decrease in expenditures of \$0.3 million. In addition, in the current year there was \$1.3 million in proceeds from the sale of land.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (which other than the \$2.6 million *assigned*, is restricted for general obligation debt service payments) decreased from \$35.5 million at June 30, 2014 to \$23.6 million at June 30, 2015. The decrease in fund balance was due primarily to a planned payoff of the 2014A General Obligation payment of \$11.7 million.

There was a modest increase in *property tax* revenues (\$0.9 million), which was offset by an increase in expenditures of \$14.1 million. The additional expenditures were due not only to the 2014A General obligation debt service payment but also the debt service on a *current* refunding. See the *Debt Administration* section for further analysis. 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) maintained at \$0.1 million for fiscal year June 30, 2014 and fiscal year June 30, 2015. Improvement District 175 made its final payment in the current fiscal year leaving only two remaining improvement districts with debt outstanding (refer to Note 9 of the *Notes to the Financial Statements*).

The **Transit Capital Projects Fund** accounts for the acquisition of buses, streetscapes, the East Valley Bus Maintenance Facility upgrades and other traffic flow improvements. Total fund balance had a \$2.0 million increase from \$14.1 million at June 30, 2014 to \$16.1 million at June 30, 2015. The net increase was similar to the prior year net increase of \$2.2 million. *Federal grants* increased in the current year by \$2.9 million along with an increase in *Transfers* from the Transit Special Revenue Fund of \$1.6 million which covered the increase in expenditures of \$4.2 million.

PROPRIETARY FUNDS

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

	Fiscal Year Ended	
	June 30, 2015	June 30, 2014, restated
Water and wastewater fund	\$ 230,826,449	\$226,091,894
Solid waste fund	1,716,145	3,356,679
Golf fund	243,398	24,161
Internal service funds	3,740,168	3,312,430

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund experienced an increase in total net position of \$4.7 million (2.1%) for the fiscal year ended June 30, 2015 versus an increase in net position of \$9.4 million (4.0%) for the fiscal year ended June 30, 2014. As mentioned earlier, the demand for water services decreased in the current year resulting in a decrease in *charges for services* by \$2.9 million (3.6%) while certain costs such as employee compensation increased resulting in operating costs increasing by \$1.0 million (1.9%).

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Revenues slightly decreased in the current year by less than \$0.2 million (1.3%) while operating expenses increased by \$0.5 million (3.2%) due to the increase in employee compensation. This resulted in the *change in net position* growing from a decrease of \$1.3 million (11.2%) in the prior fiscal year to a decrease of \$1.6 million (48.9%) in net position in the current year. The increase in the percentage of the deficit in comparison to the fund balance was due to the restatement of the beginning fund balance in the current year changing it from \$10.2 million to \$3.4 million due to the implementation of GASB Statement No. 68 and No. 71.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund recognized a \$0.2 million (907.4%) increase in total net position for fiscal year ending June 30, 2015 as compared to the prior year's reduction of less than \$0.1 million (6.6%). In an effort to stabilize the fund, an improved operating model has been implemented at the golf courses. As a result, *charges for services* increased by approximately \$0.1 million (3.5%) while operating expenses decreased by a little over \$0.1 million (4.2%).

The **Internal Service Funds** account for the risk management, worker's compensation and health insurance activities of the City. The \$0.4 million increase in net position is due primarily to contributions exceeding operating expenses in the *Health* fund.

FIDUCIARY FUND

The **Other Post-Employment Benefits Trust Fund** accounts for activities of the Other Post-Employment Benefits Plan, which accumulates resources for health care benefit payments to qualified retirees. The increase of \$1.0 million in net position was due primarily to the current year contribution of \$0.7 million and investment income of \$0.3 million.

BUDGET HIGHLIGHTS

The City's final General Fund expenditure budget of \$182.3 million differs from the original budget of \$182.6 million due to budget transfers to other funds.

During the year, actual revenues were greater than budgetary estimates by \$14.6 million (8.3% of total budgeted revenue) in the General Fund. This is due primarily to the increase in *taxes and charges for services*.

Actual expenditures were less than budgetary estimates by \$5.0 million (2.8% of final budgetary estimates) in the General Fund. This positive variance was attributable to continuing cost minimizing efforts despite the improvement in the economy.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2015 were \$1.2 billion (net of accumulated depreciation). Capital assets include *land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress*. The total increase in the City's capital assets for the current fiscal year was \$2.2 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2015 and 2014, respectively.

Capital Assets, Net of Depreciation- June 30, 2015			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	195,544,647	26,608,188	222,152,835
Infrastructure	359,460,282	168,947,571	528,407,853
Improvements	127,177,711	123,572,197	250,749,908
Machinery and equipment	45,493,934	12,978,476	58,472,410
Construction in progress	34,841,269	9,722,969	44,564,238
Total	\$ 852,123,016	\$ 348,522,778	\$ 1,200,645,794

Capital Assets, Net of Depreciation- June 30, 2014			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	206,591,618	27,871,635	234,463,253
Infrastructure	368,559,197	173,671,445	542,230,642
Improvements	130,453,884	130,544,677	260,998,561
Machinery and equipment	43,919,299	13,556,158	57,475,457
Construction in progress	6,601,860	411,244	7,013,104
Total	\$ 845,731,031	\$ 352,748,536	\$ 1,198,479,567

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

Governmental Activities

- The City completed several improvement projects including \$1.3 million in the Transit *Liquid Natural Gas* expansion, \$5.7 million in arterial roadways, \$0.5 million in traffic signals, \$0.3 million in landscape replacement, \$0.3 million in the fire training room renovation, and \$0.3 million in library improvements. There were also various other infrastructure and improvement projects for parks and buildings.
- In addition, there were \$22.9 million of expenditures added to construction in progress for the *Tempe Town Lake Downstream Dam*. This project is expected to be completed in spring of 2016.

Business-type Activities

- The Water and Wastewater Fund incurred \$16.6 million in construction in process costs in the current year. Of that cost, \$3.7 million was capitalized for waterline replacement during the fiscal year. In addition, projects that incurred costs but were not completed as of year-end included \$3.8 million for an environmental lab facility, \$1.3 million for a well site, and \$1.0 million for waterline upgrades.

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

With the implementation of GASB Statement No. 68 and No. 71, the City restated the Outstanding Long-term Obligations as of June 30, 2014 to reflect the pension payable amount.

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$1,101.6 million, which is an increase of \$15.4 million over the prior fiscal year. In the current year, the City issued general obligation bonds along with excise tax obligations. In addition, the City refunded general obligation debt to take advantage of lower interest rates. The Golf Fund received a capital improvement loan from the Water and Wastewater Fund. The issuance of these current year obligations were in large part offset by the current year payments.

Therefore, the primary increase in long-term obligations is due to the pension addition of \$20.1 million in the governmental activities which was offset by a \$4.3 million reduction in pensions for the business-type activities.

Outstanding Long-term Obligations - June 30, 2015			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 181,905,000	\$ 204,970,000	\$ 386,875,000
Special assessment bonds	21,175,000	-	21,175,000
Excise tax obligations	134,746,000	84,839,000	219,585,000
Premium on debt payable	18,668,237	13,905,913	32,574,150
HUD Section 108 loan	4,552,000	-	4,552,000
WIFA loan	-	11,832,282	11,832,282
Capital improvement note	-	2,500,000	2,500,000
Total debt payable	<u>361,046,237</u>	<u>318,047,195</u>	<u>679,093,432</u>
Capital leases	87,082	283,594	370,676
Compensated absences	27,244,931	-	27,244,931
Claims and judgments	5,761,075	-	5,761,075
OPEB	48,099,064	6,047,388	54,146,452
Pensions	310,481,543	24,474,554	334,956,097
Total long-term obligations	<u>\$ 752,719,932</u>	<u>\$ 348,852,731</u>	<u>\$1,101,572,663</u>

Outstanding Long-term Obligations- June 30, 2014, as restated

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 163,205,000	\$ 223,495,000	\$ 386,700,000
Special assessment bonds	23,930,000	-	23,930,000
Excise tax obligations	144,606,000	76,109,000	220,715,000
Premium on debt payable	19,542,476	11,158,485	30,700,961
Capital improvement note payable	509,804	-	509,804
HUD Section 108 loan	4,907,000	-	4,907,000
WIFA loan	-	12,551,554	12,551,554
Total debt payable	356,700,280	323,314,039	680,014,319
Capital leases	-	499,476	499,476
Compensated absences	26,011,933	-	26,011,933
Claims and judgments	5,827,048	-	5,827,048
OPEB	48,585,216	6,056,815	54,642,031
Pensions	290,400,432	28,820,311	319,220,743
Total long-term obligations	\$ 727,524,909	\$ 358,690,641	\$ 1,086,215,550

The City issued \$89.6 million in general obligation debt during the current fiscal year which consisted of \$43.9 million of new money and \$45.7 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 \$4.0 million, \$34.0 million, \$3.5 million, and \$2.4 million, respectively. The primary purpose of refunding \$45.7 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 \$2.4 million in the City's General Obligation Debt Service and Water and Wastewater funds.

The City also issued \$11.8 million in excise tax obligations for water related projects. In addition, the Golf Fund received a capital improvement loan from the Water and Wastewater Fund in the amount of \$2.5 million for a new irrigation system at the Rolling Hills golf course.

The City's total net general obligation bonded debt (total bonded debt, including the enterprise funds and Water Infrastructure Finance Authority loans, less debt service reserves) outstanding increased by approximately \$11.3 million from the fiscal year ended June 30, 2014 to the fiscal year ended June 30, 2015. The ratio of net general obligation bonded debt for governmental purposes to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. Additional information can be located in the *Statistical Section* (Exhibit S-15). A comparison of these indicators follows:

	Fiscal Year Ended	
	June 30, 2015	June 30, 2014
Net general bonded debt	\$ 375,097,197	\$ 363,773,211
Net general bonded debt per capita	2,213	2,140
Ratio of net general bonded debt to net assessed value	23.0%	24.0%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.51	\$ 1.57

The State constitution imposes certain debt limitations on the City of 6% and 20% of the assessed valuation of the City. The City's available debt margin at June 30, 2014 is \$16.2 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-19) of this report.

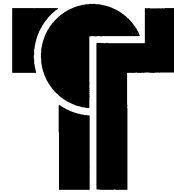
During the year, the City maintained ratings on its outstanding general obligation bonds of AAA from Standard & Poors Corporation, Aa2 from Moody's Investors Service, and AAA from Fitch Ratings.

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

REQUESTS FOR INFORMATION

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

City of Tempe
Internal Services Department
Accounting Division
20 E. Sixth Street
Tempe, AZ 85281
480.350.8350



Statement of Net Position

June 30, 2015

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 221,188,494	\$ 82,689,943	\$ 303,878,437
Receivables:			
Taxes	16,247,292	-	16,247,292
Accounts, net	5,511,827	12,986,438	18,498,265
Accrued interest	353,014	318,669	671,683
Due from other governments	7,396,386	-	7,396,386
Inventories	1,618,670	793,274	2,411,944
Prepaid items	686,362	-	686,362
Restricted cash and investments	47,472,609	39,795,001	87,267,610
Special assessment receivables	21,727,590	-	21,727,590
Capital improvement notes receivable	13,328,689	3,744,069	17,072,758
Equity in joint venture	260,787,188	126,234,370	387,021,558
Capital assets not being depreciated:			
Land	89,605,173	6,693,377	96,298,550
Construction in progress	34,841,269	9,722,968	44,564,237
Capital assets (net of accumulated depreciation):			
Buildings	195,544,647	26,608,187	222,152,834
Infrastructure	359,460,282	168,947,571	528,407,853
Improvements	127,177,711	123,572,197	250,749,908
Machinery and equipment	45,493,934	12,978,476	58,472,410
Total assets	<u>1,448,441,137</u>	<u>615,084,540</u>	<u>2,063,525,677</u>
Deferred Outflows of Resources			
Deferred charge on refundings	7,921,287	7,629,226	15,550,513
Deferred outflow from pensions	55,736,537	2,707,177	58,443,714
Total outflow of resources	<u>63,657,824</u>	<u>10,336,403</u>	<u>73,994,227</u>
Liabilities			
Accounts payable	20,708,298	5,290,826	25,999,124
Deposits	7,445,585	685,266	8,130,851
Accrued expenses	15,747,184	4,529,350	20,276,534
Unearned revenue	2,189,977	144,778	2,334,755
Liabilities payable from restricted assets	42,967,983	27,928,714	70,896,697
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,195,000	-	1,195,000
Due in more than one year	19,980,000	-	19,980,000
Other long-term liabilities:			
Due within one year	38,728,465	31,829,364	70,557,829
Due in more than one year	692,816,467	317,023,367	1,009,839,834
Total liabilities	<u>841,778,959</u>	<u>387,431,665</u>	<u>1,229,210,624</u>
Deferred Inflows of Resources			
Deferred inflow from pensions	28,478,077	5,203,286	33,681,363
Total inflow of resources	<u>28,478,077</u>	<u>5,203,286</u>	<u>33,681,363</u>
Net Position			
Net investment in capital assets	519,040,090	142,208,059	661,248,149
Restricted for:			
Police	100,498	-	100,498
Fire	106,904	-	106,904
Community Services	155,347	-	155,347
Public Works	73,791,187	-	73,791,187
Community Development	9,317,498	-	9,317,498
Human Services	354,988	-	354,988
City Manager	115,674	-	115,674
Debt Service	57,623,270	-	57,623,270
Unrestricted	(18,763,531)	90,577,933	71,814,402
Total net position	<u>\$ 641,841,925</u>	<u>\$ 232,785,992</u>	<u>\$ 874,627,917</u>

Statement of Activities

For the fiscal year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 92,214,451	\$ 1,712,306	\$ 2,492,117	\$ -
Fire	32,914,994	334,158	760,528	-
Community services	29,239,583	7,589,603	1,089,189	-
Public works	107,411,254	19,786,216	5,524,104	7,258,243
Community development	18,832,177	13,065,445	8,484,216	-
Human services	13,374,117	80,237	429,637	-
Municipal court	4,028,068	8,302,032	-	-
Mayor and council	330,042	-	-	-
City manager	7,045,783	-	1,005,068	-
City attorney	3,712,245	-	-	-
Internal audit office	433,339	-	-	-
Municipal budget office	415,774	-	-	-
City clerk and elections	751,331	-	-	-
Internal services	6,403,407	2,212,402	-	-
Unallocated depreciation	1,955,520	-	-	-
Interest on long-term debt	12,882,924	-	-	-
Total governmental activities	<u>331,945,009</u>	<u>53,082,399</u>	<u>19,784,859</u>	<u>7,258,243</u>
Business-type activities:				
Water and wastewater	73,548,319	78,043,384	-	-
Solid waste	15,868,498	14,216,743	-	-
Golf course	2,685,634	2,755,966	-	-
Total business-type activities	<u>92,102,451</u>	<u>95,016,093</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 424,047,460</u>	<u>\$ 148,098,492</u>	<u>\$ 19,784,859</u>	<u>\$ 7,258,243</u>

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

City of Tempe, Arizona

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

Governmental Activities	Business-type Activities	Total
\$ (88,010,028)	\$ -	\$ (88,010,028)
(31,820,308)	-	(31,820,308)
(20,560,791)	-	(20,560,791)
(74,842,691)	-	(74,842,691)
2,717,484	-	2,717,484
(12,864,243)	-	(12,864,243)
4,273,964	-	4,273,964
(330,042)	-	(330,042)
(6,040,715)	-	(6,040,715)
(3,712,245)	-	(3,712,245)
(433,339)	-	(433,339)
(415,774)	-	(415,774)
(751,331)	-	(751,331)
(4,191,005)	-	(4,191,005)
(1,955,520)	-	(1,955,520)
(12,882,924)	-	(12,882,924)
<u>(251,819,508)</u>	<u>-</u>	<u>(251,819,508)</u>
-	4,495,065	4,495,065
-	(1,651,755)	(1,651,755)
-	70,332	70,332
-	<u>2,913,642</u>	<u>2,913,642</u>
<u>(251,819,508)</u>	<u>2,913,642</u>	<u>(248,905,866)</u>
147,787,315	-	147,787,315
40,571,933	-	40,571,933
41,457,646	-	41,457,646
2,933,239	-	2,933,239
889,594	488,477	1,378,071
5,042,875	142,914	5,185,789
2,170,917	247,296	2,418,213
479,071	(479,071)	-
<u>241,332,590</u>	<u>399,616</u>	<u>241,732,206</u>
(10,486,918)	3,313,258	(7,173,660)
652,328,843	229,472,734	881,801,577
<u>\$ 641,841,925</u>	<u>\$ 232,785,992</u>	<u>\$ 874,627,917</u>

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

Balance Sheet

Governmental Funds

June 30, 2015

	General	Transit Special Revenue	General Obligation Debt Service
Assets			
Pooled cash and investments	\$ 86,293,946	\$ 35,370,485	\$ 21,550,201
Receivables:			
Taxes	10,634,797	3,272,541	733,860
Accounts	5,367,271	-	-
Accrued interest	177,349	-	-
Due from other funds	1,419,572	-	-
Due from other governments	-	4,409,526	-
Inventories	346,364	-	-
Prepaid items	5,718	-	-
Restricted cash and investments	2,748,743	3,200,344	32,162,650
Special assessments	-	-	-
Capital improvement notes receivable	250,000	1,703,793	11,374,896
Total assets	<u>\$ 107,243,760</u>	<u>\$ 47,956,689</u>	<u>\$ 65,821,607</u>
Liabilities			
Accounts payable	\$ 5,546,129	\$ 5,142,845	\$ 29
Deposits	5,501,937	-	-
Accrued expenditures	7,556,282	139,730	-
Due to other funds	-	-	-
Unearned revenue	206,860	-	-
Matured bonds payable	-	1,745,000	26,470,000
Matured interest payable	-	1,455,344	3,945,278
Total liabilities	<u>18,811,208</u>	<u>8,482,919</u>	<u>30,415,307</u>
Deferred Inflows of Resources			
Unavailable revenue- courts	4,034,303	-	-
Unavailable revenue- federal grants	-	-	-
Unavailable revenue- grants	-	-	-
Unavailable revenue- notes receivable	-	1,703,793	11,374,896
Unavailable revenue- other	605,087	-	-
Unavailable revenue- property tax	245,715	-	421,319
Unavailable revenue- special assessments	-	-	-
Total deferred inflows of resources	<u>4,885,105</u>	<u>1,703,793</u>	<u>11,796,215</u>
Fund Balances			
Fund balances:			
Non-spendable	346,364	-	-
Restricted	-	23,519,355	20,960,171
Committed	520,770	9,280,064	-
Assigned	8,800,833	4,970,558	2,649,914
Unassigned	73,879,480	-	-
Total fund balances	<u>83,547,447</u>	<u>37,769,977</u>	<u>23,610,085</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 107,243,760</u>	<u>\$ 47,956,689</u>	<u>\$ 65,821,607</u>

Special Assessment Debt Service	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 233,098	\$ 16,041,750	\$ 49,312,681	\$ 208,802,161
-	-	1,606,094	16,247,292
8,900	-	135,656	5,511,827
171,682	-	3,983	353,014
-	-	-	1,419,572
-	979,307	2,007,553	7,396,386
-	-	1,272,306	1,618,670
-	-	680,644	686,362
1,468,095	-	7,892,777	47,472,609
21,727,590	-	-	21,727,590
-	-	-	13,328,689
<u>\$ 23,609,365</u>	<u>\$ 17,021,057</u>	<u>\$ 62,911,694</u>	<u>\$ 324,564,172</u>
\$ 10,000	\$ 482,112	\$ 8,921,500	\$ 20,102,615
-	-	1,943,648	7,445,585
-	-	629,766	8,325,778
-	-	1,419,572	1,419,572
119,000	256,959	1,607,158	2,189,977
925,000	-	6,910,000	36,050,000
543,095	-	974,266	6,917,983
<u>1,597,095</u>	<u>739,071</u>	<u>22,405,910</u>	<u>82,451,510</u>
-	-	-	4,034,303
-	166,001	852,826	1,018,827
-	-	241,302	241,302
-	-	-	13,078,689
-	-	79,051	684,138
-	-	-	667,034
21,899,272	-	-	21,899,272
<u>21,899,272</u>	<u>166,001</u>	<u>1,173,179</u>	<u>41,623,565</u>
-	-	1,952,950	2,299,314
112,998	16,115,985	19,341,223	80,049,732
-	-	12,645,088	22,445,922
-	-	8,315,345	24,736,650
-	-	(2,922,001)	70,957,479
<u>112,998</u>	<u>16,115,985</u>	<u>39,332,605</u>	<u>200,489,097</u>
<u>\$ 23,609,365</u>	<u>\$ 17,021,057</u>	<u>\$ 62,911,694</u>	<u>\$ 324,564,172</u>

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

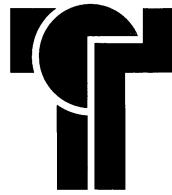
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2015

City of Tempe, Arizona

Fund balances- total governmental funds		\$ 200,489,097
<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	1,508,614,972	
Accumulated depreciation	<u>(656,491,956)</u>	852,123,016
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		260,787,188
<p>Other assets are not available to pay current-period expenditures and, therefore, are offset by unavailable revenue.</p>		
Unavailable special assessment revenue	22,103,973	
Unavailable tax and other revenue	1,351,172	
Unavailable notes receivable revenue	13,078,689	
Unavailable court revenue	4,034,303	
Capital grant and contribution monies not received within 60 days	<u>1,260,129</u>	41,828,266
<p>Bond premiums and the deferred charge on refundings are not financial resources and, therefore, are not reported in the funds.</p>		
		(10,746,950)
<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	(27,244,931)	
Claims and judgments	(5,761,075)	
Net pension liability (excluding internal service)	(282,831,845)	
Other post employment benefits (excluding internal service)	(48,075,926)	
Bonds, capital improvement notes and capital leases	<u>(342,465,082)</u>	(706,378,860)
<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>3,740,168</u>
Net position of governmental activities		<u>\$ 641,841,925</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, 2015

	General	Transit Special Revenue	General Obligation Debt Service
Revenues:			
Taxes:			
Sales taxes	\$ 94,165,762	\$ 36,147,640	\$ -
Property taxes	17,170,286	-	24,446,996
Franchise taxes	2,933,239	-	-
Intergovernmental:			
Federal grants	-	3,297,616	-
State grants	11,450	-	-
State sales tax	14,779,296	-	-
State income tax	19,577,085	-	-
Auto lieu tax	6,215,552	-	-
Other	612,410	2,717,897	1,489,500
Investment income	652,081	209,723	10,428
Charges for services	17,026,161	16,766,419	-
Fines and forfeitures	8,436,300	-	-
Other entities' participation	-	-	-
Special assessments	-	-	-
Licenses and permits	1,687,074	-	-
Miscellaneous	5,935,782	889,214	-
Total revenues	<u>189,202,478</u>	<u>60,028,509</u>	<u>25,946,924</u>
Expenditures:			
Current:			
Police	73,601,357	-	-
Fire	26,043,036	-	-
Community services	18,426,853	-	-
Public works	18,876,157	44,620,190	-
Community development	14,006,840	-	-
Human services	3,706,750	-	-
Municipal court	4,058,927	-	-
Mayor and council	345,501	-	-
City manager	6,331,195	-	-
City attorney	2,845,192	-	-
Internal audit office	432,384	-	-
Municipal budget office	271,516	-	-
City clerk and elections	751,978	-	-
Internal services	7,224,416	-	-
Debt service:			
Principal retirement	-	1,745,000	29,300,000
Interest and fiscal fees	-	2,912,848	7,858,201
Capital outlay	-	-	-
Total expenditures	<u>176,922,102</u>	<u>49,278,038</u>	<u>37,158,201</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>12,280,376</u>	<u>10,750,471</u>	<u>(11,211,277)</u>
Other financing sources (uses):			
Transfers in	353,428	-	5,914,626
Transfers out	(4,711,726)	(5,389,812)	(10,087,236)
Issuance of debt	-	-	-
Premium on issuance of debt	-	-	1,269,813
Capital lease proceeds	111,827	-	-
Proceeds from sale of capital assets	758,626	1,339,227	-
Issuance of refunding bonds	-	-	6,780,000
Payment to refunded bonds escrow agent	-	-	(4,534,184)
Total other financing sources (uses)	<u>(3,487,845)</u>	<u>(4,050,585)</u>	<u>(656,981)</u>
Net change in fund balance	8,792,531	6,699,886	(11,868,258)
Fund balance at beginning of year	74,754,916	31,070,091	35,478,343
Fund balance (deficit) at end of year	<u>\$ 83,547,447</u>	<u>\$ 37,769,977</u>	<u>\$ 23,610,085</u>

City of Tempe, Arizona

Special Assessment Debt Service	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 7,460,054	\$ 137,773,456
-	-	-	41,617,282
-	-	-	2,933,239
-	4,254,167	12,213,147	19,764,930
-	-	251,878	263,328
-	-	10,013,859	24,793,155
-	-	-	19,577,085
-	-	-	6,215,552
-	-	3,554,948	8,374,755
-	-	17,362	889,594
2,324	-	4,867,668	38,662,572
-	-	1,549,926	9,986,226
-	-	1,093,272	1,093,272
3,862,306	-	-	3,862,306
-	-	-	1,687,074
18,758	11,749	1,342,426	8,197,929
<u>3,883,388</u>	<u>4,265,916</u>	<u>42,364,540</u>	<u>325,691,755</u>
-	-	4,500,687	78,102,044
-	-	759,118	26,802,154
-	-	3,813,560	22,240,413
-	-	8,917,775	72,414,122
-	-	3,425,821	17,432,661
-	-	9,764,802	13,471,552
-	-	-	4,058,927
-	-	-	345,501
-	-	252,438	6,583,633
-	-	945,287	3,790,479
-	-	-	432,384
-	-	52,160	323,676
-	-	-	751,978
8,559	-	-	7,232,975
2,755,000	-	7,265,000	41,065,000
1,131,258	-	2,262,287	14,164,594
-	7,644,744	41,982,237	49,626,981
<u>3,894,817</u>	<u>7,644,744</u>	<u>83,941,172</u>	<u>358,839,074</u>
<u>(11,429)</u>	<u>(3,378,828)</u>	<u>(41,576,632)</u>	<u>(33,147,319)</u>
-	5,389,812	14,779,180	26,437,046
-	-	(5,769,201)	(25,957,975)
-	-	43,965,000	43,965,000
-	-	-	1,269,813
-	-	-	111,827
-	-	91,719	2,189,572
-	-	-	6,780,000
-	-	-	(4,534,184)
-	<u>5,389,812</u>	<u>53,066,698</u>	<u>50,261,099</u>
(11,429)	2,010,984	11,490,066	17,113,780
124,427	14,105,001	27,842,539	183,375,317
<u>\$ 112,998</u>	<u>\$ 16,115,985</u>	<u>\$ 39,332,605</u>	<u>\$ 200,489,097</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, 2015

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ 17,113,780

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	(1,167,025)	
Other post employment benefits (excluding internal service)	509,290	
		(657,735)

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	(3,364,309)	
Court revenue	3,670,303	
Grants and contributions	(4,600,980)	
Special assessments received/recognized	(2,588,672)	
		(6,883,658)

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	49,626,981	
Miscellaneous net capital expenditures	(7,556,309)	
Depreciation expense	(45,034,426)	
		(2,963,754)

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

Current year pension contributions	20,623,340	
Pension Expense	(32,935,784)	
		(12,312,444)

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	24,745	
Capital lease proceeds	(111,827)	
		(87,082)

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

Amortization of deferred outflow- refunding	(852,186)	
Amortization of bond premium	2,144,052	
Payment to refunded bonds escrow agent	4,534,184	
		5,826,050

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	(50,745,000)	
Premium on issuance of debt	(1,269,813)	
Principal payments made	41,065,000	
		(10,949,813)

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.

427,738

Change in net position of governmental activities \$ (10,486,918)

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, 2015

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 107,682,162	\$ 107,682,162	\$ 114,269,287	\$ 6,587,125
Intergovernmental	40,338,841	40,338,841	41,195,793	856,952
Investment income	450,100	450,100	578,317	128,217
Charges for services	11,452,301	11,452,301	16,958,006	5,505,705
Fines and forfeitures	7,943,080	7,943,080	8,436,300	493,220
Licenses and permits	1,636,750	1,636,750	1,687,074	50,324
Miscellaneous	4,903,462	4,903,462	5,838,464	935,002
Total revenues	<u>174,406,696</u>	<u>174,406,696</u>	<u>188,963,241</u>	<u>14,556,545</u>
Expenditures				
Police	73,979,887	74,436,180	73,673,647	762,533
Fire	28,093,376	28,313,501	26,142,560	2,170,941
Community services	19,234,206	18,962,271	18,603,169	359,102
Public works	19,996,857	19,895,828	19,024,031	871,797
Community development	14,546,208	14,838,876	13,617,114	1,221,762
Human services	4,086,134	4,581,504	4,002,516	578,988
Mayor and council	377,787	377,787	353,692	24,095
Municipal court	4,137,407	4,164,010	4,056,636	107,374
City manager	6,281,558	6,461,060	6,351,588	109,472
City attorney	2,821,756	2,852,189	2,845,336	6,853
Internal audit office	439,959	451,999	432,633	19,366
Municipal budget office	251,902	256,136	271,663	(15,527)
City clerk and elections	1,098,536	1,088,410	766,811	321,599
Internal services	19,862,245	18,382,019	20,688,054	(2,306,035)
Contingency	1,000,000	887,684	-	887,684
Interdepartmental charges	(13,648,944)	(13,648,944)	(13,544,869)	(104,075)
Total expenditures	<u>182,558,874</u>	<u>182,300,510</u>	<u>177,284,581</u>	<u>5,015,929</u>
Other financing sources (uses)				
Transfers from other funds	98,713	98,713	353,428	254,715
Transfers to other funds	(4,509,006)	(4,509,006)	(4,711,726)	(202,720)
Proceeds from sale of capital assets	419,608	419,608	758,626	339,018
Total other financing sources (uses)	<u>(3,990,685)</u>	<u>(3,990,685)</u>	<u>(3,599,672)</u>	<u>391,013</u>
Net change in fund balance	<u>\$ (12,142,863)</u>	<u>\$ (11,884,499)</u>	<u>8,078,988</u>	<u>\$ 19,963,487</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	73,764
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	11,211
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	630,973
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(2,405)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ 8,792,531</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, 2015

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 33,346,352	\$ 33,346,352	\$ 36,147,640	\$ 2,801,288
Intergovernmental revenue	7,079,753	7,079,753	6,015,513	(1,064,240)
Investment income	148,000	148,000	185,945	37,945
Charges for services	15,789,572	15,789,572	16,766,419	976,847
Miscellaneous	706,130	706,130	889,214	183,084
Total revenues	<u>57,069,807</u>	<u>57,069,807</u>	<u>60,004,731</u>	<u>2,934,924</u>
Expenditures				
Current:				
Public works	49,077,057	49,077,057	44,628,732	4,448,325
Contingency	108,000	108,000	-	108,000
Debt service:				
Principal retirement	1,745,000	1,745,000	1,745,000	-
Interest and fiscal fees	2,918,188	2,918,188	2,912,848	5,340
Total expenditures	<u>53,848,245</u>	<u>53,848,245</u>	<u>49,286,580</u>	<u>4,561,665</u>
Other financing uses				
Transfers to other funds	(5,389,812)	(5,389,812)	(5,389,812)	-
Proceeds from sale of capital assets	-	-	1,339,227	1,339,227
Total other financing uses	<u>(5,389,812)</u>	<u>(5,389,812)</u>	<u>(4,050,585)</u>	<u>1,339,227</u>
Net change in fund balance	<u>\$ (2,168,250)</u>	<u>\$ (2,168,250)</u>	6,667,566	<u>\$ 8,835,816</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	23,778
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(1,163)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	9,705
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 6,699,886</u>

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



Statement of Net Position

Proprietary Funds

June 30, 2015

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Total	
Assets					
Current assets:					
Pooled cash and investments	\$ 75,419,004	\$ 4,877,031	\$ 2,393,908	\$ 82,689,943	\$ 12,386,333
Restricted cash and investments	39,795,001	-	-	39,795,001	-
Accounts receivable	12,076,205	910,233	-	12,986,438	-
Accrued interest receivable	282,891	24,694	11,084	318,669	-
Inventories	793,274	-	-	793,274	-
Total current assets	<u>128,366,375</u>	<u>5,811,958</u>	<u>2,404,992</u>	<u>136,583,325</u>	<u>12,386,333</u>
Noncurrent assets:					
Notes receivable	3,744,069	-	-	3,744,069	-
Equity in joint venture	126,234,370	-	-	126,234,370	-
Capital assets:					
Land	6,330,829	-	362,548	6,693,377	-
Buildings	46,714,222	1,265,783	1,822,663	49,802,668	-
Infrastructure	307,054,468	-	-	307,054,468	-
Improvements	185,791,477	-	1,066,729	186,858,206	-
Machinery and equipment	13,313,694	13,952,626	1,391,911	28,658,231	-
Construction in progress	9,440,596	-	282,372	9,722,968	-
Less accumulated depreciation	(228,626,187)	(8,820,340)	(2,820,615)	(240,267,142)	-
Total capital assets (net of accumulated depreciation)	<u>340,019,099</u>	<u>6,398,069</u>	<u>2,105,608</u>	<u>348,522,776</u>	<u>-</u>
Total noncurrent assets	<u>469,997,538</u>	<u>6,398,069</u>	<u>2,105,608</u>	<u>478,501,215</u>	<u>-</u>
Total assets	<u>598,363,913</u>	<u>12,210,027</u>	<u>4,510,600</u>	<u>615,084,540</u>	<u>12,386,333</u>
Deferred Outflows of Resources					
Deferred charge on refunding	7,629,226	-	-	7,629,226	-
Deferred outflows related to pensions	1,935,469	692,920	78,788	2,707,177	68,199
Total deferred outflows of resources	<u>9,564,695</u>	<u>692,920</u>	<u>78,788</u>	<u>10,336,403</u>	<u>68,199</u>

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Solid Waste	Golf Course	Total	Activities- Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	\$ 3,819,206	\$ 1,235,126	\$ 236,494	\$ 5,290,826	\$ 810,383
Deposits	685,266	-	-	685,266	-
Accrued expenses	3,306,733	1,051,407	171,210	4,529,350	7,421,406
Unearned revenue	144,778	-	-	144,778	-
Accrued interest payable	6,323,714	-	-	6,323,714	-
General obligation bonds- current	18,525,000	-	-	18,525,000	-
Excise tax revenue obligations- current	3,080,000	-	-	3,080,000	-
WIFA loan payable- current	734,520	-	-	734,520	-
Capital leases payable- current	-	-	219,844	219,844	-
Total current liabilities	<u>36,619,217</u>	<u>2,286,533</u>	<u>627,548</u>	<u>39,533,298</u>	<u>8,231,789</u>
Noncurrent liabilities:					
General obligation bonds payable	212,971,890	-	-	212,971,890	-
Excise tax revenue obligations	90,743,023	-	-	90,743,023	-
WIFA loan payable	11,097,762	-	-	11,097,762	-
Capital leases payable	-	-	63,750	63,750	-
Capital improvement note payable	-	-	2,500,000	2,500,000	-
OPEB obligation	4,351,148	1,432,034	264,206	6,047,388	23,138
Pensions	17,581,331	6,158,862	734,361	24,474,554	378,886
Total noncurrent liabilities	<u>336,745,154</u>	<u>7,590,896</u>	<u>3,562,317</u>	<u>347,898,367</u>	<u>402,024</u>
Total liabilities	<u>373,364,371</u>	<u>9,877,429</u>	<u>4,189,865</u>	<u>387,431,665</u>	<u>8,633,813</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	<u>3,737,788</u>	<u>1,309,373</u>	<u>156,125</u>	<u>5,203,286</u>	<u>80,551</u>
Total deferred inflows of resources	<u>3,737,788</u>	<u>1,309,373</u>	<u>156,125</u>	<u>5,203,286</u>	<u>80,551</u>
Net Position					
Net investment in capital assets	134,294,221	6,398,069	1,515,769	142,208,059	-
Unrestricted	<u>96,532,228</u>	<u>(4,681,924)</u>	<u>(1,272,371)</u>	<u>90,577,933</u>	<u>3,740,168</u>
Total net position	<u>\$ 230,826,449</u>	<u>\$ 1,716,145</u>	<u>\$ 243,398</u>	<u>\$ 232,785,992</u>	<u>\$ 3,740,168</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, 2015

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Total	
Operating revenues:					
Charges for services	\$ 78,043,384	\$ 14,216,743	\$ 2,755,966	\$ 95,016,093	\$ 30,631,732
Miscellaneous	135,560	7,255	99	142,914	7,825
Total operating revenues	<u>78,178,944</u>	<u>14,223,998</u>	<u>2,756,065</u>	<u>95,159,007</u>	<u>30,639,557</u>
Operating expenses:					
Personnel services	13,558,340	5,049,054	554,013	19,161,407	-
Supplies and materials	3,395,264	553,409	389,654	4,338,327	-
Fees and services	19,160,825	8,854,341	1,397,797	29,412,963	30,222,211
Depreciation	18,641,564	1,411,694	341,178	20,394,436	-
Total operating expenses	<u>54,755,993</u>	<u>15,868,498</u>	<u>2,682,642</u>	<u>73,307,133</u>	<u>30,222,211</u>
Operating income (loss)	23,422,951	(1,644,500)	73,423	21,851,874	417,346
Nonoperating revenues (expenses):					
Investment income (loss)	459,141	18,296	11,040	488,477	10,392
Interest and fiscal fees	(11,666,246)	-	(2,992)	(11,669,238)	-
Gain (loss) on sale of capital assets	119,782	87,621	39,893	247,296	-
Net loss from joint venture	(7,126,080)	-	-	(7,126,080)	-
Income (loss) before contributions and operating transfers	5,209,548	(1,538,583)	121,364	3,792,329	427,738
Transfers in	5,162,636	-	97,873	5,260,509	-
Transfers out	(5,637,629)	(101,951)	-	(5,739,580)	-
Change in net position	<u>4,734,555</u>	<u>(1,640,534)</u>	<u>219,237</u>	<u>3,313,258</u>	<u>427,738</u>
Total net position- beginning, as restated	<u>226,091,894</u>	<u>3,356,679</u>	<u>24,161</u>	<u>229,472,734</u>	<u>3,312,430</u>
Total net position- ending	<u>\$ 230,826,449</u>	<u>\$ 1,716,145</u>	<u>\$ 243,398</u>	<u>\$232,785,992</u>	<u>\$ 3,740,168</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, 2015

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds				Governmental
	Water and Wastewater	Solid Waste	Golf Course	Total	Activities- Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 77,610,818	\$ 14,289,089	\$ 2,756,065	\$ 94,655,972	\$ -
Receipts from other funds	-	-	-	-	30,639,557
Payments to employees for services	(13,747,603)	(5,068,145)	(602,854)	(19,418,602)	-
Payments to suppliers for goods and services	(20,995,125)	(8,733,158)	(1,619,513)	(31,347,796)	-
Payment for premiums and settlement of claims	-	-	-	-	(30,046,593)
Net cash provided (used) by operating activities	<u>42,868,090</u>	<u>487,786</u>	<u>533,698</u>	<u>43,889,574</u>	<u>592,964</u>
Cash flows from noncapital financing activities:					
Advances from/(to) other funds	243,368	-	(243,368)	-	-
Transfers in	5,162,636	-	97,873	5,260,509	-
Transfers out	(5,637,629)	(101,951)	-	(5,739,580)	-
Net cash provided (used) by noncapital financing activities	<u>(231,625)</u>	<u>(101,951)</u>	<u>(145,495)</u>	<u>(479,071)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	11,810,000	-	-	11,810,000	-
Proceeds from note	-	-	2,500,000	2,500,000	-
Principal paid on long-term debt	(17,906,844)	-	-	(17,906,844)	-
Principal paid on capital leases	-	-	(215,882)	(215,882)	-
Interest and fiscal fees	(14,547,114)	-	(2,992)	(14,550,106)	-
Change in capital assets	(14,116,875)	(1,722,590)	(329,211)	(16,168,676)	-
Investment in joint venture	(196,807)	-	-	(196,807)	-
Deferred revenue	(4,824)	-	-	(4,824)	-
Gain from the sale of assets	119,782	87,621	39,893	247,296	-
Net cash provided (used) by capital and related financing activities	<u>(34,842,682)</u>	<u>(1,634,969)</u>	<u>1,991,808</u>	<u>(34,485,843)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	496,441	19,444	13,897	529,782	10,392
Issuance of notes receivable	(1,817,279)	-	-	(1,817,279)	-
Net cash provided (used) by investing activities	<u>(1,320,838)</u>	<u>19,444</u>	<u>13,897</u>	<u>(1,287,497)</u>	<u>10,392</u>
Net increase (decrease) in cash and cash equivalents	6,472,945	(1,229,690)	2,393,908	7,637,163	603,356
Cash and cash equivalents at beginning of year	108,741,060	6,106,721	-	114,847,781	11,782,977
Cash and cash equivalents at end of year	<u>\$ 115,214,005</u>	<u>\$ 4,877,031</u>	<u>\$ 2,393,908</u>	<u>\$ 122,484,944</u>	<u>\$ 12,386,333</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 23,422,951	\$ (1,644,500)	\$ 73,423	\$ 21,851,874	\$ 417,346
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	18,641,564	1,411,694	341,178	20,394,436	-
Change in assets and liabilities:					
(Increase) decrease in receivables	(568,126)	65,091	-	(503,035)	-
(Increase) decrease in inventories	27,237	-	-	27,237	-
Increase (decrease) in deposits	55,290	-	-	55,290	-
Increase (decrease) in payables	1,478,437	674,592	167,938	2,320,967	713,880
Increase (decrease) in accrued expenses	(12,313)	50,554	(31,758)	6,483	(498,486)
(Increase) decrease in deferred outflows	(789,414)	(291,449)	(30,918)	(1,111,781)	(43,501)
Increase (decrease) in deferred inflows	3,737,788	1,309,373	156,125	5,203,286	80,551
Increase (decrease) in pension	(3,121,781)	(1,093,581)	(130,395)	(4,345,757)	(67,274)
Increase (decrease) in net OPEB obligation	(3,543)	6,012	(11,895)	(9,426)	(9,552)
Net cash provided (used) by operating activities	<u>\$ 42,868,090</u>	<u>\$ 487,786</u>	<u>\$ 533,698</u>	<u>\$ 43,889,574</u>	<u>\$ 592,964</u>
Noncash investing, capital, and financing activities:					
Net loss from joint venture	\$ (7,126,080)	\$ -	\$ -	\$ (7,126,080)	\$ -
Total noncash investing, capital, and financing activities:	<u>\$ (7,126,080)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,126,080)</u>	<u>\$ -</u>

Statement of Net Position

Fiduciary Fund

June 30, 2015

City of Tempe, Arizona

Other Post Employment
Benefits Trust

Assets

Cash and investments	\$	10,211,086
Employer contribution receivable		742,000
Total assets		<u>10,953,086</u>

Net Position

Held in trust for other post employment benefits		10,953,086
Total net position	\$	<u>10,953,086</u>

Statement of Changes In Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

Other Post Employment
Benefits Trust

Additions:

Employer contributions	\$	742,000
Net investment income		333,064
Total additions		<u>1,075,064</u>

Deductions:

Administrative expenses		49,636
Total deductions		<u>49,636</u>

Change in net position		1,025,428
Net position at beginning of year		9,927,658
Net position at end of year	\$	<u>10,953,086</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, 2015

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, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

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, 2015

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, 2015

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Governmental Funds include the following fund types:

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

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

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

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

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

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

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

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

Proprietary Funds

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

Proprietary funds include the following fund types:

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

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

The following enterprise funds are used by the City:

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

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

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

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

The following internal service funds are used by the City:

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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

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, 2015

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.

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

E. Budgetary Data

State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted each fiscal year for the General, Special Revenue, Debt Service, and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued annual budget may be obtained from the City's Municipal Budget Office, 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 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, 2015

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 2014-15 Expenditure Limitation is \$300,050,818.

Local governments may carry forward to later year's 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, 2015

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 \$2.7 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	3-15

L. Deferred Outflows/Inflows of Resources

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

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

M. Compensated Absences

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

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.

N. Pensions

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

O. Long-term Obligations

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

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

P. Interfund Transactions

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

Q. Fund Equity

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Statements of Cash Flows

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

S. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

NOTE 2 - BUDGET BASIS OF ACCOUNTING

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

The major differences between the budget and GAAP bases are:

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

NOTE 3 - PROPERTY TAXES

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

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 3 - PROPERTY TAXES (continued)

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

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 2015 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.

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 \$1,128,066 and the bank balance was \$2,244,568; \$1,744,568 of that amount was exposed to custodial credit risk because it was uninsured and is collateralized with securities held by the pledging financial institution.

Investments

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

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$400,229,067
Carrying amount of cash deposits	1,128,066
Total pooled cash and investments	<u>\$401,357,133</u>
Pooled cash and investments – unrestricted	\$303,878,437
Restricted cash and investments	87,267,610
Investments in OPEB trust	10,211,086
Total pooled cash and investments	<u>\$401,357,133</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The City had a net increase in the fair value of investments during fiscal year 2014-15 of \$401,295. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

At June 30, 2015, 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	\$ 99,255,208	\$ 25,166,143	\$ 21,298,931	\$52,790,134
US government agencies	157,171,321	55,714,607	74,486,575	26,970,139
Money market	72,880,707	72,880,707	-	-
Repurchase agreements	3,181,621	3,181,621	-	-
Cash held with trustee	11,837,797	11,837,797	-	-
Mutual funds	10,199,545	10,199,545	-	-
State investment pool	45,702,868	45,702,868	-	-
	<u>\$400,229,067</u>	<u>\$224,683,288</u>	<u>\$95,785,506</u>	<u>\$79,760,273</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, 2015, 24.80% of the City's investments are in US Treasuries, 12.08% of the City's investments are in Fannie Mae, 15.40% of the City's investments are in Federal Home Loan Bank, 8.09% of the City's investments are in Federal Home Loan Mortgage Corporation securities, 18.21% in money market funds and 11.42% of the City's investments are in the State of Arizona Local Government Investment Pool 5.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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, 2015:

	Due to	Due from
General fund	\$ -	\$ 1,419,572
Non-major governmental funds	1,419,572	-
Total governmental funds	<u>\$ 1,419,572</u>	<u>\$ 1,419,572</u>

The interfund balances at June 30, 2015 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2015 are expected to be repaid within one year.

The 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	Non-major Governmental	Water and Wastewater	Solid Waste	Total
Transfers In	General	\$ -	\$ -	\$ -	\$ 332,678	\$ 20,750	\$ -	\$ 353,428
	General Obligation Debt Service	657,920	-	-	4,951	5,246,804	4,951	5,914,626
	Transit Capital Projects	-	5,389,812	-	-	-	-	5,389,812
	Non-major Governmental	4,053,806	-	4,924,600	5,407,699	296,075	97,000	14,779,180
	Water and Wastewater	-	-	5,162,636	-	-	-	5,162,636
	Golf	-	-	-	23,873	74,000	-	97,873
	Total	<u>\$4,711,726</u>	<u>\$ 5,389,812</u>	<u>\$10,087,236</u>	<u>\$ 5,769,201</u>	<u>\$ 5,637,629</u>	<u>\$ 101,951</u>	<u>\$ 31,697,555</u>

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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, 2015 the note receivable balance is \$11,374,896.

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, 2015 the note receivable balance in the Transit Special Revenue fund is \$1,703,793 and the corresponding revenue has been reported as a deferred inflow of resources.

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, 2015 was \$797,366.

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, 2015 was \$446,703.

In two installment payments in 2015, the Water and Wastewater Enterprise Fund loaned the Golf Enterprise Fund a total of \$2.5 million for an irrigation system at Rolling Hills Golf Course. Currently the interest rate is .90% and can fluctuate based on the City’s average earnings on its investments. The loan is repaid in an annual installment of \$137,150 commencing June 30, 2017 through June 30, 2036. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2015 was \$2,500,000 (see Note 9).

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, 2015

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Subregional Operating Group (SROG) (Continued)

As of June 30, 2014 (the latest information available), the City has a 15.68% 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, 2014 (the latest information available) is as follows (in thousands):

Total assets	\$ 828,545
Total liabilities	<u>(28,732)</u>
Total net position	<u>\$ 799,813</u>
Total revenues	\$ 52,348
Total expenses	(81,581)
Total non-operating revenues (expenses)	<u>(2,341)</u>
Net decrease in net position	<u>(\$ 31,574)</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, 2015, was \$ 126,234,370. The City's net loss from joint venture was \$ 7,126,080 for the fiscal year ended June 30, 2015. 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, 2015, the City has a 21.44% (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, 2014 (the latest information available) is as follows:

Total assets	\$ 1,312,800,805
Total liabilities	<u>(118,498,222)</u>
Total net position	<u>\$ 1,194,302,583</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

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

Total revenues	\$ 147,264,391
Total expenses	(79,012,484)
Total non-operating revenues	7,096,046
Total non-operating expenses	(26,468,938)
Net increase in net position	<u>\$ 48,879,015</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, 2015 was \$ 260,787,188. 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, 2015 is as follows:

	Balances June 30, 2014	Additions	Retirements	Transfers in (out)	Balances June 30, 2015
Governmental activities:					
Non-depreciable assets:					
Land	\$ 89,605,173	\$ -	\$ -	\$ -	\$ 89,605,173
Construction-in-progress	6,601,860	49,626,981	(1,817,273)	(19,570,299)	34,841,269
Total non-depreciable assets	96,207,033	49,626,981	(1,817,273)	(19,570,299)	124,446,442
Depreciable assets:					
Buildings	310,876,270	-	(734,581)	-	310,141,689
Infrastructure	728,566,961	-	(6,182,468)	7,776,149	730,160,642
Improvements	198,893,270	-	(17,950,971)	4,669,569	185,611,868
Machinery and equipment	178,939,155	3,635,359	(31,444,763)	7,124,581	158,254,332
Total depreciable assets	1,417,275,656	3,635,359	(56,312,783)	19,570,299	1,384,168,531
Accumulated depreciation:					
Buildings	(104,284,652)	(11,046,971)	734,581	-	(114,597,042)
Infrastructure	(360,007,764)	(16,875,064)	6,182,468	-	(370,700,360)
Improvements	(68,439,386)	(7,927,086)	17,932,315	-	(58,434,157)
Machinery and equipment	(135,019,856)	(9,185,305)	31,444,763	-	(112,760,398)
Total accumulated depreciation	(667,751,658)	(45,034,426)	56,294,127	-	(656,491,957)
Governmental activities capital assets, net	<u>\$ 845,731,031</u>	<u>\$ 8,227,914</u>	<u>\$ (1,835,929)</u>	<u>\$ -</u>	<u>\$ 852,123,016</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2014	Additions	Retirements	Transfers in (out)	Balances June 30, 2015
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	411,244	17,031,867	(2,929,814)	(4,790,328)	9,722,969
Total non-depreciable assets	7,104,621	17,031,867	(2,929,814)	(4,790,328)	16,416,346
Depreciable assets:					
Buildings	52,533,286	-	(2,730,617)	-	49,802,669
Infrastructure	319,592,976	-	(17,162,982)	4,624,474	307,054,468
Improvements	229,071,414	-	(42,278,912)	65,704	186,858,206
Machinery and equipment	57,145,781	2,066,626	(30,654,326)	100,150	28,658,231
Total depreciable assets	658,343,457	2,066,626	(92,826,837)	4,790,328	572,373,574
Accumulated depreciation:					
Buildings	(24,661,651)	(1,263,447)	2,730,617	-	(23,194,481)
Infrastructure	(145,921,531)	(9,348,348)	17,162,982	-	(138,106,897)
Improvements	(98,526,737)	(7,038,184)	42,278,912	-	(63,286,009)
Machinery and equipment	(43,589,623)	(2,744,458)	30,654,326	-	(15,679,755)
Total accumulated depreciation	(312,699,542)	(20,394,437)	92,826,837	-	(240,267,142)
Business-type activities capital assets, net	\$ 352,748,536	\$(1,295,944)	\$(2,929,814)	\$ -	\$348,522,778

For the year ended June 30, 2015, the City capitalized net interest costs of \$259,596. Total interest expense in the Business-type Activities Enterprise Fund before capitalization was \$12,462,957.

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

Police	\$ 5,625,790
Fire	2,205,963
Community services	6,723,135
Public works	26,285,987
Community development	1,668,105
Human services	997
Municipal court	42,105
City manager	38,556
City attorney	659
Internal services	487,609
Unallocated depreciation	1,955,520
Total depreciation expense	\$ 45,034,426

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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, \$43,965,000 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, 2015, were as follows (the 7/1/2015 principal payment was deducted as the fiscal year 2015 resources were dedicated):

\$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%	\$ 13,685,000
\$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%	4,610,000
\$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%	23,240,000
\$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%	50,110,000
\$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%	43,780,000
\$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%	8,185,000
\$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%	43,490,000
\$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%	3,385,000
\$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%	5,050,000
\$12,765,000 2012B Capital Improvement Refunding Serial Bonds due in annual installments of \$1,055,000 to \$3,320,000 beginning July 1, 2013 through July 1, 2023; interest at 2.00% to 3.50%	9,530,000
\$13,675,000 2013A Capital Improvement Serial Bonds due in annual installments of \$515,000 to \$940,000 beginning July 1, 2014 through July 1, 2033; interest at 1.00% to 4.00%	12,625,000
\$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%	37,705,000
\$15,550,000 2014B Capital Improvement Refunding Serial Bonds due in annual installments of \$1,025,000 to \$5,320,000 beginning July 1, 2015 through July 1, 2023; interest at 2.00% to 4.00%	14,525,000
\$45,675,000 2014C Capital Improvement Refunding Serial Bonds due in annual installments of \$1,095,000 to \$14,190,000 beginning July 1, 2015 through July 1, 2024; interest at 1.00% to 4.00%	44,580,000
\$43,695,000 2015A Capital Improvement Serial Bonds due in annual installments of \$1,740,000 to \$2,925,000 beginning July 1, 2016 through July 1, 2035; interest at 1.00% to 3.75%	43,965,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 386,875,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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
2016	\$ 30,725,000	\$ 14,564,773	\$ 45,289,773
2017	31,920,000	13,317,247	45,237,247
2018	32,070,000	12,090,259	44,160,259
2019	30,460,000	10,991,997	41,451,997
2020	31,525,000	9,941,434	41,466,434
2021-2025	148,665,000	31,642,801	180,307,801
2026-2030	65,175,000	9,518,020	74,693,020
2031-2035	16,335,000	1,789,413	18,124,413
	<u>\$ 386,875,000</u>	<u>\$ 103,855,944</u>	<u>\$ 490,730,944</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
2016	\$ 13,680,000	\$ 6,558,267	\$ 20,238,267
2017	14,035,000	5,995,591	20,030,591
2018	13,945,000	5,527,147	19,472,147
2019	12,865,000	5,085,935	17,950,935
2020	13,295,000	4,667,429	17,962,429
2021-2025	59,820,000	16,430,665	76,250,665
2026-2030	37,930,000	7,134,639	45,064,639
2031-2035	16,335,000	1,789,413	18,124,413
	<u>\$ 181,905,000</u>	<u>\$ 53,189,086</u>	<u>\$ 235,094,086</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 17,045,000	\$ 8,006,506	\$ 25,051,506
2017	17,885,000	7,321,656	25,206,656
2018	18,125,000	6,563,112	24,688,112
2019	17,595,000	5,906,062	23,501,062
2020	18,230,000	5,274,006	23,504,006
2021-2025	88,845,000	15,212,135	104,057,135
2026-2030	27,245,000	2,383,382	29,628,382
	<u>\$ 204,970,000</u>	<u>\$ 50,666,859</u>	<u>\$ 255,636,859</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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, 2015, the special assessments receivable of \$21,727,590, 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, 2015, there is \$203,536 in delinquent receivables. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. In addition, there are \$357,652 in special assessments that are due to be received upon meeting the conditions in the development agreement.

Special assessment bonds payable with governmental commitment outstanding at June 30, 2015, were as follows (the 7/1/2015 principal payment was deducted as the fiscal year 2015 resources were dedicated):

\$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of \$220,000 to \$385,000; interest at 4.10%	\$ 1,165,000
\$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>20,010,000</u>
Total special assessment bonds outstanding	<u><u>\$ 21,175,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,195,000	\$ 1,019,178	\$ 2,214,178
2017	1,250,000	959,650	2,209,650
2018	1,315,000	897,190	2,212,190
2019	1,380,000	831,570	2,211,570
2020	1,445,000	762,768	2,207,768
2021-2025	7,420,000	2,732,533	10,152,533
2026-2029	<u>7,170,000</u>	<u>738,750</u>	<u>7,908,750</u>
	<u>\$ 21,175,000</u>	<u>\$ 7,941,639</u>	<u>\$ 29,116,639</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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 7/1/2015 principal payment was deducted as the fiscal year 2015 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% \$ 1,390,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	<u>\$ 1,390,000</u>	<u>\$ 55,600</u>	<u>\$ 1,445,600</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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 7/1/2015 principal payment was deducted as the fiscal year 2015 resources were dedicated.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

\$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% \$ 2,385,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	<u>\$ 2,385,000</u>	<u>\$ 107,326</u>	<u>\$ 2,492,326</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 7/1/2015 principal payment was deducted as the fiscal year 2015 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% \$19,500,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,955,000	546,200	3,501,200
2020	3,100,000	398,450	3,498,450
2021-2022	<u>5,410,000</u>	<u>367,875</u>	<u>5,777,875</u>
	<u>\$19,500,000</u>	<u>\$ 3,767,625</u>	<u>\$ 23,267,625</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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 7/1/2015 principal payment was deducted as the fiscal year 2015 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%	<u>\$26,105,000</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
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	760,000	1,133,019	1,893,019
2020	790,000	1,102,619	1,892,619
2021-2025	4,490,000	4,987,625	9,477,625
2026-2030	5,610,000	3,852,000	9,462,000
2031-2035	7,160,000	2,305,750	9,465,750
2036-2038	5,185,000	500,175	5,685,175
	<u>\$26,105,000</u>	<u>\$17,451,245</u>	<u>\$43,556,245</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, 2015

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 7/1/2015 principal payment was deducted as the fiscal year 2015 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%	\$ 9,175,000
\$9,315,000 2009B Excise Tax Revenue Obligations due in annual installments of \$1,400,000 to \$1,715,000 through July 1, 2029; interest at 4.23%, net of 35.00% federal credit	9,315,000
Total	<u>\$ 18,490,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,115,000	676,184	1,791,184
2020	1,170,000	620,434	1,790,434
2021-2025	6,715,000	2,239,169	8,954,169
2026-2029	6,460,000	696,069	7,156,069
	<u>\$18,490,000</u>	<u>\$ 6,568,408</u>	<u>\$ 25,058,408</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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
2016	\$ 280,000	\$ 241,544	\$ 521,544
2017	295,000	227,543	522,543
2018	310,000	212,795	522,795
2019	325,000	197,303	522,303
2020	340,000	181,049	521,049
2021-2025	1,960,000	653,615	2,613,615
2026-2029	1,885,000	203,011	2,088,011
	<u>\$ 5,395,000</u>	<u>\$ 1,916,860</u>	<u>\$ 7,311,860</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
2016	\$ 680,000	\$ 586,140	\$ 1,266,140
2017	715,000	552,141	1,267,141
2018	750,000	516,389	1,266,389
2019	790,000	478,881	1,268,881
2020	830,000	439,385	1,269,385
2021-2025	4,755,000	1,585,555	6,340,555
2026-2029	4,575,000	493,057	5,068,057
	<u>\$ 13,095,000</u>	<u>\$ 4,651,548</u>	<u>\$17,746,548</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, 2015

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 7/1/2015 principal payment was deducted as the fiscal year 2015 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%	\$ 27,440,000
\$7,300,000 2011B Excise Tax Revenue Obligations due in one installment of \$7,300,000 on July 1, 2025; interest due semi-annually at 4.87%, net of 72.38% federal credit	7,300,000
Total	<u>\$ 34,740,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,355,000	1,282,508	2,637,508
2020	1,425,000	1,214,758	2,639,758
2021-2025	15,565,000	4,930,540	20,495,540
2026-2030	10,280,000	2,185,000	12,465,000
2031	2,375,000	118,750	2,493,750
	<u>\$ 34,740,000</u>	<u>\$ 13,912,480</u>	<u>\$ 48,652,480</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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
2016	\$ 30,000	\$ 115,508	\$ 145,508
2017	30,000	114,308	144,308
2018	30,000	113,108	143,108
2019	35,000	111,808	146,808
2020	35,000	110,058	145,058
2021-2025	7,501,000	522,490	8,023,490
	<u>\$ 7,661,000</u>	<u>\$ 1,087,280</u>	<u>\$ 8,748,280</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,320,000	1,170,700	2,490,700
2020	1,390,000	1,104,700	2,494,700
2021-2025	8,064,000	4,408,050	12,472,050
2026-2030	10,280,000	2,185,000	12,465,000
2031	2,375,000	118,750	2,493,750
	<u>\$ 27,079,000</u>	<u>\$ 12,825,200</u>	<u>\$ 39,904,200</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, 2015

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 7/1/2015 principal payment was deducted as the fiscal year 2015 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%	<u>\$ 15,170,000</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
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	3,145,000	283,100	3,428,100
2020	3,295,000	138,850	3,433,850
	<u>\$ 15,170,000</u>	<u>\$ 1,978,000</u>	<u>\$ 17,148,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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 7/1/2015 principal payment was deducted as the fiscal year 2015 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%

\$25,865,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,895,000	1,037,125	2,932,125
2020	1,995,000	942,375	2,937,375
2021-2025	14,380,000	2,832,125	17,212,125
2026-2030	2,590,000	461,863	3,051,863
2031-2032	1,160,000	61,250	1,221,250
	<u>\$ 25,865,000</u>	<u>\$ 8,867,863</u>	<u>\$ 34,732,863</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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
2016	\$ -	\$ 903,100	\$ 903,100
2017	1,415,000	903,100	2,318,100
2018	1,475,000	846,500	2,321,500
2019	1,550,000	772,750	2,322,750
2020	1,630,000	695,250	2,325,250
2021-2025	12,275,000	1,887,750	14,162,750
	<u>\$ 18,345,000</u>	<u>\$ 6,008,450</u>	<u>\$ 24,353,450</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 305,000	\$ 305,875	\$ 610,875
2017	320,000	293,675	613,675
2018	330,000	280,875	610,875
2019	345,000	264,375	609,375
2020	365,000	247,125	612,125
2021-2025	2,105,000	944,375	3,049,375
2026-2030	2,590,000	461,863	3,051,863
2031-2032	1,160,000	61,250	1,221,250
	<u>\$ 7,520,000</u>	<u>\$ 2,859,413</u>	<u>\$10,379,413</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, 2015

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 \$26,105,000.

\$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%

\$38,795,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,215,000	1,549,394	2,764,394
2020	1,265,000	1,500,794	2,765,794
2021-2025	7,245,000	6,562,219	13,807,219
2026-2030	9,250,000	4,577,119	13,827,119
2031-2035	11,195,000	2,629,844	13,824,844
2036-2037	5,175,000	351,881	5,526,881
	<u>\$38,795,000</u>	<u>\$ 22,016,933</u>	<u>\$ 60,811,933</u>

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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%

\$25,335,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,045,000	1,067,875	2,112,875
2020	1,090,000	1,026,075	2,116,075
2021-2025	6,315,000	4,257,625	10,572,625
2026-2030	8,065,000	2,512,125	10,577,125
2031-2033	5,810,000	530,775	6,340,775
	<u>\$ 25,335,000</u>	<u>\$ 12,726,325</u>	<u>\$ 38,061,325</u>

Excise Tax Revenue Obligations. On May 19, 2015, the City issued \$11,810,000 of Excise Tax Revenue Obligations to finance the construction and acquisition of various water and wastewater improvements for the City and to pay the costs of execution and delivery of the Obligations.

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

\$11,810,000 2015 Excise Tax Revenue Obligations due in two installments of \$10,710,000 and \$1,100,000 through July 1, 2017; interest at 2.00%

\$11,810,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 10,710,000	\$ 249,978	\$ 10,959,978
2017	1,100,000	22,000	1,122,000
	<u>\$ 11,810,000</u>	<u>\$ 271,978</u>	<u>\$ 12,081,978</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 required interest only payments until August 2007. At that time the note was due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 5.37% to 6.01%. On May 28, 2015, HUD refinanced the loan lowering the interest rate to 1.25% to 2.35%. The City has pledged its Community Development Block Grants as security for HUD's guaranteed loan. The City was awarded a \$1,000,000 HUD Brownfield Economic Development Initiative grant to be used to pay interest on the HUD Section 108 loan until such time the development generates sufficient tax revenue to cover the debt service of the development.

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

\$ 4,552,000

The following discloses debt service requirements as of June 30, 2015 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 371,000	\$ 56,976	\$ 427,976
2017	387,000	82,533	469,533
2018	405,000	79,044	484,044
2019	423,000	74,348	497,348
2020	442,000	67,380	509,380
2021-2025	2,524,000	174,488	2,698,488
	<u>\$ 4,552,000</u>	<u>\$ 534,769</u>	<u>\$ 5,086,769</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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%

\$ 1,433,075

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2015 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
2016	\$ 83,510	\$ 43,909	\$ 127,419
2017	86,068	41,351	127,419
2018	88,705	38,714	127,419
2019	91,423	35,996	127,419
2020	94,225	33,194	127,419
2021-2025	516,239	120,856	637,095
2026-2029	472,905	36,771	509,676
	<u>\$ 1,433,075</u>	<u>\$ 350,791</u>	<u>\$ 1,783,866</u>

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

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

\$ 10,399,207

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2015 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
2016	\$ 651,010	\$ 207,985	\$ 858,995
2017	664,032	194,963	858,995
2018	677,312	181,683	858,995
2019	690,858	168,137	858,995
2020	704,675	154,320	858,995
2021-2025	3,740,500	554,474	4,294,974
2026-2029	3,270,820	165,160	3,435,980
	<u>\$ 10,399,207</u>	<u>\$ 1,626,722</u>	<u>\$ 12,025,929</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Improvement Note. Capital improvement note represents a borrowing to provide long-term financing for a certain major capital improvement project (see Note 6).

The capital improvement note outstanding at June 30, 2015 was as follows:

\$2,500,000 capital improvement note issued in 2015 due to the Water and Wastewater Enterprise Fund from the Golf Fund payable in equal annual installments of \$137,150 through June 30, 2036; interest at 0.9% \$ 2,500,000

The following discloses debt service requirements as of June 30, 2014 segregating principal and interest, to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 22,562	\$ 22,562
2017	114,650	22,500	137,150
2018	115,682	21,468	137,150
2019	116,723	20,427	137,150
2020	117,773	19,377	137,150
2021-2025	604,959	80,791	685,750
2026-2030	632,677	53,073	685,750
2030-2035	661,664	24,086	685,750
2036	135,872	1,223	137,095
	<u>\$ 2,500,000</u>	<u>\$ 265,507</u>	<u>\$ 2,765,507</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 \$111,827. Accumulated depreciation as of June 30, 2015 totaled \$22,365. 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, 2015. These amounts will be paid for by the General Fund.

Fiscal Year Ending June 30,	Total
2016	\$ 28,490
2017	28,490
2018	28,490
2019	7,123
	<u>92,593</u>
Less: remaining interest at 6.33%	(5,511)
Present value of future minimum lease payments	<u>\$ 87,082</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

The proprietary assets acquired through capital leases are for equipment with an original cost of \$892,699. Accumulated depreciation as of June 30, 2015 totaled \$574,433. 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, 2015. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2016	\$ 223,175
	2017	63,966
Total minimum lease payments		287,141
Less: remaining interest at 1.24% to 1.26%		(3,547)
Present value of future minimum lease payments		<u>\$ 283,594</u>

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

At June 30, 2015, the 20 percent debt limitation was \$325,544,180 with \$361,721,555 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 \$97,663,254 with \$81,495,000 of outstanding debt. This provided a 6 percent debt margin of \$16,168,254. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2015, was \$115,489,698.

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, 2015.

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 \$181,905,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2035. Annual principal and interest payments on the bonds are expected to require less than 128.48% of total 2014-15 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$235,094,086. Principal and interest paid for the current year and total ad valorem tax revenues were \$31,408,941 and \$24,446,996, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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 \$204,970,000 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 34.29% of 2014-15 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$255,636,859. Principal and interest paid for the current year and water and wastewater system revenues were \$26,853,458 and \$78,302,598, respectively.

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$52,291,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 3.51% of total 2014-15 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$65,126,812. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$5,505,271 and \$156,733,794, 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 \$84,839,000 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 4.18% of total 2014-15 excise taxes. The total principal and interest remaining to be paid on the bonds is \$118,173,465. Principal and interest paid for the current year and total excise taxes were \$6,552,729 and \$156,733,794, 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 \$64,900,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 12.88% of total 2014-15 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$104,368,175. Principal and interest paid for the current year and transit excise taxes were \$4,655,688 and \$36,147,640 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 \$17,555,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be less than 79.34% of total 2014-15 performing arts excise taxes. The total principal and interest remaining to be paid on the bonds is \$19,640,326. Principal and interest paid for the current year and total available excise taxes were \$5,919,026 and \$152,138,598, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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, 2015 (the ending balance does not include 7/1/2015 "matured" payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$163,205,000	\$ 50,745,000	\$ (32,045,000)	\$181,905,000	\$13,680,000
Special assessments	23,930,000	-	(2,755,000)	21,175,000	1,195,000
2005 Excise tax obligations	1,850,000	-	(460,000)	1,390,000	1,390,000
2006 Excise tax obligations	4,665,000	-	(2,280,000)	2,385,000	2,385,000
2007 Excise tax refunding obligations	19,955,000	-	(455,000)	19,500,000	2,550,000
2008 Excise tax obligations	26,755,000	-	(650,000)	26,105,000	675,000
2009 Excise tax obligations	5,670,000	-	(275,000)	5,395,000	280,000
2011 Excise tax obligations	7,691,000	-	(30,000)	7,661,000	30,000
2011 Excise tax refunding obligations	17,865,000	-	(2,695,000)	15,170,000	2,825,000
2012 Excise tax obligations	20,265,000	-	(1,920,000)	18,345,000	-
2012 Excise tax refunding obligations	39,890,000	-	(1,095,000)	38,795,000	1,130,000
Premium on debt payable	19,542,476	1,269,813	(2,144,052)	18,668,237	-
2013 Capital improvement note	509,804	-	(509,804)	-	-
2004 HUD Section 108 loan	4,907,000	-	(355,000)	4,552,000	371,000
	<u>356,700,280</u>	<u>52,014,813</u>	<u>(47,668,856)</u>	<u>361,046,237</u>	<u>26,511,000</u>
Capital leases	-	111,827	(24,745)	87,082	25,683
Compensated absences	26,011,933	11,726,734	(10,493,736)	27,244,931	10,488,536
Claims and judgments	5,827,048	3,294,449	(3,360,422)	5,761,075	2,898,246
OPEB	48,585,216	5,035,357	(5,521,509)	48,099,064	-
Net pension liability	290,400,432	20,081,111	-	310,481,543	-
Governmental activities long-term	<u>\$727,524,909</u>	<u>\$ 92,264,291</u>	<u>\$ (67,069,268)</u>	<u>\$752,719,932</u>	<u>\$ 39,923,465</u>
Business-type activities:					
General obligation bonds payable	\$223,495,000	\$ 38,895,000	\$ (57,420,000)	\$204,970,000	\$17,045,000
General obligation premium	5,107,085	3,833,729	(938,924)	8,001,890	-
2009 Excise tax obligations	13,755,000	-	(660,000)	13,095,000	680,000
2011 Excise tax obligations	28,199,000	-	(1,120,000)	27,079,000	1,165,000
2012 Excise tax obligations	7,820,000	-	(300,000)	7,520,000	305,000
2013 Excise tax obligations	26,335,000	-	(1,000,000)	25,335,000	970,000
2015 Excise tax obligations	-	11,810,000	-	11,810,000	10,710,000
Excise premium	6,051,400	205,296	(352,673)	5,904,023	-
2010 WIFA Loan	1,514,101	-	(81,026)	1,433,075	83,510
2010 WIFA Loan	11,037,453	-	(638,246)	10,399,207	651,010
2015 Capital improvement note	-	2,500,000	-	2,500,000	-
Capital leases	499,476	-	(215,882)	283,594	219,844
OPEB	6,056,815	899,579	(909,006)	6,047,388	-
Net pension liability	28,820,311	-	(4,345,757)	24,474,554	-
Business-type activities long-term	<u>\$358,690,641</u>	<u>\$ 58,143,604</u>	<u>\$ (67,981,514)</u>	<u>\$348,852,731</u>	<u>\$31,829,364</u>

The long-term liabilities at June 30, 2015 have been reduced by deposits made with the City's fiscal agent for July 1, 2015 maturities. In addition, in the summary noted above, the beginning balance has been restated to include the *OPEB and net pension liabilities*. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

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

Advance Bond Refundings

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

On 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 (the difference between the present values of the debt service payment on the old and new debt) of \$1,462,225.

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.

On May 28, 2014, the City issued \$15,550,000 of general obligation refunding bonds with a premium of \$1,540,100 to partially advance refund \$2,810,000 of Series 2005 and \$9,545,000 of Series 2006 outstanding general obligation bonds. In addition, the proceeds were utilized for a current refunding of \$3,195,000 of Series 2004 refunding bonds. The bonds were issued with an average interest rate of 3.97%. The net proceeds of \$16,977,361 after the payment of \$83,384 in issuance costs and an underwriter's discount of \$112,739 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 \$976,050, which resulted in an economic gain of \$1,015,727.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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 City's General Obligation Debt Service and Water and Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$2,720,528, which resulted in an economic gain of \$2,399,755.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2015 are as follows:

\$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
\$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 2006 and partially refunded in 2013 (final redemption date is 7/1/2016)	18,945,000
\$52,425,000 general obligation bonds issued in 2005 and partially refunded in 2014 (final redemption date is 7/1/2015)	2,810,000
\$74,495,000 general obligation bonds issued in 2006 and partially refunded in 2014 (final redemption date is 7/1/2016)	9,545,000
\$52,425,000 general obligation bonds issued in 2005 and partially refunded in 2015 (final redemption date is 7/1/2015)	11,190,000
\$74,495,000 general obligation bonds issued in 2006 and partially refunded in 2015 (final redemption date is 7/1/2016)	5,620,000
\$76,485,000 general obligation bonds issued in 2007 and partially refunded in 2015 (final redemption date is 7/1/2017)	28,865,000
Total bonds advance refunded	<u>\$ 108,930,000</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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

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

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

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

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

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

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, 2015, the fund balance details by classification are listed as follows:

The Mayor and Council have established a minimum unassigned fund balance policy for the General Fund of 20% to 30% of current year operating revenues. As of June 30, 2015, the aggregate balance is 39.05% of General Fund revenues.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
Fund balances:							
Non-spendable:							
Inventories	\$ 346,364	\$ -	\$ -	\$ -	\$ -	\$ 1,272,306	\$ 1,618,670
Prepaid items	-	-	-	-	-	680,644	680,644
	346,364	-	-	-	-	1,952,950	2,299,314
Restricted:							
Debt Service reserve	-	-	20,960,171	112,998	-	-	21,073,169
Police	-	-	-	-	-	100,498	100,498
Fire	-	-	-	-	-	106,904	106,904
Community services	-	-	-	-	-	155,347	155,347
Public works	-	23,519,355	-	-	16,115,985	9,190,314	48,825,654
Community development	-	-	-	-	-	9,317,498	9,317,498
Human services	-	-	-	-	-	354,988	354,988
City manager	-	-	-	-	-	115,674	115,674
	-	23,519,355	20,960,171	112,998	16,115,985	19,341,223	80,049,732
Committed to:							
Police	149,081	-	-	-	-	392,950	542,031
Fire	-	-	-	-	-	837,906	837,906
Community services	230,000	-	-	-	-	137,036	367,036
Public works	101,261	5,059,799	-	-	-	413,444	5,574,504
Community development	-	-	-	-	-	10,178,256	10,178,256
Municipal court	-	-	-	-	-	685,496	685,496
City manager	25,120	-	-	-	-	-	25,120
City clerk	15,308	-	-	-	-	-	15,308
Debt Service	-	4,220,265	-	-	-	-	4,220,265
	520,770	9,280,064	-	-	-	12,645,088	22,445,922
Assigned to:							
Self-insurance purposes	6,841,391	-	-	-	-	-	6,841,391
Capital projects	405,000	-	-	-	-	7,763,164	8,168,164
Reserved property lease land	838,278	-	-	-	-	-	838,278
Reserved property lease revenue	492,283	-	-	-	-	-	492,283
Billboard landscape	25,000	-	-	-	-	-	25,000
Billboard revenue	98,881	-	-	-	-	-	98,881
Other	100,000	-	-	-	-	552,181	652,181
Transit	-	4,970,558	-	-	-	-	4,970,558
TSA	-	-	2,649,914	-	-	-	2,649,914
	8,800,833	4,970,558	2,649,914	-	-	8,315,345	24,736,650
Unassigned:							
	73,879,480	-	-	-	-	(2,922,001)	70,957,479
Total fund balances	\$83,547,447	\$37,769,977	\$23,610,085	\$ 112,998	\$ 16,115,985	\$ 39,332,605	\$ 200,489,097

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 12 - COMMITMENTS

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

At June 30, 2015 the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
Governmental funds:		
Transit	\$ 6,433,515	\$ 3,217,415
Non-major funds	16,683,898	31,623,854
	<u>\$ 23,117,413</u>	<u>\$ 34,841,269</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
Proprietary funds:		
Water/wastewater	\$ 7,080,756	\$ 9,440,597
Golf	1,345	282,372
	<u>\$ 7,082,101</u>	<u>\$ 9,722,969</u>

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

	<u>Commitment</u>
Governmental funds:	
General	\$ 522,770
Non-major funds	287,458
	<u>\$ 810,228</u>
	<u>Commitment</u>
Proprietary funds:	
Water/wastewater	\$ 373,891
Solid waste	1,202,360
	<u>\$ 1,576,251</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

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, 2015 were \$87,521.

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

Fiscal Year Ending June 30,	Amount
2016	\$ 86,550
2017	86,550
2018	86,550
2019	85,419
2020	24,126
Total minimum payments required	<u>\$ 369,195</u>

NOTE 14 - RETIREMENT AND PENSION PLANS

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

The City reported \$22,135,592 of pension expenditures related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

*With actuarially reduced benefits

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60% (11.48% for retirement and 0.12% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.60% (10.89% for retirement, 0.59% for health insurance premium benefit, and 0.12% for long-term disability) of the members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2015 were \$7,738,771.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.57% (9.51% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

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

Fiscal Year Ending June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	\$ 419,272	\$ 85,276
2014	413,417	165,367
2013	440,200	162,535

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Pension Liability. At June 30, 2015, the City reported a liability of \$ 112,524,308 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 0.76%, which was a decrease of 0.04% from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the City recognized pension expense for ASRS of \$ 5,558,767 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 5,718,815	\$ -
Net difference between projected and actual earnings on pension plan investments	-	19,677,027
Changes in proportion and differences between the City contributions and proportionate share of contributions	-	4,245,624
City contributions subsequent to the measurement date	<u>7,738,771</u>	
Total	<u>\$ 13,457,586</u>	<u>\$ 23,922,651</u>

The \$ 7,738,771 reported as deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30.	
2016	\$ (4,278,739)
2017	(4,278,739)
2018	(4,727,101)
2019	(4,919,257)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Discount rate	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25	3.20
Real estate	8	4.75
Commodities	4	4.50
Total	100%	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0%, which is less than the long-term expected rate of return of 8.79%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
The City's Proportionate share of the net pension liability	\$ 142,224,954	\$ 112,524,308	\$ 96,410,216

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

B. Public Safety Personnel Retirement System

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

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

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

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

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Retirees and beneficiaries	213	116
Inactive, non-retired members	50	23
Active members	322	140
Total	585	279

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members – pension	11.05%	11.05%
City:		
Pension	33.67	37.11
Health insurance	1.45	1.68

In addition, the City was required by statute to contribute at the actuarially determined rate of 19.65 percent of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

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

	PSPRS Police	PSPRS Fire
Pension:		
Contributions made	\$ 9,727,183	\$ 4,066,636
Health insurance premium benefit:		
Annual OPEB cost	418,902	184,100
Contributions made	418,902	184,100

Pension Liability. At June 30, 2015, the City reported \$147,170,332 for police and \$75,261,457 for fire in net pension liability. The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

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

	PSPRS
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Asset valuation	Market Value of Assets
Discount rate	7.85%
Projected salary increases	4.0 - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class for all agent pension plans are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	3.25%
Absolute return	4	6.75
Risk parity	4	6.04
Fixed income	7	4.75
Real assets	8	5.96
GTAA	10	5.73
Private equity	11	9.50
Real estate	11	6.50
Credit opportunities	13	8.00
Non-U.S. equity	14	8.63
U.S. equity	16	7.60
Total	100%	

Pension Discount Rates. The discount rate of 7.85% was used to measure the total pension liability.

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

Changes in the Agent Plans Net Pension Liability

Police:

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 214,790,355	\$ 92,205,073	\$ 122,585,282
Changes for the year:			
Service cost	5,447,093	-	5,447,093
Interest on the total pension liability	16,537,700	-	16,537,700
Changes of benefit terms	4,426,439	-	4,426,439
Differences between expected and actual experience in the measurement of the pension liability	(2,351,309)	-	(2,351,309)
Changes of assumptions or other inputs	25,455,442	-	25,455,442
Contributions – employer		9,132,346	(9,132,346)
Contributions – employee	-	3,253,980	(3,253,980)
Net investment income	-	12,557,318	(12,557,318)
Benefit payments, including refunds of employee contributions	(13,685,124)	(13,685,124)	-
Administrative expense	-	(101,132)	101,132
Other changes	-	87,803	(87,803)
Net changes	35,830,241	11,245,191	24,585,050
Balances at June 30, 2015	\$ 250,620,596	\$ 103,450,264	\$ 147,170,332

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Changes in the Agent Plans Net Pension Liability

Fire:

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 130,242,089	\$ 66,111,004	\$ 64,131,085
Changes for the year:			
Service cost	2,541,502		2,541,502
Interest on the total pension liability	9,938,885		9,938,885
Changes of benefit terms	2,317,758		2,317,758
Differences between expected and actual experience in the measurement of the pension liability	(861,599)		(861,599)
Changes of assumptions or other inputs	12,031,993		12,031,993
Contributions – employer		4,587,619	(4,587,619)
Contributions – employee		1,461,331	(1,461,331)
Net investment income		8,858,227	(8,858,227)
Benefit payments, including refunds of employee contributions	(9,805,679)	(9,805,679)	
Administrative expense		(71,341)	71,341
Other changes		2,331	(2,331)
Net changes	16,162,860	5,032,488	11,130,372
Balances at June 30, 2015	\$ 146,404,949	\$ 71,143,492	\$ 75,261,457

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

	Current		
	1% Decrease	Discount Rate	1% Increase
Police:			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 178,684,976	\$ 147,170,332	\$ 121,075,104
Fire:			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 91,730,293	\$ 75,261,457	\$ 61,440,891

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

Pension Expense. For the year ended June 30, 2015, the City's recognized \$19,305,272 as pension expense for police and \$9,299,523 as pension expense for fire.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Pension Deferred Outflows/Inflows of Resources. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police:		
Differences between expected and actual experience	\$ -	\$ 1,892,964
Changes of assumptions or other inputs	20,493,368	-
Net difference between projected and actual earnings on pension plan investments	-	4,188,278
Contributions subsequent to the measurement date	10,146,085	-
Total	<u>\$ 30,639,453</u>	<u>\$ 6,081,242</u>
Fire:		
Differences between expected and actual experience	\$ -	\$ 722,960
Changes of assumptions or other inputs	10,095,939	-
Net difference between projected and actual earnings on pension plan investments	-	2,954,510
Contributions subsequent to the measurement date	4,250,736	-
Total	<u>\$ 14,346,675</u>	<u>\$ 3,677,470</u>

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PSPRS Police	PSPRS Fire
2016	\$ 3,456,659	\$ 1,058,787
2017	3,456,659	1,058,787
2018	3,456,659	1,058,787
2019	3,456,659	1,058,787
2020	585,490	1,797,415
Thereafter	-	385,906
Total	<u>\$ 14,412,126</u>	<u>\$ 6,418,469</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

Police:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 418,902	100%	\$ -
June 30, 2014	400,016	100%	-
June 30, 2013	435,879	100%	-

Fire:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 184,100	100%	\$ -
June 30, 2014	196,051	100%	-
June 30, 2013	190,310	100%	-

Agent Plan OPEB Actuarial Assumptions. Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The significant actuarial methods and assumptions used are the same for both PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

	PSPRS
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.5%-8.5%
	4.5%

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

The funded status of both the PSPRS health insurance premium benefit plans in the June 30, 2014, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	PSPRS
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4%-8% 4%

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2014.

	PSPRS Police	PSPRS Fire
Actuarial value of assets	\$ 3,908,102	\$ 3,600,744
Actuarial accrued liability	5,881,593	3,168,939
Unfunded actuarial accrued liability (funding excess)	1,973,491	(431,805)
Funded ratio	66.4%	113.6%
Annual covered payroll	\$ 28,717,531	\$12,719,049
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	6.87%	- %

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS

Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Similar to pension benefits, the cost of other post-employment benefits (OPEB) generally should be associated with the periods in which the exchange occurs rather than in future periods in which the benefits are provided. GASB Statement No. 45 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, 2015, 831 retirees met those eligibility requirements to receive post-employment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	831
Active employees eligible	<u>589</u>
Total	<u><u>1,420</u></u>

Effective with changes implemented on October 1, 2011, this OPEB plan provides medical coverage for qualified, pre-Medicare retired employees through a single-employer defined *contribution* plan; prior to this change, coverage was provided through a defined benefit plan. (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 Division based on the costs of coverage that is available through the health plan offered by the ASRS. Coverage for Medicare-eligible retirees is provided through fully-insured, City-sponsored Medicare Supplemental plans.

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. Funding Policy

The pre-Medicare plan contributions are determined annually by the City's Human Resources Division. Contributions for retirees/dependents are determined based on a review of the premiums (and changes thereto) for health care coverage that is available through the ASRS. For the City-sponsored Medicare Supplemental Plans, premiums are determined annually by the outside insurance company. Retirees/dependents are not required to enroll in the health plan offered through the ASRS. The current employer contribution rate is 16% of annual covered payroll. Because retired employees and their dependents are enrolled in a completely separate plan than active employees, there are no implicit rate subsidies. An irrevocable trust fund (Other Post Employment Benefit Trust) has been established for the purpose of advance funding the obligation; the trust has a \$11.0 million balance as of June 30, 2015.

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.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation

ARC	\$ 6,562,758
ARC adjustment	(4,454,310)
Interest on the net OPEB obligation	3,826,487
Annual OPEB cost	5,934,935
Contributions made	(6,430,514)
Decrease in net OPEB obligation	(495,579)
Net OPEB obligation – beginning of year	54,642,031
Net OPEB obligation – end of year	<u>\$ 54,146,452</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the new OPEB obligation for the fiscal years ended June 30, 2015, 2014, and 2013 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	11,436,001	9,547,324	83.5	58,525,271
2014	6,286,392	10,136,943	161.3	54,642,031
2015	5,934,935	6,430,514	108.4	54,146,452

F. Health Care Cost Trend Rate

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

Benefit	Minimum	Maximum
ASRS/PSPRS Pre-medicare	4.8%	7.0%
Medicare supplement	2.0	5.0

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
7/1/2009	-	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
7/1/2013	4,530,000	77,305,345	72,775,345	5.9	44,539,774	163.4
7/1/2014	9,927,658	81,803,527	71,875,869	12.1	39,324,207	182.8

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 an 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:

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

H. Actuarial Methods and Assumptions (Continued)

Actuarial valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Remaining amortization period	24 years, closed
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	See F. Health Care Cost Trend Rate
Investment rate of return	7.0%
Projected payroll increases	3% per annum
Amortization method	Level dollar

NOTE 16 - DEFERRED COMPENSATION PLANS

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

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

NOTE 17 - RISK FINANCING ACTIVITIES

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

The City has established a Risk Management Fund, Worker's Compensation Fund and Health Fund (all internal service funds) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service funds by all other funds and are available to pay claims and to fund claim reserves. As with any risk retention program, the City is contingently liable in respect to claims beyond those actuarially projected. These interfund premiums are used to 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 \$769 million; for workers' compensation the first \$750,000 for police, firefighters, and EMTs' and \$500,000 for all others of each claim is self-insured, with excess coverage per the Arizona statutory workers' compensation requirements and \$2.0 million per occurrence in employer's liability; and for group health the self-insurance retention is \$250,000 per occurrence, with an aggregate stop loss deductible of \$18.7 million. During the year there were no significant reductions in the amounts of excess coverage purchased.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES

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, 2015, 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, 2014	Claims Incurred Net of Change in Estimates	Payments	June 30, 2015
General liability	\$ 4,707,758	\$ (817,273)	\$ (964,372)	\$ 2,926,113
Automobile liability	301,450	165,915	(444,390)	22,975
Property liability	48,150	281,084	(225,227)	104,007
Workers' compensation	1,529,247	3,322,111	(1,726,433)	3,124,925
Health insurance	1,305,599	15,247,816	(15,342,445)	1,210,970
	<u>\$ 7,892,204</u>	<u>\$ 18,199,653</u>	<u>\$(18,702,867)</u>	<u>\$ 7,388,990</u>

	June 30, 2013	Claims Incurred Net of Change in Estimates	Payments	June 30, 2014
General liability	\$ 3,945,792	\$ 962,298	\$ (200,332)	\$ 4,707,758
Automobile liability	746,100	(43,401)	(401,249)	301,450
Property liability	124,901	173,027	(249,778)	48,150
Workers' compensation	1,475,439	1,470,183	(1,416,375)	1,529,247
Health insurance	1,111,473	13,197,283	(13,003,157)	1,305,599
	<u>\$ 7,403,705</u>	<u>\$ 15,759,390</u>	<u>\$(15,270,891)</u>	<u>\$ 7,892,204</u>

At June 30, 2015, the Risk Management Fund accrued expenses totaled \$3,085,511. This balance includes the general liability, automobile liability and property liability of \$3,053,095 and other accrued expenses of \$32,416. The Worker's Compensation Fund had accrued expenses totaling \$3,148,416 consisting of worker's compensation liability of \$3,124,925 and other accrued expenses of \$23,491. The Health Fund had accrued expenses totaling \$1,941,035. Additionally, at June 30, 2015, the City had \$6,841,391 of General Fund assigned fund balance for self-insurance purposes.

NOTE 18 - CONTINGENT LIABILITIES

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

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

The Community Development Special Revenue Fund had a deficit fund balance of \$224,616 at June 30, 2015. The deficit will be covered by future grant revenue. The Housing Assistance Special Revenue Fund had a deficit fund balance of \$408,672 at June 30, 2015. The deficit will be covered by future grant revenue. The Grants Special Revenue Fund had a deficit fund balance of \$1,467,887 at June 30, 2015. The deficit will be covered by future grant revenue to be received.

NOTE 21 – PRIOR PERIOD ADJUSTMENTS

Beginning Net Position Restatement. The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, represents a change in accounting principle. Net position as of July 1, 2014 has been restated as follows for this change in accounting principle:

	Statement of Activities- Governmental	Statement of Activities- Business-type	Statement of Activities- Total
Net position, June 30, 2014, as previously reported	\$ 923,269,707	\$ 256,697,649	\$1,179,967,356
Net pension liability	(290,400,432)	(28,820,311)	(319,220,743)
Deferred outflows – contributions during fiscal year 2014	19,459,568	1,595,396	21,054,964
Net position, July 1, 2014, as restated	<u>\$ 652,328,843</u>	<u>\$ 229,472,734</u>	<u>\$ 881,801,577</u>



Required Supplementary Information

Schedule of Contributions

All Pension Plans

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	<u>2015</u>
Arizona State Retirement System:	
Actuarially determined contribution	\$ 8,003,335
Contributions in relation to the actuarially determined contribution	<u>8,003,335</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 69,715,464
Contributions as a percentage of covered-employee payroll	11.48%
Public Safety Personnel Retirement System- Police:	
Actuarially determined contribution	\$ 10,178,537
Contributions in relation to the actuarially determined contribution	<u>10,178,537</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 28,982,166
Contributions as a percentage of covered-employee payroll	35.12%
Public Safety Personnel Retirement System- Fire:	
Actuarially determined contribution	\$ 4,777,515
Contributions in relation to the actuarially determined contribution	<u>4,777,515</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 12,316,358
Contributions as a percentage of covered-employee payroll	38.79%

Schedule of the Proportionate Share of the Net Pension Liability

Arizona State Retirement System

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	<u>2015</u>
City's proportion of the net pension liability	0.76%
City's proportion share of the net pension liability	\$ 112,524,308
City's covered-employee payroll	\$ 69,715,464
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.41%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Police

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	<u>2015</u>
Total pension liability	
Service cost	\$ 5,447,093
Interest	16,537,700
Changes of benefit terms	4,426,439
Differences between expected and actual	(2,351,309)
Changes of assumptions	25,455,442
Benefit payments, including refunds	(13,685,124)
Net change in total pension liability	<u>35,830,241</u>
Total pension liability- beginning	214,790,355
Total pension liability- ending	<u>\$ 250,620,596</u>
Plan fiduciary net position	
Contributions- employer	\$ 9,132,346
Contributions- employee	3,253,980
Net investment income	12,456,186
Benefit payments, including refunds	(13,685,124)
Other	(3,260,002)
Net change in plan fiduciary net position	<u>\$ 7,897,386</u>
Plan fiduciary net position- beginning	95,552,878
Plan fiduciary net position- ending	<u>\$ 103,450,264</u>
Net pension liability- ending	<u>\$ 147,170,332</u>
Plan fiduciary net position as a percentage of the total pension liability	41.28%
Covered-employee payroll	\$ 28,717,534
Net pension liability as a percentage of covered-employee payroll	512.48%

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Fire

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	<u>2015</u>
Total pension liability	
Service cost	\$ 2,541,502
Interest	9,938,885
Changes of benefit terms	2,317,758
Differences between expected and actual	(861,599)
Changes of assumptions	12,031,993
Benefit payments, including refunds	(9,805,679)
Net change in total pension liability	<u>16,162,860</u>
Total pension liability- beginning	<u>130,242,089</u>
Total pension liability- ending	<u><u>\$ 146,404,949</u></u>
Plan fiduciary net position	
Contributions- employer	\$ 4,587,619
Contributions- employee	1,461,331
Net investment income	8,786,886
Benefit payments, including refunds	(9,805,679)
Other	(3,124,665)
Net change in plan fiduciary net position	<u>\$ 1,905,492</u>
Plan fiduciary net position- beginning	<u>69,238,000</u>
Plan fiduciary net position- ending	<u><u>\$ 71,143,492</u></u>
Net pension liability- ending	<u><u>\$ 75,261,457</u></u>
Plan fiduciary net position as a percentage of the total pension liability	48.59%
Covered-employee payroll	\$ 12,719,039
Net pension liability as a percentage of covered-employee payroll	591.72%

Schedule of Funding Progress

Public Safety Personnel Retirement System- Other Post Employment Benefits

Last Three Actuarial Valuations

City of Tempe, Arizona

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a percentage of Covered Payroll</u>
PSPRS- Police:						
2014	\$ 3,908,102	\$ 5,881,593	\$ 1,973,491	66.45%	\$ 28,717,531	6.87%
2013	-	5,803,544	5,803,544	-	28,346,961	20.47%
2012	-	5,451,885	5,451,885	-	26,046,499	20.93%
PSPRS- Fire:						
2014	\$ 3,600,744	\$ 3,168,939	\$ (431,805)	113.63%	\$ 12,719,049	- %
2013	-	3,171,822	3,171,822	-	12,538,385	25.30%
2012	-	3,102,549	3,102,549	-	11,373,929	27.28%

Notes to Required Supplementary Information

June 30, 2015

City of Tempe, Arizona

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2013, valuation of ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return. The actuarial assumptions used in the June 30, 2014, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

NON-MAJOR GOVERNMENTAL FUNDS (continued)

CAPITAL PROJECTS FUNDS

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

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

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
Assets				
Pooled cash and investments	\$ -	\$ 6,970,336	\$ -	\$ -
Receivables:				
Taxes	670,593	935,501	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	245,551	-
Inventories	-	1,272,306	-	-
Prepaid items	-	-	-	680,644
Restricted cash and investments	5,447,013	-	15,964	-
Total assets	<u>\$ 6,117,606</u>	<u>\$ 9,178,143</u>	<u>\$ 261,515</u>	<u>\$ 680,644</u>
Liabilities				
Accounts payable	\$ 37,420	\$ 368,876	\$ 1,067	\$ 1,679
Deposits	-	-	-	-
Accrued expenditures	219,049	219,463	18,007	159,206
Due to other funds	277,088	-	214,053	928,431
Unearned revenue	-	-	-	-
Matured bonds payable	4,975,000	-	-	-
Matured interest payable	472,013	-	7,453	-
Total liabilities	<u>5,980,570</u>	<u>588,339</u>	<u>240,580</u>	<u>1,089,316</u>
Deferred Inflows of Resources				
Unavailable revenue- federal grants	-	-	245,551	-
Unavailable revenue- grants	-	-	-	-
Unavailable revenue- other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>245,551</u>	<u>-</u>
Fund Balances				
Fund balance:				
Non-spendable	-	1,272,306	-	680,644
Restricted	-	7,317,498	-	-
Committed	137,036	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(224,616)	(1,089,316)
Total fund balances	<u>137,036</u>	<u>8,589,804</u>	<u>(224,616)</u>	<u>(408,672)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,117,606</u>	<u>\$ 9,178,143</u>	<u>\$ 261,515</u>	<u>\$ 680,644</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ 50,153	\$ 2,326,564	\$ 1,389,385	\$ 910,094	\$ 11,646,532
-	-	-	-	1,606,094
-	-	56,605	-	56,605
-	3,983	-	-	3,983
-	6,352	1,739,240	-	1,991,143
-	-	-	-	1,272,306
-	-	-	-	680,644
-	-	-	2,429,800	7,892,777
<u>\$ 50,153</u>	<u>\$ 2,336,899</u>	<u>\$ 3,185,230</u>	<u>\$ 3,339,894</u>	<u>\$ 25,150,084</u>
\$ 14	\$ 2,124	\$ 259,126	\$ 223,648	\$ 893,954
-	-	1,943,648	-	1,943,648
-	1,840	11,018	1,051	629,634
-	-	-	-	1,419,572
-	-	1,607,158	-	1,607,158
-	-	-	1,935,000	6,910,000
-	-	-	494,800	974,266
<u>14</u>	<u>3,964</u>	<u>3,820,950</u>	<u>2,654,499</u>	<u>14,378,232</u>
-	-	590,865	-	836,416
-	-	241,302	-	241,302
-	-	-	-	-
-	-	832,167	-	1,077,718
-	-	-	-	1,952,950
50,139	648,450	140,182	685,395	8,841,664
-	1,132,304	-	-	1,269,340
-	552,181	-	-	552,181
-	-	(1,608,069)	-	(2,922,001)
<u>50,139</u>	<u>2,332,935</u>	<u>(1,467,887)</u>	<u>685,395</u>	<u>9,694,134</u>
<u>\$ 50,153</u>	<u>\$ 2,336,899</u>	<u>\$ 3,185,230</u>	<u>\$ 3,339,894</u>	<u>\$ 25,150,084</u>

(continued)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

Capital Projects

	Streets	Police	Fire	Storm Sewers	Parks
Assets					
Pooled cash and investments	\$ 8,835,829	\$ 559,321	\$ 842,426	\$ 64,271	\$ 2,511,924
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	79,051
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 8,835,829</u>	<u>\$ 559,321</u>	<u>\$ 842,426</u>	<u>\$ 64,271</u>	<u>\$ 2,590,975</u>
Liabilities					
Accounts payable	\$ 3,218,203	\$ 133,819	\$ -	\$ 29,334	\$ 1,056,032
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>3,218,203</u>	<u>133,819</u>	<u>-</u>	<u>29,334</u>	<u>1,056,032</u>
Deferred Inflows of Resources					
Unavailable revenue- federal grants	-	-	-	-	-
Unavailable revenue- grants	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	79,051
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,051</u>
Fund Balances					
Fund balance:					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	1,687	1,431,629
Committed	301,750	392,950	837,906	9,102	-
Assigned	5,315,876	32,552	4,520	24,148	24,263
Unassigned	-	-	-	-	-
Total fund balances	<u>5,617,626</u>	<u>425,502</u>	<u>842,426</u>	<u>34,937</u>	<u>1,455,892</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,835,829</u>	<u>\$ 559,321</u>	<u>\$ 842,426</u>	<u>\$ 64,271</u>	<u>\$ 2,590,975</u>

Capital Projects

Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Nonmajor Governmental Funds
\$ 17,879,502	\$ 4,420,605	\$ 1,372,374	\$ 1,179,897	\$ 37,666,149	\$ 49,312,681
-	-	-	-	-	1,606,094
-	-	-	-	79,051	135,656
-	-	-	-	-	3,983
-	-	16,410	-	16,410	2,007,553
-	-	-	-	-	1,272,306
-	-	-	-	-	680,644
-	-	-	-	-	7,892,777
<u>\$ 17,879,502</u>	<u>\$ 4,420,605</u>	<u>\$ 1,388,784</u>	<u>\$ 1,179,897</u>	<u>\$ 37,761,610</u>	<u>\$ 62,911,694</u>
\$ 3,165,267	\$ 241,088	\$ 173,832	\$ 9,971	\$ 8,027,546	\$ 8,921,500
-	-	-	-	-	1,943,648
-	132	-	-	132	629,766
-	-	-	-	-	1,419,572
-	-	-	-	-	1,607,158
-	-	-	-	-	6,910,000
-	-	-	-	-	974,266
<u>3,165,267</u>	<u>241,220</u>	<u>173,832</u>	<u>9,971</u>	<u>8,027,678</u>	<u>\$ 22,405,910</u>
-	-	16,410	-	16,410	852,826
-	-	-	-	-	241,302
-	-	-	-	79,051	79,051
-	-	16,410	-	95,461	1,173,179
-	-	-	-	-	1,952,950
8,233,546	395,057	437,640	-	10,499,559	19,341,223
6,471,213	2,185,553	102,592	1,074,682	11,375,748	12,645,088
9,476	1,598,775	658,310	95,244	7,763,164	8,315,345
-	-	-	-	-	(2,922,001)
<u>14,714,235</u>	<u>4,179,385</u>	<u>1,198,542</u>	<u>1,169,926</u>	<u>29,638,471</u>	<u>39,332,605</u>
<u>\$ 17,879,502</u>	<u>\$ 4,420,605</u>	<u>\$ 1,388,784</u>	<u>\$ 1,179,897</u>	<u>\$ 37,761,610</u>	<u>\$ 62,911,694</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2015

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
Revenues:				
Sales taxes	\$ 7,460,054	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	909,731	8,084,829
State grants	-	-	-	-
State sales tax	-	10,013,859	-	-
Other	-	-	-	-
Investment income	11,536	-	5	-
Charges for services	881,551	111,183	-	-
Fines and forfeitures	-	-	-	4,266
Other entities' participation	-	-	-	-
Miscellaneous	17,200	82,761	675,958	-
Total revenues	<u>8,370,341</u>	<u>10,207,803</u>	<u>1,585,694</u>	<u>8,089,095</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	2,902,924	-	-	-
Public works	-	8,912,570	-	-
Community development	-	-	914,161	-
Human services	-	-	-	9,206,960
Municipal court	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Debt service:				
Principal retirement	4,975,000	-	355,000	-
Interest and fiscal fees	949,078	-	320,958	-
Capital outlay	-	-	-	-
Total expenditures	<u>8,827,002</u>	<u>8,912,570</u>	<u>1,590,119</u>	<u>9,206,960</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(456,661)</u>	<u>1,295,233</u>	<u>(4,425)</u>	<u>(1,117,865)</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	1,149,977	-	82,529
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
General fund	-	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	(4,951)	-	-
Capital projects funds	(100,000)	(3,277,029)	-	-
Enterprise funds	-	-	-	-
Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	87,803	-	3,916
Total other financing sources (uses)	<u>(100,000)</u>	<u>(2,044,200)</u>	<u>-</u>	<u>86,445</u>
Net change in fund balances	(556,661)	(748,967)	(4,425)	(1,031,420)
Fund balance at beginning of year	693,697	9,338,771	(220,191)	622,748
Fund balance at end of year	<u>\$ 137,036</u>	<u>\$ 8,589,804</u>	<u>\$ (224,616)</u>	<u>\$ (408,672)</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ -	\$ 7,460,054
-	-	2,167,797	-	11,162,357
-	-	251,878	-	251,878
-	-	-	-	10,013,859
-	46,905	3,508,043	-	3,554,948
139	1,888	101	-	13,669
-	571,525	2,238	2,444,298	4,010,795
-	795,194	750,466	-	1,549,926
50,000	787,368	-	-	837,368
-	91,063	424,004	-	1,290,986
<u>50,139</u>	<u>2,293,943</u>	<u>7,104,527</u>	<u>2,444,298</u>	<u>40,145,840</u>
-	-	4,500,687	-	4,500,687
-	3,982	755,136	-	759,118
-	198,278	712,358	-	3,813,560
-	1,930	3,275	-	8,917,775
-	42,991	47,572	2,421,097	3,425,821
-	147,580	410,262	-	9,764,802
-	252,438	-	-	252,438
-	72,287	873,000	-	945,287
-	-	52,160	-	52,160
-	-	-	1,935,000	7,265,000
-	-	-	992,251	2,262,287
-	-	-	-	-
-	<u>719,486</u>	<u>7,354,450</u>	<u>5,348,348</u>	<u>41,958,935</u>
<u>50,139</u>	<u>1,574,457</u>	<u>(249,923)</u>	<u>(2,904,050)</u>	<u>(1,813,095)</u>
-	-	-	-	1,232,506
-	606,440	-	-	606,440
-	-	-	2,924,600	2,924,600
-	-	-	-	-
-	-	-	-	-
-	(80,180)	-	-	(80,180)
-	-	(606,440)	-	(606,440)
-	-	-	-	(4,951)
-	-	-	-	(3,377,029)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	91,719
-	<u>526,260</u>	<u>(606,440)</u>	<u>2,924,600</u>	<u>786,665</u>
50,139	2,100,717	(856,363)	20,550	(1,026,430)
-	232,218	(611,524)	664,845	10,720,564
<u>\$ 50,139</u>	<u>\$ 2,332,935</u>	<u>\$ (1,467,887)</u>	<u>\$ 685,395</u>	<u>\$ 9,694,134</u>

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2015

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	222,211	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	77	-	-	-	1,768
Charges for services	114,722	-	-	-	9,798
Fines and forfeitures	-	-	-	-	-
Other entities' participation	-	-	-	-	25,000
Miscellaneous	2,272	-	-	-	-
Total revenues	<u>339,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,566</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Human services	-	-	-	-	-
City manager	-	-	-	-	-
City attorney	-	-	-	-	-
Internal audit/consulting	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	4,973,218	2,277,298	2,658,374	75,032	3,930,788
Total expenditures	<u>4,973,218</u>	<u>2,277,298</u>	<u>2,658,374</u>	<u>75,032</u>	<u>3,930,788</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(4,633,936)</u>	<u>(2,277,298)</u>	<u>(2,658,374)</u>	<u>(75,032)</u>	<u>(3,894,222)</u>
Other financing sources (uses):					
Transfers in:					
General fund	-	-	-	-	-
Special revenue funds	3,027,029	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Enterprise funds	-	-	-	-	-
Transfers out:					
General fund	(252,498)	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	(575,000)	(849,230)
Enterprise funds	-	-	-	-	-
Issuance of debt	1,675,000	1,458,275	2,546,725	100,000	3,215,000
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>4,449,531</u>	<u>1,458,275</u>	<u>2,546,725</u>	<u>(475,000)</u>	<u>2,365,770</u>
Net change in fund balances	(184,405)	(819,023)	(111,649)	(550,032)	(1,528,452)
Fund balance at beginning of year	5,802,031	1,244,525	954,075	584,969	2,984,344
Fund balance at end of year	<u>\$ 5,617,626</u>	<u>\$ 425,502</u>	<u>\$ 842,426</u>	<u>\$ 34,937</u>	<u>\$ 1,455,892</u>

Capital Projects					
Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,460,054
-	-	828,579	-	1,050,790	12,213,147
-	-	-	-	-	251,878
-	-	-	-	-	10,013,859
-	-	-	-	-	3,554,948
1,748	65	35	-	3,693	17,362
-	-	38,750	693,603	856,873	4,867,668
-	-	-	-	-	1,549,926
-	200,000	30,904	-	255,904	1,093,272
-	49,168	-	-	51,440	1,342,426
<u>1,748</u>	<u>249,233</u>	<u>898,268</u>	<u>693,603</u>	<u>2,218,700</u>	<u>42,364,540</u>
-	-	-	-	-	4,500,687
-	-	-	-	-	759,118
-	-	-	-	-	3,813,560
-	-	-	-	-	8,917,775
-	-	-	-	-	3,425,821
-	-	-	-	-	9,764,802
-	-	-	-	-	252,438
-	-	-	-	-	945,287
-	-	-	-	-	52,160
-	-	-	-	-	7,265,000
-	-	-	-	-	2,262,287
<u>22,937,682</u>	<u>3,771,543</u>	<u>1,265,049</u>	<u>93,253</u>	<u>41,982,237</u>	<u>41,982,237</u>
<u>22,937,682</u>	<u>3,771,543</u>	<u>1,265,049</u>	<u>93,253</u>	<u>41,982,237</u>	<u>83,941,172</u>
<u>(22,935,934)</u>	<u>(3,522,310)</u>	<u>(366,781)</u>	<u>600,350</u>	<u>(39,763,537)</u>	<u>(41,576,632)</u>
2,400,000	421,300	-	-	2,821,300	4,053,806
-	100,000	250,000	-	3,377,029	3,983,469
1,000,000	1,000,000	-	-	2,000,000	4,924,600
1,424,230	-	-	-	1,424,230	1,424,230
-	393,075	-	-	393,075	393,075
-	-	-	-	(252,498)	(332,678)
-	-	-	-	-	(606,440)
-	-	-	-	-	(4,951)
-	-	-	-	(1,424,230)	(4,801,259)
-	(23,873)	-	-	(23,873)	(23,873)
30,785,000	3,530,000	655,000	-	43,965,000	43,965,000
-	-	-	-	-	91,719
<u>35,609,230</u>	<u>5,420,502</u>	<u>905,000</u>	<u>-</u>	<u>52,280,033</u>	<u>53,066,698</u>
12,673,296	1,898,192	538,219	600,350	12,516,496	11,490,066
2,040,939	2,281,193	660,323	569,576	17,121,975	27,842,539
<u>\$ 14,714,235</u>	<u>\$ 4,179,385</u>	<u>\$ 1,198,542</u>	<u>\$ 1,169,926</u>	<u>\$ 29,638,471</u>	<u>\$ 39,332,605</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, and property liability claims by the City under a self-insurance program.
- **Worker's Compensation Fund.** Used to account for the costs incurred for worker's compensation claims by the City under a self-insurance program.
- **Health Fund.** Accounts for the expenses incurred for employee health related costs under the City's self-insurance program.

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Assets				
Current assets:				
Pooled cash and investments	\$ 5,106,740	\$ 3,151,827	\$ 4,127,766	\$ 12,386,333
Total assets	<u>5,106,740</u>	<u>3,151,827</u>	<u>4,127,766</u>	<u>12,386,333</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	68,199	-	-	68,199
Total deferred outflows of resources	<u>68,199</u>	<u>-</u>	<u>-</u>	<u>68,199</u>
Liabilities				
Current liabilities:				
Accounts payable	56,827	23,491	730,065	810,383
Accrued expenses and claims payable	3,085,511	3,124,925	1,210,970	7,421,406
Total current liabilities	<u>3,142,338</u>	<u>3,148,416</u>	<u>1,941,035</u>	<u>8,231,789</u>
Noncurrent liabilities:				
Net OPEB obligation	23,138	-	-	23,138
Net pension liability	378,886	-	-	378,886
Total noncurrent liabilities	<u>402,024</u>	<u>-</u>	<u>-</u>	<u>402,024</u>
Total liabilities	<u>3,544,362</u>	<u>3,148,416</u>	<u>1,941,035</u>	<u>8,633,813</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	80,551	-	-	80,551
Total deferred inflows of resources	<u>80,551</u>	<u>-</u>	<u>-</u>	<u>80,551</u>
Net Position				
Unrestricted	1,550,026	3,411	2,186,731	3,740,168
Total net position	<u>\$ 1,550,026</u>	<u>\$ 3,411</u>	<u>\$ 2,186,731</u>	<u>\$ 3,740,168</u>

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	<u>Risk Management</u>	<u>Worker's Compensation</u>	<u>Health</u>	<u>Total</u>
Operating revenues:				
Contributions	\$ 2,573,778	\$ 2,230,596	\$ 25,827,358	\$ 30,631,732
Miscellaneous	7,825	-	-	7,825
Total operating revenues	<u>2,581,603</u>	<u>2,230,596</u>	<u>25,827,358</u>	<u>30,639,557</u>
Operating expenses:				
Fees and services	2,581,603	2,237,577	25,403,031	30,222,211
Total operating expenses	<u>2,581,603</u>	<u>2,237,577</u>	<u>25,403,031</u>	<u>30,222,211</u>
Operating income (loss)	-	(6,981)	424,327	417,346
Nonoperating revenues				
Investment income	-	10,392	-	10,392
Total nonoperating revenues	<u>-</u>	<u>10,392</u>	<u>-</u>	<u>10,392</u>
Changes in net position	-	3,411	424,327	427,738
Total net position - beginning, as restated	1,550,026	-	1,762,404	3,312,430
Total net position - ending	<u>\$ 1,550,026</u>	<u>\$ 3,411</u>	<u>\$ 2,186,731</u>	<u>\$ 3,740,168</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Cash flows from operating activities:				
Receipts from other funds	\$ 2,581,603	\$ 2,230,596	\$ 25,827,358	\$ 30,639,557
Reduction in (payments for) settlement of claims	(6,142,549)	910,839	(24,814,883)	(30,046,593)
Net cash provided by (used) in operating activities	<u>(3,560,946)</u>	<u>3,141,435</u>	<u>1,012,475</u>	<u>592,964</u>
Cash flows from investing activities:				
Interest received	-	10,392	-	10,392
Net cash provided (used) by investing activities	-	10,392	-	10,392
Net increase (decrease) in cash and cash equivalents	(3,560,946)	3,151,827	1,012,475	603,356
Cash and cash equivalents, beginning of year	8,667,686	-	3,115,291	11,782,977
Cash and cash equivalents, end of year	<u>\$ 5,106,740</u>	<u>\$ 3,151,827</u>	<u>\$ 4,127,766</u>	<u>\$ 12,386,333</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ -	\$ (6,981)	\$ 424,327	\$ 417,346
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Increase (decrease) in accounts payable	7,612	23,491	682,777	713,880
Increase (decrease) in accrued expenses	(3,528,782)	3,124,925	(94,629)	(498,486)
(Increase) decrease in deferred outflows	(43,501)	-	-	(43,501)
Increase (decrease) in deferred inflows	80,551	-	-	80,551
Increase (decrease) in net pension liability	(67,274)	-	-	(67,274)
Increase (decrease) in net OPEB obligation	(9,552)	-	-	(9,552)
Net cash provided (used) by operating activities	<u>\$ (3,560,946)</u>	<u>\$ 3,141,435</u>	<u>\$ 1,012,475</u>	<u>\$ 592,964</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, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 182,240,149	\$ 192,347,634	\$ 10,107,485
Intergovernmental	82,637,657	70,479,572	(12,158,085)
Investment income	3,723,536	1,242,005	(2,481,531)
Charges for services	123,746,884	133,134,171	9,387,287
Fines and forfeitures	9,768,541	9,986,226	217,685
Licenses and permits	1,636,750	1,687,074	50,324
Miscellaneous	12,842,512	14,546,370	1,703,858
Contingency	9,330,362	-	(9,330,362)
Total revenues	<u>425,926,391</u>	<u>423,423,052</u>	<u>(2,503,339)</u>
Expenditures			
Current:			
Police	82,702,046	80,560,382	2,141,664
Fire	32,894,462	29,999,020	2,895,442
Community services	29,214,183	26,717,456	2,496,727
Public works	221,496,919	178,826,107	42,670,812
Community development	69,545,799	63,649,686	5,896,113
Human services	5,014,137	4,560,358	453,779
Mayor and council	377,787	353,692	24,095
Municipal court	5,414,078	4,309,074	1,105,004
City manager	7,356,077	7,304,840	51,237
City attorney	5,122,189	2,897,496	2,224,693
Internal audit office	736,192	432,633	303,559
Municipal budget office	256,136	271,663	(15,527)
City clerk and elections	1,088,410	766,811	321,599
Internal services	18,382,019	20,688,054	(2,306,035)
Contingency	7,995,095	-	7,995,095
Interdepartmental charges	(13,648,944)	(13,544,869)	(104,075)
Debt Service:			
Principal	61,246,378	63,389,273	(2,142,895)
Interest and fiscal fees	29,302,993	27,125,429	2,177,564
Total expenditures	<u>564,495,956</u>	<u>498,307,105</u>	<u>66,188,851</u>
Other financing sources (uses)			
Transfers from other funds	31,966,694	31,697,555	(269,139)
Transfers to other funds	(31,776,695)	(31,697,555)	79,140
Issuance of debt	70,624,870	43,965,000	(26,659,870)
Premium on issuance of debt	-	2,561,410	2,561,410
Proceeds of refunding bonds	-	6,780,000	6,780,000
Payment to refunded bond escrow agent	-	(4,534,184)	(4,534,184)
Proceeds (loss) from sale of capital assets	704,312	2,436,868	1,732,556
Total other financing sources (uses)	<u>71,519,181</u>	<u>51,209,094</u>	<u>(20,310,087)</u>
Net change in fund balance	<u>\$ (67,050,384)</u>	<u>\$ (23,674,959)</u>	<u>\$ 43,375,425</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, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 24,609,059	\$ 24,446,996	\$ (162,063)
Intergovernmental other	1,269,719	1,489,500	219,781
Investment income	-	10,428	10,428
Total revenues	<u>25,878,778</u>	<u>25,946,924</u>	<u>68,146</u>
Expenditures:			
Debt service:			
Principal retirement	29,232,105	29,300,000	(67,895)
Interest and fiscal fees	8,759,781	7,858,201	901,580
Total expenditures	<u>37,991,886</u>	<u>37,158,201</u>	<u>833,685</u>
Excess (deficiency) of revenues over expenditures	(12,113,108)	(11,211,277)	901,831
Other financing sources (uses):			
Transfers in	5,909,874	5,914,626	4,752
Transfers out	(10,082,741)	(10,087,236)	(4,495)
Premium on issuance of debt	-	1,269,813	1,269,813
Proceeds of refunding bonds	-	6,780,000	6,780,000
Payment to refunded bond escrow agent	-	(4,534,184)	(4,534,184)
Total other financing sources (uses)	<u>(4,172,867)</u>	<u>(656,981)</u>	<u>3,515,886</u>
Net change in fund balance	<u>\$ (16,285,975)</u>	<u>\$ (11,868,258)</u>	<u>\$ 4,417,717</u>

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

Special Assessment Debt Service
For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 2,324	\$ 2,324
Special assessments	2,959,851	3,862,306	902,455
Miscellaneous	-	18,758	18,758
Total revenues	<u>2,959,851</u>	<u>3,883,388</u>	<u>923,537</u>
Expenditures:			
Current:			
Public works	-	8,559	-
Debt service:			
Principal	1,745,000	2,755,000	-
Interest and fiscal fees	1,214,850	1,131,258	83,592
Total expenditures	<u>2,959,850</u>	<u>3,894,817</u>	<u>83,592</u>
Net change in fund balance	<u>\$ 1</u>	<u>\$ (11,429)</u>	<u>\$ 839,945</u>

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 6,912,473	\$ 7,460,054	\$ 547,581
Investment income	10,000	10,217	217
Charges for services	710,872	881,551	170,679
Miscellaneous	9,050	17,200	8,150
Total revenues	<u>7,642,395</u>	<u>8,369,022</u>	<u>726,627</u>
Expenditures:			
Current:			
Community services	3,037,555	2,903,392	134,163
Debt service:			
Principal retirement	4,975,000	4,975,000	-
Interest and fiscal fees	951,526	949,078	2,448
Total expenditures	<u>8,964,081</u>	<u>8,827,470</u>	<u>136,611</u>
Deficiency of revenues over expenditures and other uses	(1,321,686)	(458,448)	590,016
Other financing uses:			
Transfers out	(100,000)	(100,000)	-
Total other financing uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,421,686)</u>	<u>\$ (558,448)</u>	<u>\$ 863,238</u>

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

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
State sales tax	\$ 9,630,103	\$ 10,013,859	\$ 383,756
Charges for services	87,050	111,183	24,133
Miscellaneous	-	82,761	82,761
Total revenues	<u>9,717,153</u>	<u>10,207,803</u>	<u>490,650</u>
Expenditures:			
Current:			
Public works	10,850,234	9,165,347	1,684,887
Total expenditures	<u>10,850,234</u>	<u>9,165,347</u>	<u>1,684,887</u>
Excess (deficiency) of revenues over expenditures	(1,133,081)	1,042,456	2,175,537
Other financing sources (uses):			
Transfers in	1,030,000	1,149,977	119,977
Transfers out	(3,281,978)	(3,281,980)	(2)
Proceeds from sale of capital assets	51,247	87,803	36,556
Total other financing sources (uses)	<u>(2,200,731)</u>	<u>(2,044,200)</u>	<u>156,531</u>
Net change in fund balance	<u>\$ (3,333,812)</u>	<u>\$ (1,001,744)</u>	<u>\$ 2,332,068</u>

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

Community Development Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 3,611,444	\$ 909,731	\$ (2,701,713)
Investment income	-	5	5
Miscellaneous	-	675,958	675,958
Total revenues	<u>3,611,444</u>	<u>1,585,694</u>	<u>(2,025,750)</u>
Expenditures:			
Current:			
Community development	3,611,882	914,078	2,697,804
Debt service:			
Principal retirement	-	355,000	(355,000)
Interest and fiscal fees	-	320,958	(320,958)
Total expenditures	<u>3,611,882</u>	<u>1,590,036</u>	<u>2,021,846</u>
Deficiency of revenues and other financing sources over expenditures	(438)	(4,342)	(3,904)
Other financing sources:			
Proceeds from sale of capital assets	<u>(438)</u>	<u>-</u>	<u>(438)</u>
Total other financing sources	<u>(438)</u>	<u>-</u>	<u>(438)</u>
Net change in fund balance	<u>\$ (438)</u>	<u>\$ (4,342)</u>	<u>\$ (3,904)</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 9,483,630	\$ 8,084,829	\$ (1,398,801)
Fines and forfeitures	11,750	4,266	(7,484)
Miscellaneous	1,350	-	(1,350)
Total revenues	<u>9,496,730</u>	<u>8,089,095</u>	<u>(1,407,635)</u>
Expenditures:			
Current:			
Human services	9,496,730	9,206,716	290,014
Total expenditures	<u>9,496,730</u>	<u>9,206,716</u>	<u>290,014</u>
Deficiency of revenues over expenditures	-	(1,117,621)	(1,117,621)
Other financing sources (uses):			
Transfers in	190,000	82,529	(107,471)
Proceeds from sale of capital assets	-	3,916	3,916
Total other financing sources (uses)	<u>190,000</u>	<u>86,445</u>	<u>(103,555)</u>
Net change in fund balance	<u>\$ 190,000</u>	<u>\$ (1,031,176)</u>	<u>\$ (1,221,176)</u>

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

Donations and Court Awards Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ 17,875	\$ 46,905	\$ 29,030
Investment income	-	1,630	1,630
Charges for services	151,516	571,525	420,009
Fines and forfeitures	1,348,711	795,194	(553,517)
Miscellaneous	1,983,775	878,432	(1,105,343)
Total revenues	<u>3,501,877</u>	<u>2,293,686</u>	<u>(1,208,191)</u>
Expenditures:			
Current:			
Fire	111,375	3,982	107,393
Community services	408,403	198,278	210,125
Public works	5,860	1,930	3,930
Community development	119,047	42,991	76,056
Human services	432,633	147,580	285,053
Municipal court	1,250,068	252,438	997,630
City manager	895,017	80,252	814,765
Contingency	200,000	-	200,000
Total expenditures	<u>3,422,403</u>	<u>727,451</u>	<u>2,694,952</u>
Excess (deficiency) of revenues over expenditures	79,474	1,566,235	1,486,761
Other financing sources (uses):			
Transfers in	-	606,440	606,440
Transfers out	(77,963)	(80,180)	(2,217)
Total other financing sources (uses)	<u>(77,963)</u>	<u>526,260</u>	<u>604,223</u>
Net change in fund balance	<u>\$ 1,511</u>	<u>\$ 2,092,495</u>	<u>\$ 2,090,984</u>

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

Grants Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 1,650,352	\$ 2,488,723	\$ 838,371
State grants	318,434	283,608	(34,826)
Intergovernmental other	5,776,478	4,660,012	(1,116,466)
Investment income	-	101	101
Charges for services	38,433	56,384	17,951
Fines and forfeitures	465,000	750,466	285,466
Miscellaneous	1,247,894	617,863	(630,031)
Contingency	5,800,000	-	(5,800,000)
Total revenues	<u>15,296,591</u>	<u>8,857,157</u>	<u>(6,439,434)</u>
Expenditures:			
Current:			
Police	5,159,619	4,601,184	558,435
Fire	574,418	755,136	(180,718)
Community services	1,058,092	769,628	288,464
Public works	8,814	34,995	(26,181)
Community development	-	47,572	(47,572)
Human services	-	410,262	(410,262)
City manager	2,270,000	873,000	1,397,000
City attorney	284,193	52,160	232,033
Contingency	5,799,411	-	5,799,411
Total expenditures	<u>15,154,547</u>	<u>7,543,937</u>	<u>7,610,610</u>
Excess (deficiency) of revenues over expenditures	142,044	1,313,220	1,171,176
Other financing uses:			
Transfers out	-	(606,440)	(606,440)
Total other financing uses	<u>-</u>	<u>(606,440)</u>	<u>(606,440)</u>
Net change in fund balance	<u>\$ 142,044</u>	<u>\$ 706,780</u>	<u>\$ 564,736</u>

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

Community Facilities District Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,668,785	\$ 2,444,298	\$ (224,487)
Total revenues	<u>2,668,785</u>	<u>2,444,298</u>	<u>(224,487)</u>
Expenditures:			
Current:			
Community development	2,668,785	2,421,097	247,688
Debt service:			
Principal	1,935,000	1,935,000	-
Interest and fiscal fees	994,400	992,251	2,149
Total expenditures	<u>5,598,185</u>	<u>5,348,348</u>	<u>249,837</u>
Deficiency of revenues over expenditures	(2,929,400)	(2,904,050)	25,350
Other financing sources (uses):			
Transfers in	2,924,600	2,924,600	-
Total other financing sources (uses)	<u>2,924,600</u>	<u>2,924,600</u>	<u>-</u>
Net change in fund balance	<u>\$ (4,800)</u>	<u>\$ 20,550</u>	<u>\$ 25,350</u>

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

Transit Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 11,464,633	\$ 4,254,167	\$ (7,210,466)
Miscellaneous	-	11,749	11,749
Contingency	2,368,142	-	(2,368,142)
Total revenues	<u>13,832,775</u>	<u>4,265,916</u>	<u>(9,566,859)</u>
Expenditures:			
Current:			
Public works	23,990,535	14,078,259	9,912,276
Total expenditures	<u>23,990,535</u>	<u>14,078,259</u>	<u>9,912,276</u>
Deficiency of revenues over expenditures	(10,157,760)	(9,812,343)	345,417
Other financing sources (uses):			
Transfers in	5,389,812	5,389,812	-
Total other financing sources (uses)	<u>5,389,812</u>	<u>5,389,812</u>	<u>-</u>
Net change in fund balance	<u>\$ (4,767,948)</u>	<u>\$ (4,422,531)</u>	<u>\$ 345,417</u>

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

Streets Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 754,210	\$ 222,211	\$ (531,999)
Investment income	-	77	77
Charges for services	-	114,722	114,722
Miscellaneous	-	2,272	2,272
Contingency	922,220	-	-
Total revenues	<u>1,676,430</u>	<u>339,282</u>	<u>(414,928)</u>
Expenditures:			
Current:			
Public works	6,410,672	5,274,968	1,135,704
Total expenditures	<u>6,410,672</u>	<u>5,274,968</u>	<u>1,135,704</u>
Deficiency of revenues over expenditures	(4,734,242)	(4,935,686)	(201,444)
Other financing sources (uses):			
Transfers in	3,027,029	3,027,029	-
Transfers out	-	(252,498)	(252,498)
Issuance of debt	1,878,948	1,675,000	(203,948)
Total other financing sources (uses)	<u>4,905,977</u>	<u>4,449,531</u>	<u>(456,446)</u>
Net change in fund balance	<u>\$ 171,735</u>	<u>\$ (486,155)</u>	<u>\$ (657,890)</u>

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

Police Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

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:			
Police	3,106,247	2,285,551	820,696
Total expenditures	<u>3,106,247</u>	<u>2,285,551</u>	<u>820,696</u>
Deficiency of revenues over expenditures	(3,106,247)	(2,285,551)	820,696
Other financing sources (uses):			
Issuance of debt	1,894,275	1,458,275	(436,000)
Total other financing sources (uses)	<u>1,894,275</u>	<u>1,458,275</u>	<u>(436,000)</u>
Net change in fund balance	<u>\$ (1,211,972)</u>	<u>\$ (827,276)</u>	<u>\$ 384,696</u>

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

Fire Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

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:			
Fire	3,895,168	3,097,342	797,826
Total expenditures	<u>3,895,168</u>	<u>3,097,342</u>	<u>797,826</u>
Deficiency of revenues over expenditures	(3,895,168)	(3,097,342)	797,826
Other financing sources:			
Issuance of debt	2,945,612	2,546,725	(398,887)
Total other financing sources	<u>2,945,612</u>	<u>2,546,725</u>	<u>(398,887)</u>
Net change in fund balance	<u>\$ (949,556)</u>	<u>\$ (550,617)</u>	<u>\$ 398,939</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, 2015

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	85,821	85,682	139
Total expenditures	<u>85,821</u>	<u>85,682</u>	<u>139</u>
Deficiency of revenues over expenditures	(85,821)	(85,682)	139
Other financing sources (uses):			
Transfers out	-	(575,000)	(575,000)
Issuance of debt	100,000	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>(475,000)</u>	<u>(575,000)</u>
Net change in fund balance	<u>\$ 14,179</u>	<u>\$ (560,682)</u>	<u>\$ (574,861)</u>

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

Parks Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Taxes	\$ 60,000	\$ 9,798	\$ (50,202)
Investment income		1,768	1,768
Other entities' participation	-	25,000	25,000
Contingency	200,000	-	(200,000)
Total revenues	<u>260,000</u>	<u>36,566</u>	<u>(223,434)</u>
Expenditures:			
Current:			
Community services	5,747,862	4,242,989	1,504,873
Total expenditures	<u>5,747,862</u>	<u>4,242,989</u>	<u>1,504,873</u>
Deficiency of revenues over expenditures	(5,487,862)	(4,206,423)	1,281,439
Other financing sources (uses):			
Transfers out	-	(849,230)	(849,230)
Issuance of debt	4,760,168	3,215,000	(1,545,168)
Total other financing sources (uses)	<u>4,760,168</u>	<u>2,365,770</u>	<u>(2,394,398)</u>
Net change in fund balance	<u>\$ (727,694)</u>	<u>\$ (1,840,653)</u>	<u>\$ (1,112,959)</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, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 1,748	1,748
Total revenues	<u>-</u>	<u>1,748</u>	<u>1,748</u>
Expenditures:			
Current:			
Community development	37,642,544	37,400,118	242,426
Total expenditures	<u>37,642,544</u>	<u>37,400,118</u>	<u>242,426</u>
Deficiency of revenues over expenditures	37,642,544	(37,398,370)	(75,040,914)
Other financing sources (uses):			
Transfers in	3,400,000	4,824,230	1,424,230
Issuance of debt	30,785,000	30,785,000	-
Total other financing sources (uses)	<u>34,185,000</u>	<u>35,609,230</u>	<u>1,424,230</u>
Net change in fund balance	<u>\$ 71,827,544</u>	<u>\$ (1,789,140)</u>	<u>\$ (73,616,684)</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, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 65	\$ 65
Miscellaneous	-	249,168	249,168
Total revenues	<u>-</u>	<u>249,233</u>	<u>249,233</u>
Expenditures:			
Current:			
Public works	7,914,867	4,727,986	3,186,881
Total expenditures	<u>7,914,867</u>	<u>4,727,986</u>	<u>3,186,881</u>
Deficiency of revenues over expenditures	7,914,867	(4,478,753)	(12,393,620)
Other financing sources (uses):			
Transfers in	1,914,375	1,914,375	-
Transfers out	-	(23,873)	(23,873)
Issuance of debt	5,060,956	3,530,000	(1,530,956)
Total other financing sources (uses)	<u>6,975,331</u>	<u>5,420,502</u>	<u>(1,554,829)</u>
Net change in fund balance	<u>\$ 14,890,198</u>	<u>\$ 941,749</u>	<u>\$ (13,948,449)</u>

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

Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 872,288	\$ 828,579	\$ (43,709)
Investment income	-	35	35
Charges for services	-	38,750	38,750
Other entities' participation	-	30,904	30,904
Contingency	40,000	-	(40,000)
Total revenues	<u>912,288</u>	<u>898,268</u>	<u>(14,020)</u>
Expenditures:			
Current:			
Public works	1,589,781	1,458,246	131,535
Total expenditures	<u>1,589,781</u>	<u>1,458,246</u>	<u>131,535</u>
Deficiency of revenues over expenditures	(677,493)	(559,978)	117,515
Other financing sources (uses) :			
Transfers in	250,000	250,000	-
Issuance of debt	655,000	655,000	-
Total other financing sources (uses)	<u>905,000</u>	<u>905,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 227,507</u>	<u>\$ 345,022</u>	<u>\$ 117,515</u>

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

Community Facilities District Capital Projects Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 693,603	\$ 693,603
Total revenues	<u>-</u>	<u>693,603</u>	<u>693,603</u>
Expenditures:			
Current:			
Community development	1,167,935	93,253	1,074,682
Total expenditures	<u>1,167,935</u>	<u>93,253</u>	<u>1,074,682</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 600,350</u>	<u>\$ 600,350</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 78,051,860	\$ 78,216,300	\$ 164,440
Investment income	308,000	425,439	117,439
Miscellaneous	831,000	645,364	(185,636)
Total revenues	<u>79,190,860</u>	<u>79,287,103</u>	<u>96,243</u>
Expenditures:			
Current:			
Public works	79,044,794	59,965,268	19,079,526
Contingency	1,000,000	-	1,000,000
Debt service:			
Principal	21,614,273	22,324,273	(710,000)
Interest and fiscal fees	14,464,248	12,957,843	1,506,405
Total expenditures	<u>116,123,315</u>	<u>95,247,384</u>	<u>20,875,931</u>
Excess (deficiency) of revenues over expenditures	(36,932,455)	(15,960,281)	20,972,174
Other financing sources (uses):			
Transfers in	5,158,141	5,162,636	4,495
Transfers out	(8,133,096)	(5,637,629)	2,495,467
Issuance of debt	22,544,911	-	(22,544,911)
Premium on issuance of debt	-	1,291,597	1,291,597
Proceeds from sale of capital assets	67,357	119,782	52,425
Total other financing sources (uses)	<u>19,637,313</u>	<u>936,386</u>	<u>(18,700,927)</u>
Net change in fund balance	<u>\$ (17,295,142)</u>	<u>\$ (15,023,895)</u>	<u>\$ 2,271,247</u>

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

Solid Waste Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 25,000	\$ 18,320	\$ (6,680)
Charges for services	14,796,495	14,216,743	(579,752)
Miscellaneous	-	7,255	7,255
Total revenues	<u>14,821,495</u>	<u>14,242,318</u>	<u>(579,177)</u>
Expenditures:			
Current:			
Public works	17,178,621	17,624,533	(445,912)
Total expenditures	<u>17,178,621</u>	<u>17,624,533</u>	<u>(445,912)</u>
Deficiency of revenues over expenditures	(2,357,126)	(3,382,215)	(1,025,089)
Other financing sources (uses):			
Transfers in	100,150	-	(100,150)
Transfers out	(202,099)	(101,951)	100,148
Proceeds from sale of capital assets	165,662	87,621	(78,041)
Total other financing sources (uses)	<u>63,713</u>	<u>(14,330)</u>	<u>(78,043)</u>
Net change in fund balance	<u>\$ (2,293,413)</u>	<u>\$ (3,396,545)</u>	<u>\$ (1,103,132)</u>

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

Golf Fund

For the Fiscal Year Ended June 30, 2015

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 7,910	\$ 7,910
Charges for services	2,782,436	2,755,966	(26,470)
Miscellaneous	200,000	99	(199,901)
Total revenues	<u>2,982,436</u>	<u>2,763,975</u>	<u>(218,461)</u>
Expenditures:			
Current:			
Public works	5,444,035	2,654,318	2,789,717
Debt service:			
Interest and fiscal fees	-	2,992	(2,992)
Total expenditures	<u>5,444,035</u>	<u>2,657,310</u>	<u>2,786,725</u>
Deficiency of revenues over expenditures	(2,461,599)	106,665	2,568,264
Other financing sources:			
Transfers in	2,574,000	97,873	(2,476,127)
Proceeds from sale of capital assets	-	39,893	39,893
Total other financing sources	<u>2,574,000</u>	<u>137,766</u>	<u>(2,436,234)</u>
Net change in fund balance	<u>\$ 112,401</u>	<u>\$ 244,431</u>	<u>\$ 132,030</u>



Statistical Section

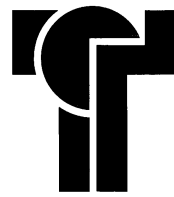
This section provides a broad range of trend data covering key financial indicators including general governmental revenues and expenditures, property taxes, debt burden, demographics and miscellaneous data useful in assessing the City's financial condition.

STATISTICAL SECTION

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

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

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



Net Position by Component (Exhibit S-1)

Last Ten Fiscal Years
Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 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	Fiscal Year 2013-14	Fiscal Year 2014-15
Governmental activities										
Net investment in capital assets	\$ 388,629,882	\$ 397,087,925	\$ 597,765,255	\$ 574,872,877	\$ 562,958,494	\$ 571,925,061	\$ 560,427,507	\$ 548,739,169	\$ 537,940,057	\$ 519,040,090
Restricted (A)	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736	114,643,888	124,800,334	119,845,935	148,338,902	141,565,366
Unrestricted	226,533,760	414,023,370	277,055,145	237,470,312	241,371,774	259,250,692	248,936,397	253,302,947	236,990,748	(18,763,531)
Total governmental activities net position	<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>	<u>\$ 923,269,707</u>	<u>\$ 641,841,925</u>
Business-type activities										
Net investment in capital assets	\$ 174,110,077	\$ 177,682,915	\$ 154,867,017	\$ 151,096,394	\$ 144,245,429	\$ 175,625,967	\$ 162,774,388	\$ 149,782,240	\$ 137,971,614	\$ 142,208,059
Unrestricted	88,802,930	88,554,746	103,816,965	100,251,937	102,511,794	73,018,010	92,951,764	105,207,407	118,726,035	90,577,933
Total business-type activities net position	<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>	<u>\$ 256,697,649</u>	<u>\$ 232,785,992</u>
Primary government										
Net investment in capital assets	\$ 562,739,959	\$ 574,770,840	\$ 752,632,272	\$ 725,969,271	\$ 707,203,923	\$ 747,551,028	\$ 723,201,895	\$ 698,521,409	\$ 675,911,671	\$ 661,248,149
Restricted (A)	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736	114,643,888	124,800,334	119,845,935	148,338,902	141,565,367
Unrestricted	315,336,690	502,578,116	380,872,110	337,722,249	343,883,568	332,268,702	341,888,161	358,510,354	355,716,783	71,814,402
Total primary government net position	<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>	<u>\$ 1,179,967,356</u>	<u>\$ 874,627,918</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 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	Fiscal Year 2013-14	Fiscal Year 2014-15
Expenses										
Governmental activities:										
Police	\$ 59,957,698	\$ 60,929,075	\$ 83,613,800	\$ 86,126,079	\$ 78,283,021	\$ 72,492,475	\$ 76,799,591	\$ 76,585,163	\$ 78,658,426	\$ 92,214,451
Fire	20,098,598	22,563,083	30,133,124	30,850,700	30,542,829	27,499,884	28,156,863	32,594,512	31,103,237	32,914,994
Community services	22,205,153	16,072,936	24,070,427	30,402,447	21,891,886	27,031,973	31,069,618	28,592,571	29,363,339	29,239,583
Public works	67,537,876	56,869,440	82,727,089	101,674,714	115,283,119	94,687,386	98,915,390	103,586,986	102,892,245	107,411,254
Community development	30,358,768	21,444,736	20,037,984	20,445,243	23,494,471	30,778,689	25,113,273	26,757,509	30,234,017	18,832,177
Human services(H)	-	-	-	-	-	-	-	-	-	13,374,117
Municipal court	4,342,297	4,708,606	6,066,038	5,496,374	5,245,105	4,179,694	3,934,716	3,900,928	4,288,787	4,028,068
Mayor and council	362,810	362,281	547,453	418,851	387,723	316,531	356,468	223,472	408,196	330,042
City manager	412,936	445,531	488,323	265,531	369,153	556,354	78,458	615,451	477,964	7,045,783
City attorney	2,348,553	2,903,028	3,641,333	2,933,734	3,101,845	2,659,312	2,854,168	2,963,058	2,844,965	3,712,245
Internal audit office	460,824	476,089	558,706	484,460	427,828	477,080	338,059	393,471	392,629	433,339
Municipal budget office (H)	-	-	-	-	-	-	-	-	-	415,774
City clerk and elections	752,336	528,493	870,815	684,875	739,884	403,792	910,616	481,374	844,934	751,331
Internal services	-	-	-	-	-	-	-	-	-	6,403,407
Parks and recreation (A)	-	20,015,034	20,521,457	20,431,433	21,238,479	-	-	-	-	-
Community relations	2,499,978	2,816,030	3,179,145	3,137,349	4,210,261	4,463,790	7,456,756	7,039,462	6,416,085	-
Diversity program (H)	534,950	548,552	687,926	583,563	531,651	447,287	476,011	449,428	463,969	-
Tempe learning center (D)(F)	-	-	-	-	-	467,763	462,817	354,866	-	-
Economic development (G)	-	-	-	-	-	-	-	-	-	326,433
Development services (B)	4,492,161	8,611,601	8,596,785	6,338,984	7,107,213	-	-	-	-	-
Finance and technology (C) (H)	-	-	-	-	-	8,321,853	5,325,401	4,063,048	4,128,800	-
Financial services (C)	4,256,427	4,597,029	5,969,557	4,458,557	3,923,486	-	-	-	-	-
Human resources (H)	2,727,058	2,877,320	3,648,975	3,157,288	3,443,660	2,037,261	2,102,617	2,036,621	3,214,557	-
Information technology(C)	1,462,595	889,443	2,677,340	1,817,517	2,149,363	-	-	-	-	-
Non-departmental	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	1,331,649	1,955,520
Interest on long-term debt	10,821,420	13,996,681	12,091,111	16,247,598	16,185,139	18,453,487	14,894,293	14,347,644	17,153,207	12,882,924
Total governmental activities expenses	241,754,773	249,782,061	313,195,035	337,252,966	340,940,020	301,007,739	301,546,309	308,647,885	314,543,439	331,945,009
Business-type activities:										
Water and wastewater	53,588,122	53,688,700	64,954,769	64,720,725	73,045,936	67,505,481	72,156,412	72,352,330	73,208,373	73,548,319
Solid waste	11,836,691	12,403,387	15,130,899	14,499,308	13,730,227	13,784,106	14,626,578	14,758,133	15,379,174	15,868,498
Golf course	2,375,802	2,225,214	2,667,539	2,324,208	2,269,182	2,011,316	2,658,416	2,724,422	2,799,922	2,685,634
Cemetery (E)	152,717	171,817	251,743	218,447	312,525	176,553	129,849	-	-	-
Total business-type activities expenses	67,953,332	68,489,118	83,004,950	81,762,688	89,357,870	83,477,456	89,571,255	89,834,885	91,387,469	92,102,451
Total primary government expenses	\$ 309,708,105	\$ 318,271,179	\$ 396,199,985	\$ 419,015,654	\$ 430,297,890	\$ 384,485,195	\$ 391,117,564	\$ 398,482,770	\$ 405,930,908	\$ 424,047,460

(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.

(F) In fiscal year 2013-14, Tempe Learning Center was reincorporated into Human Resources.

(G) In fiscal year 2013-14, Economic Development was established as it's own reporting unit.

(H) In fiscal year 2014-15, Finance and Technology and Human Resources were combined to form the Internal Services Department. A component of the Community Services Department along with Diversity formed a new department called Human Services. The budget office became a stand alone office now known as Municipal Budget Office. Economic Development and Community Relations became a part of the City Manager Office.

Changes in Net Position (Exhibit S-2b)

Last Ten Fiscal Years

Accrual Basis of Accounting

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	Fiscal Year 2013-14	Fiscal Year 2014-15
Program Revenues										
Governmental activities:										
Charges for services:										
Police	\$ 877,704	\$ 831,973	\$ 1,110,714	\$ 1,201,962	\$ 1,052,723	\$ 1,657,335	\$ 1,649,775	\$ 1,506,807	\$ 1,320,177	\$ 1,712,306
Fire	566,505	1,116,101	303,824	314,969	912,000	2,107,133	1,642,702	153,903	268,938	334,158
Community services	5,098,319	5,353,815	6,924,685	7,122,650	6,173,870	6,453,226	7,101,043	6,988,375	7,445,319	7,589,603
Public works	6,594,229	7,940,104	11,305,217	20,461,847	19,596,611	19,582,397	18,136,860	18,536,983	19,681,176	19,786,216
Community development	637,445	526,893	451,535	592,236	1,938,184	4,484,572	7,088,168	6,815,190	12,035,033	13,065,445
Human services (D)	-	-	-	-	-	-	-	-	-	80,237
Municipal court	7,179,554	7,687,007	8,211,574	8,912,739	5,868,369	8,413,798	7,826,823	6,426,389	6,747,891	8,302,032
City attorney	-	-	-	-	-	8,682	-	13,310	-	-
Internal services	-	-	-	-	-	-	-	-	-	2,212,402
Parks and recreation (A)	-	30,053	27,844	9,348	126,455	-	-	-	-	-
Community relations	-	-	-	24,070	-	-	-	-	-	-
Development services	5,566,289	5,891,971	6,175,963	5,090,280	3,710,512	-	-	-	-	-
Finance and technology (B)	-	-	-	-	-	2,624,190	2,623,338	2,140,898	2,224,489	-
Financial Services (B)	1,932,684	1,900,016	1,728,472	1,781,809	1,997,614	-	-	-	-	-
Non-departmental	92,827	284,084	79,536	130,492	-	-	-	-	-	-
Operating grants and contributions	19,903,398	18,812,530	15,625,633	16,052,299	18,222,849	22,131,520	22,450,002	27,287,325	24,668,792	19,784,859
Capital grants and contributions	54,935,929	103,412,667	79,670,490	35,955,254	38,709,299	24,708,317	15,961,785	6,551,849	5,933,017	7,258,243
Total governmental activities program revenues	103,384,883	153,787,214	131,615,487	97,649,955	98,308,486	92,171,170	84,480,496	76,421,029	80,324,832	80,125,501
Business-type activities:										
Charges for services:										
Water and wastewater	47,012,596	50,922,496	53,208,327	55,504,216	62,511,102	70,094,034	73,392,328	74,979,069	80,989,551	78,043,384
Solid waste	12,989,827	13,820,128	14,669,542	15,130,988	15,242,801	15,326,780	14,866,281	14,341,827	14,400,476	14,216,743
Golf course	1,971,031	1,912,286	1,984,429	1,813,578	1,574,081	1,562,489	2,344,355	2,480,815	2,661,519	2,755,966
Cemetery (C)	18,943	18,339	231,960	98,356	116,643	110,196	144,242	-	-	-
Capital grants and contributions	506,593	4,782,425	472,928	59,867	4,765,839	1,691,429	1,988,550	-	-	-
Total business-type activities program revenues	62,498,990	71,455,674	70,567,186	72,607,005	84,210,466	88,784,928	92,735,756	91,801,711	98,051,546	95,016,093
Total primary government program revenues	\$ 165,883,873	\$ 225,242,888	\$ 202,182,673	\$ 170,256,960	\$ 182,518,952	\$ 180,956,098	\$ 177,216,252	\$ 168,222,740	\$ 178,376,378	\$ 175,141,594
Net (expense)/revenue										
Governmental activities	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)	\$ (239,603,011)	\$ (242,631,534)	\$ (208,836,569)	\$ (217,065,813)	\$ (232,226,856)	\$ (234,218,607)	\$ (251,819,508)
Business-type activities	(5,454,342)	2,966,556	(12,437,764)	(9,155,683)	(5,147,404)	5,307,472	3,164,501	1,966,826	6,664,077	2,913,642
Total primary government net expense	\$ (143,824,232)	\$ (93,028,291)	\$ (194,017,312)	\$ (248,758,694)	\$ (247,778,938)	\$ (203,529,097)	\$ (213,901,312)	\$ (230,260,030)	\$ (227,554,530)	\$ (248,905,866)

(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 Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

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

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

Changes in Net Position (Exhibit S-2c)

Last Ten Fiscal Years
Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 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	Fiscal Year 2013-14	Fiscal Year 2014-15
General revenues and other changes in net position										
Governmental activities:										
General revenues:										
Sales taxes	\$ 145,109,192	\$ 157,488,587	\$ 150,687,016	\$ 134,382,181	\$ 125,186,698	\$ 141,844,739	\$ 142,985,910	\$ 149,078,044	\$ 147,815,825	\$ 147,787,315
State shared income taxes, unrestricted (B)	16,607,943	18,823,759	23,332,475	24,832,128	21,406,004	16,137,383	13,649,203	16,519,248	32,102,103	-
Intergovernmental revenue, unrestricted (B)	-	-	-	-	-	-	-	-	-	40,571,933
Property taxes	27,532,893	26,826,227	32,447,203	35,891,803	37,183,541	35,501,233	35,899,010	38,644,241	40,074,441	41,457,646
Franchise taxes	1,858,851	2,693,256	3,424,561	3,976,956	3,559,615	3,821,436	3,428,125	3,253,175	3,310,940	2,933,239
Auto-lieu taxes (B)	7,527,675	6,870,739	6,655,516	6,024,595	5,560,791	5,424,902	5,437,201	5,165,072	6,053,172	-
Unrestricted investment earnings	8,038,565	13,337,247	14,041,876	7,410,643	97,660	1,229,447	822,900	278,102	725,099	889,594
Miscellaneous	1,864,289	2,780,229	2,879,878	4,348,126	3,429,435	2,991,971	3,199,954	2,987,769	4,114,557	5,042,875
Gain on sale of capital assets	1,813,311	-	36,146,557	1,491,079	17,160	133,677	496,911	261,764	657,224	2,170,917
Transfers	1,149,970	3,711,910	149,242	615,463	(115,657)	293,418	(508,805)	3,763,255	746,902	479,071
Total governmental activities	<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>	<u>235,600,263</u>	<u>241,332,590</u>
Business-type activities:										
Unrestricted investment earnings	1,909,727	3,305,406	4,618,383	1,940,956	10,698	459,759	335,297	115,362	436,821	488,477
Miscellaneous	993,233	716,338	344,449	262,728	332,955	1,976,132	3,032,990	923,413	1,643,570	142,914
Gain (loss) on sale of capital assets	265,397	48,264	70,495	231,811	96,986	(5,563,191)	40,582	21,149	52,947	247,296
Transfers	(1,149,970)	(3,711,910)	(149,242)	(615,463)	115,657	(293,418)	508,805	(3,763,255)	(746,902)	(479,071)
Total business-type activities	<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>	<u>1,386,436</u>	<u>399,616</u>
Total primary government	<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>	<u>\$ 236,986,699</u>	<u>\$ 241,732,206</u>
Changes in net position										
Governmental activities	\$ 73,132,799	\$ 136,537,107	\$ 88,184,776	\$ (20,630,037)	\$ (46,306,287)	\$ (1,458,363)	\$ (11,655,404)	\$ (12,276,186)	\$ 1,381,656	\$ (10,486,918)
Business-type activities	(3,435,955)	3,324,654	(7,553,679)	(7,335,651)	(4,591,108)	1,886,754	7,082,175	(736,505)	8,050,513	3,313,258
Total primary government	<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>	<u>\$ 9,432,169</u>	<u>\$ (7,173,660)</u>

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

(B) In Fiscal Year 2014-15, *State shared income taxes, unrestricted* and *Auto-lieu* taxes were combined under the category *Intergovernmental revenue, unrestricted*.

Fund Balances, Governmental Funds (Exhibit S-3)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 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	Fiscal Year 2013-14	Fiscal Year 2014-15
General fund										
Reserved	\$ 2,376,818	\$ 4,299,060	\$ 4,449,843	\$ 1,322,728	\$ 981,529	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	94,648,961	96,883,636	92,432,479	75,647,216	42,832,205	-	-	-	-	-
Nonspendable	-	-	-	-	-	650,506	634,526	643,980	653,365	346,364
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	338,193	520,770
Assigned	-	-	-	-	-	13,783,790	9,967,268	8,127,268	9,884,517	8,800,833
Unassigned	-	-	-	-	-	39,604,103	50,954,570	52,658,705	63,878,841	73,879,480
Total general fund	\$ 97,025,779	\$ 101,182,696	\$ 96,882,322	\$ 76,969,944	\$ 43,813,734	\$ 54,038,399	\$ 61,556,364	\$ 61,429,953	\$ 74,754,916	\$ 83,547,447
All other governmental funds										
Reserved	\$ 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	66,938,765	65,022,802	36,228,348	23,220,030	32,742,748	-	-	-	-	-
Capital projects funds	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	1,947,082	1,952,950
Restricted	-	-	-	-	-	75,275,738	76,139,830	75,566,724	77,724,151	80,049,732
Committed	-	-	-	-	-	75,446,158	67,195,597	19,054,131	14,295,999	21,925,153
Assigned	-	-	-	-	-	10,614,331	11,707,666	14,817,549	15,326,386	15,935,817
Unassigned	-	-	-	-	-	(1,097,095)	(1,733,419)	(571,299)	(673,217)	(2,922,001)
Total all other governmental funds	\$ 192,339,519	\$ 140,560,163	\$ 134,892,184	\$ 153,927,621	\$ 165,145,572	\$ 162,065,467	\$ 155,075,412	\$ 110,600,854	\$ 108,620,401	\$ 116,941,651

(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 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	Fiscal Year 2013-14	Fiscal Year 2014-15
Revenues:										
Taxes	\$ 146,084,925	\$ 159,569,926	\$ 159,798,418	\$ 150,848,798	\$ 145,038,639	\$ 158,749,333	\$ 162,157,488	\$ 168,974,511	\$ 182,032,821	\$ 182,323,977
Intergovernmental	109,213,832	127,738,319	102,320,894	143,357,538	111,505,248	87,180,913	72,701,235	76,651,736	74,692,323	78,988,805
Investment earnings	8,038,565	13,337,247	14,041,876	6,393,595	97,660	1,229,966	822,900	278,102	725,099	889,594
Charges for services	18,304,846	20,242,897	23,674,598	31,096,490	27,866,740	30,285,327	31,615,115	32,107,656	37,600,946	38,662,572
Fines and forfeitures	8,261,486	8,407,254	10,148,376	11,516,359	11,082,812	8,235,437	8,198,638	8,537,078	8,909,849	9,986,226
Other entities' participation	2,382,056	2,074,553	1,412,155	1,600,100	328,147	622,543	3,542,185	196,106	174,954	1,093,272
Special assessments	2,705,348	2,610,195	2,842,153	2,860,571	2,783,916	3,867,979	2,526,283	4,442,862	3,605,932	3,862,306
Licenses and permits	1,389,130	1,524,891	1,592,521	1,546,287	1,670,698	1,666,196	1,650,907	1,931,776	2,305,786	1,687,074
Miscellaneous	3,973,800	5,061,404	5,486,178	6,168,789	5,968,065	7,209,565	7,021,832	4,908,914	6,707,484	8,197,929
Total revenues	300,353,988	340,566,686	321,317,169	355,388,527	306,341,925	299,047,259	290,236,583	298,028,741	316,755,194	325,691,755
Expenditures:										
Police	59,977,366	60,200,957	71,813,995	77,046,317	74,747,734	65,289,995	67,325,484	72,709,534	75,135,489	78,102,044
Fire	19,599,806	21,054,670	24,413,707	28,330,453	27,134,920	25,639,288	25,871,390	28,056,149	28,887,609	26,802,154
Community services	20,743,534	15,289,688	20,844,315	26,158,843	18,254,109	22,010,148	23,473,722	24,551,075	25,579,134	22,240,413
Public works	48,822,208	49,026,864	56,316,376	73,659,648	72,253,980	67,998,367	66,845,601	70,784,480	72,739,804	72,414,122
Community development	19,795,483	20,566,776	18,246,591	19,515,673	19,343,140	22,946,249	23,572,565	25,253,707	29,460,993	17,432,661
Human services (F)	-	-	-	-	-	-	-	-	-	13,471,552
Municipal court	4,454,473	4,662,214	5,563,038	5,525,601	5,267,930	4,051,517	3,874,634	3,830,508	4,325,838	4,058,927
Mayor and council	362,810	362,281	367,250	386,483	388,486	318,282	440,161	244,837	368,846	345,501
City manager	383,025	440,915	294,042	347,556	330,992	521,642	101,885	617,384	590,201	6,583,633
City attorney	2,345,165	2,844,636	3,224,007	2,914,014	3,117,084	2,564,283	2,648,388	3,037,216	2,912,507	3,790,479
Internal audit office	450,650	462,751	491,057	506,621	514,069	379,752	393,958	388,263	426,006	432,384
Municipal budget office (F)	-	-	-	-	-	-	-	-	-	323,676
City clerk and elections	747,588	484,894	748,371	633,640	799,975	395,778	899,917	511,960	885,350	751,978
Internal services	-	-	-	-	-	-	-	-	-	7,232,975
Parks and recreation (A)	-	15,166,076	15,826,217	17,583,861	16,880,739	-	-	-	-	-
Community relations (F)	2,470,215	2,773,675	2,843,668	3,095,259	4,217,031	4,332,418	7,180,324	7,088,482	6,562,909	-
Diversity program (F)	520,748	542,292	641,719	555,034	520,731	427,103	457,292	441,212	451,293	-
Economic development (E)(F)	-	-	-	-	-	-	-	-	396,577	-
Tempe learning center (D)	-	-	-	-	-	445,556	415,447	418,396	-	-
Development services (B)	5,768,444	17,278,332	7,394,179	6,376,874	7,056,690	-	-	-	-	-
Finance and technology (F)	-	-	-	-	-	6,620,247	3,572,392	3,760,937	4,558,042	-
Financial services (C)	3,978,571	4,342,723	4,390,171	4,211,080	3,842,927	-	-	-	-	-
Human resources (F)	2,730,740	2,842,328	3,282,022	3,127,479	3,405,582	1,945,518	2,087,079	2,045,707	3,066,799	-
Non-departmental	3,937,911	6,031,097	3,407,427	395,648	-	-	-	-	-	-
Debt service:										
Principal retirement	14,580,000	15,765,000	18,121,865	19,656,531	22,212,157	26,062,231	25,756,000	122,595,000	26,105,000	41,065,000
Interest and fiscal fees	12,016,680	15,239,760	16,636,211	17,153,400	16,656,095	18,989,678	15,494,153	15,315,235	14,084,299	14,164,594
Capital outlay	153,861,610	193,312,819	138,410,945	106,066,458	58,406,594	35,348,520	29,512,675	20,874,698	24,192,621	49,626,981
Total expenditures	377,547,027	448,690,748	413,277,173	413,246,473	355,350,965	306,286,572	299,923,067	402,524,780	320,729,317	358,839,074
Deficiency of revenues over expenditures before other financing sources (uses)	(77,193,039)	(108,124,062)	(91,960,004)	(57,857,946)	(49,009,040)	(7,239,313)	(9,686,484)	(104,496,039)	(3,974,123)	(33,147,319)

(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 2013-14, Economic Development was established as its own reporting area.

(F) In fiscal year 2014-15, Finance & Technology and Human Resources were combined to form the Internal Services Department. A component of the Community Services Department along with Diversity formed a new department called Human Services. The budget office became a stand alone department now known as Municipal Office. Economic Development and Community Relations became a part of the City Manager Office.

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

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	Fiscal Year 2013-14	Fiscal Year 2014-15
Other financing sources (uses):										
Transfers in	23,839,365	37,963,787	71,362,599	64,230,445	59,305,503	16,912,259	18,104,564	67,438,620	22,217,580	26,437,046
Transfers out	(22,689,395)	(34,250,777)	(71,213,357)	(63,614,982)	(59,421,161)	(16,618,841)	(18,613,369)	(68,806,307)	(21,470,678)	(25,957,975)
Issuance of debt	125,845,000	55,640,000	71,170,000	45,980,000	26,040,000	13,146,000	7,005,000	13,675,000	11,650,000	43,965,000
Premium on issuance of debt	1,847,396	1,746,522	1,242,369	807,728	755,553	2,401,827	6,668,536	6,392,968	880,967	1,269,813
Capital lease proceeds	220,940	108,464	-	-	27,986	110,617	-	-	-	111,827
Proceeds from sale of capital assets	3,090,704	656,603	9,430,040	9,577,814	362,900	328,593	534,963	270,346	663,658	2,189,572
Issuance of refunding bonds	-	31,655,000	-	-	-	26,040,000	45,181,900	53,910,000	5,645,000	6,780,000
Payment to refunded bond escrow agent	-	(33,017,976)	-	-	-	(27,936,582)	(48,667,199)	(12,985,558)	(4,267,894)	(4,534,184)
Total other financing sources	<u>132,154,010</u>	<u>60,501,623</u>	<u>81,991,651</u>	<u>56,981,005</u>	<u>27,070,781</u>	<u>14,383,873</u>	<u>10,214,395</u>	<u>59,895,069</u>	<u>15,318,633</u>	<u>50,261,099</u>
Net change in fund balances	<u>\$ 54,960,971</u>	<u>\$ (47,622,439)</u>	<u>\$ (9,968,353)</u>	<u>\$ (876,941)</u>	<u>\$ (21,938,259)</u>	<u>\$ 14,383,873</u>	<u>\$ 527,911</u>	<u>\$ (44,600,970)</u>	<u>\$ 11,344,510</u>	<u>\$ 17,113,780</u>
Debt service as a percentage of noncapital expenditures	11.7%	12.0%	12.5%	11.8%	12.9%	16.5%	15.1%	36.0% (A)	13.5%	17.8%

(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
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
2013-14	3,566,605,000	1,197,308,000	557,844,000	574,888,000	404,398,000	135,525,000	82,928,000	71,660,000	6,591,156,000	2.00
2014-15	3,508,224,000	1,149,448,000	525,409,000	565,352,000	631,183,000	143,330,000	74,412,000	67,279,000	6,664,637,000	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
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
2013-14	54.11	18.17	8.46	8.72	6.14	2.06	1.26	1.08	100
2014-15	52.64	17.25	7.88	8.48	9.47	2.15	1.12	1.01	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. The tax expired on June 30, 2014.

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

Last Ten Fiscal Years

City of Tempe, Arizona

<u>Fiscal Year</u>	<u>City Direct Sales Tax Rate</u>	<u>Maricopa County Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Total Sales Tax Rate</u>
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
2013-14	2.00	0.70	5.60	8.30
2014-15	1.80	0.70	5.60	8.10

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.
 In fiscal year 2014-15, the City of Tempe, Arizona voter approved 0.2% temporary sales tax expired, effective June 30, 2014.

General Property Tax Information (Exhibit S-7)

City of Tempe, Arizona

Tax Levy Limitations

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

Assessments and Collections

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

Taxes Due

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

Taxes Payable

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

Taxes Delinquent

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

Tax Sale

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

Tax Deed

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

Redemption

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

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

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

City of Tempe, Arizona

Fiscal Year		Commercial, Manufacturing, Telecommunications Property	Vacant, Agricultural & Governmental Property	Owner Occupied Residential Property	Rental Residential Property	Railroad & Airlines Property	Non-commercial Historic Property	Less: Tax-Exempt Property	Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Actual Value (A)	Assessed Value as a Percentage of Actual Value
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	\$ 11,391,592,747	15.81 %
	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	12,062,669,419	15.79
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	12,052,102,903	15.73
	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	12,619,189,692	15.90
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	13,152,641,971	15.45
	Secondary	1,487,353,047	386,956,732	782,035,308	240,647,400	3,652,041	6,404,967	505,151,029	2,401,898,466	0.89	16,125,028,204	14.90
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	14,590,284,375	14.84
	Secondary	1,605,563,621	439,585,924	901,618,735	291,324,398	3,447,472	7,346,018	591,937,974	2,656,948,194	0.89	19,106,939,110	13.91
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	16,460,996,774	14.47
	Secondary	1,746,634,264	610,147,603	840,563,032	326,620,717	3,162,023	7,160,219	766,798,994	2,767,488,864	0.91	19,043,217,077	14.53
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	16,647,684,537	14.20
	Secondary	1,634,522,147	598,845,876	718,136,239	321,946,932	2,984,727	8,869,602	772,654,291	2,512,651,232	0.88	17,474,298,161	14.38
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	14,108,227,934	13.75
	Secondary	1,225,527,325	558,393,732	601,912,854	261,295,232	2,740,384	7,897,668	700,438,585	1,957,328,610	1.13	14,184,312,548	13.80
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	12,115,273,950	13.93
	Secondary	1,140,686,523	492,511,871	499,439,182	222,488,879	2,839,643	7,054,535	667,783,593	1,697,237,040	1.35	12,149,064,435	13.97
2013-14	Primary	1,013,888,495	590,348,150	422,097,495	237,011,004	2,470,685	5,503,454	769,883,275	1,501,436,008	0.92	10,969,708,459	13.69
	Secondary	1,019,499,265	627,596,276	422,373,499	245,942,542	2,494,792	7,172,229	811,779,331	1,513,299,272	1.57	11,047,136,814	13.70
2014-15	Primary	1,018,312,716	582,528,256	445,788,470	279,658,188	2,626,349	5,660,031	786,460,357	1,548,113,653	0.92	11,632,254,953	13.31
	Secondary	1,030,441,480	605,931,213	472,413,709	317,364,940	2,652,015	7,102,655	812,188,311	1,623,717,701	1.51	12,317,499,077	13.18

Source: Arizona Department of Revenue - State and County 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 is limited to a 2% increase plus new construction. The secondary levy is unlimited.

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

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

Last Ten Fiscal Years

Rate per \$100 of Assessed Value

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdiction								Total
		City of Tempe (A)	Tempe Union	Tempe Elementary (B)	East Valley Institute of Technology	Maricopa County	Community College	County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District	
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
2013-14	Primary	0.92	2.01	3.22	-	1.28	1.29	0.51	-	-	-	-	-	9.23
	Secondary	1.57	0.64	2.94	0.05	-	0.24	-	0.14	0.14	0.01	0.04	0.19	5.96
	Total	2.49	2.65	6.16	0.05	1.28	1.53	0.51	0.14	0.14	0.01	0.04	0.19	15.19
2014-15	Primary	0.92	2.43	3.30	-	1.32	1.28	0.51	-	-	-	-	-	9.76
	Secondary	1.51	0.63	2.45	0.05	-	0.24	-	0.14	0.14	0.01	0.06	0.19	5.42
	Total	2.43	3.06	5.75	0.05	1.32	1.52	0.51	0.14	0.14	0.01	0.06	0.19	15.18

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

(A) Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.

(B) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$9.78, \$9.86 or \$13.25, respectively. Also, see the *Direct and Overlapping Governmental Activities Debt- Property Tax Supported Schedule* (Exhibit S-17).

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

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdictions								Total
		City of Tempe	Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology	Maricopa County	Community College	Flood District	County Ed Equalization Rate	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District (B)	
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	-	425,111,491	396,192,808	-	161,622,544	-	-	-	-	1,095,820,845
	Secondary	23,000,956	19,078,254	32,431,353	7,428,442	-	76,200,590	54,584,578	-	34,465,535	3,782,401	16,925,024	57,895,470	325,792,603
	Total	36,272,128	75,790,081	75,342,356	7,428,442	425,111,491	472,393,398	54,584,578	161,622,544	34,465,535	3,782,401	16,925,024	57,895,470	1,421,613,448
2013-14	Primary	13,778,678	56,857,111	38,477,473	-	409,775,397	412,623,059	-	163,916,558	-	-	-	-	1,095,428,276
	Secondary	23,766,365	18,307,254	35,425,302	7,214,753	-	78,752,950	39,842,985	-	45,136,223	3,913,249	14,116,305	62,499,144	328,974,530
	Total	37,545,043	75,164,365	73,902,775	7,214,753	409,775,397	491,376,009	39,842,985	163,916,558	45,136,223	3,913,249	14,116,305	62,499,144	1,424,402,806
2014-15	Primary	14,324,634	71,480,977	40,508,811	-	442,762,977	429,857,856	-	170,582,239	-	-	-	-	1,169,517,494
	Secondary	24,609,512	19,247,913	31,649,661	7,676,815	-	82,901,341	43,660,332	-	49,076,612	3,946,541	19,504,284	65,124,108	347,397,119
	Total	38,934,146	90,728,890	72,158,472	7,676,815	442,762,977	512,759,197	43,660,332	170,582,239	49,076,612	3,946,541	19,504,284	65,124,108	1,516,914,613

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

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

(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
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	463,431	36,090,567	99.6
2013-14	37,675,450	(175,020)	37,500,430	36,924,892	98.0	488,899	37,413,791	99.8
2014-15	38,916,826	(164,001)	38,752,825	38,310,425	98.4	-	38,310,425	98.9

Source: Maricopa County Treasurer

- (A) The amounts listed in this column do not tie directly to the amount listed for City of Tempe in Exhibit S-10 for total of Primary and Secondary Property Tax Levy. Due to a timing difference, the amount listed on the *Maricopa County Secured Tax Levy Report*, from the Maricopa County Treasurer's office, is at the time the 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-12)
Property Tax

Current Year and Nine Years Prior

City of Tempe, Arizona

<i>Taxpayer:</i>	Fiscal Year 2014-15			Fiscal Year 2005-06		
	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 Public Service Company	\$ 27,461,046	1	1.69 %	\$ 25,732,555	3	1.34 %
Arizona Mills Mall LLC	26,910,887	2	1.65	28,633,657	2	1.49
Verizon Wireless	19,994,293	3	1.23	-	-	-
KBSII Fountainhead LLC	17,035,781	4	1.05	-	-	-
Qwest Corporation	11,545,434	5	0.71	34,729,301	1	1.82
Honeywell International Inc	10,291,550	6	0.63	-	-	-
Tempe Campus SPV LLC	8,325,000	7	0.51	-	-	-
JDM II Tempe Oc LLC	8,175,835	8	0.50	-	-	-
Sci Real Estate Investments LLC	8,098,330	9	0.50	-	-	-
JP Morgan Chase Bank NA	7,070,939	10	0.43	-	-	-
Amberjack (Commercial Property)	-	-	-	16,915,263	4	0.88
AT&T	-	-	-	15,699,538	5	0.82
Allied Signal	-	-	-	15,190,110	6	0.79
Papago Buttes Corporate LLC	-	-	-	15,001,280	7	0.78
Freescale Semiconductor Inc	-	-	-	13,665,566	8	0.71
State Farm Mutual Auto Insurance	-	-	-	12,867,285	9	0.67
Wells Fargo Bank	-	-	-	12,030,340	10	0.63
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Total	\$ 144,909,095		8.90 %	\$ 190,464,895		9.93 %

Source 2014-15: RBC Capital Markets

Source 2005-06: Dain Rauscher

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

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

<i>Taxpayer</i>	<i>Business Type</i>	Fiscal Year 2014-15			Fiscal Year 2005-06		
		<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>
Taxpayer A	Utility	\$ 4,997,077	1	3.38 %	\$ 4,315,104	1	2.97 %
Taxpayer B	Grocery Stores	3,221,822	2	2.18	2,472,322	2	1.70
Taxpayer C	Construction	2,956,240	3	2.00			
Taxpayer D	Mixed Retail	2,203,303	4	1.49	1,858,625	7	1.28
Taxpayer E	Mixed Retail	2,121,978	5	1.44	2,362,329	4	1.63
Taxpayer F	Electronics	2,108,273	6	1.43			
Taxpayer G	Mixed Retail	2,104,497	7	1.42	2,170,528	5	1.50
Taxpayer H	Auto Sales	1,737,818	8	1.18	2,407,875	3	1.66
Taxpayer I	Auto Sales	1,372,037	9	0.93			
Taxpayer J	Auto Sales	1,299,182	10	0.88	1,609,934	8	1.11
Taxpayer K	Auto Sales				1,585,051	9	1.09
Taxpayer L	Electronics				1,900,129	6	1.31
Taxpayer M	Auto Sales				1,354,694	10	0.93
Total		<u>\$ 24,122,227</u>		<u>16.33 %</u>	<u>\$ 22,036,591</u>		<u>15.18 %</u>

Source: City of Tempe, Arizona Tax and License Division

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

Excise Tax Collections (Exhibit S-14)

Last Ten Fiscal Years

City of Tempe, Arizona f 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	Fiscal Year 2013-14	Fiscal Year 2014-15
Privilege and use tax (A)	\$ 77,080,250	\$ 86,750,870	\$ 81,108,518	\$ 74,295,074	\$ 69,043,642	\$ 83,258,888	\$ 84,937,373	\$ 89,714,946	\$ 97,169,520	\$ 92,910,407
State shared sales tax	16,810,760	15,758,491	15,237,310	13,191,255	12,167,009	12,656,738	12,636,771	13,236,998	14,076,468	14,779,296
State shared income tax	16,607,943	18,823,759	25,401,762	24,832,128	21,406,004	16,137,383	13,649,203	16,519,248	18,025,635	19,577,085
Franchise tax	1,858,851	2,693,256	3,424,560	3,980,674	3,559,615	3,821,436	3,428,125	3,253,175	3,310,940	2,933,239
Vehicle license tax	7,527,675	6,870,739	6,655,516	6,024,595	5,560,791	5,424,902	5,437,201	5,165,072	6,053,172	6,215,552
Permits and Fees (B)	6,708,183	7,300,676	7,812,768	7,227,027	6,171,045	5,491,077	7,139,843	6,896,214	12,197,631	11,881,915
Fines and forfeitures	7,287,717	7,219,328	8,616,319	9,200,777	7,108,900	7,576,496	7,731,585	8,132,195	8,190,178	8,436,300
Total	\$ 133,881,379	\$ 145,417,119	\$ 148,256,753	\$ 138,751,530	\$ 125,017,007	\$ 134,366,920	\$ 134,960,101	\$ 142,917,848	\$ 159,023,544	\$ 156,733,794

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

(A) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

(B) Amounts include all licenses/permits and Community Development and Public Works fees/charges for services.

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

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental General Obligation Debt	Enterprise General Obligation Debt and WIFA	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
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
2013-14	163,205,000	236,046,554	35,478,343	363,773,211	1,513,299,272	8.4	24.0	2,140
2014-15	181,905,000	216,802,282	23,610,085	375,097,197	1,627,720,901	9.7	23.0	2,213

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-16)

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Governmental Activities</i>									
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Refunding Certificates of Participation	Excise Tax Revenue Bonds	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases	Total Government-Type Debt	
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	
2013-14	163,205,000	23,930,000	-	144,606,000	4,907,000	509,804	-	337,157,804	
2014-15	181,905,000	21,175,000	-	134,746,000	4,552,000	-	87,082	342,465,082	
<i>Business-Type Activities</i>									
Fiscal Year	General Obligation Bonds	Capital Improvement Notes (a)	Excise Tax Revenue Bonds	WIFA Loans	Capital Leases	Total Business-Type Debt	Total Primary Government	Per Capita	Percentage of Personal Income
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	-	-	304,420,000	745,718,465	4,319	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
2013-14	223,495,000	-	76,109,000	12,551,554	499,476	312,655,030	649,812,834	3,822	14.12
2014-15	204,970,000	2,500,000	84,839,000	11,832,282	283,594	304,424,876	646,889,958	3,816	14.23

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

City of Tempe, Arizona

Governmental Unit:	2014-15 Net Secondary Assessed Valuation	Debt Outstanding	Portion Applicable To City of Tempe		Combined Tax Rate per \$100 Assessed
			Percent	Amount	
Debt repaid with property taxes:					
Maricopa County Community College	\$ 35,079,646,593	\$ 654,190,000	4.64 %	\$ 30,354,416	1.52
Tempe Elementary School District No. 3	1,291,283,504	124,260,000	83.71	104,018,046	5.75
Mesa Unified School District No. 4	2,671,537,348	246,950,000	0.73	1,802,735	7.50
Kyrene Elementary School District No. 28	1,779,511,364	146,365,000	28.91	42,314,122	4.04
Scottsdale Unified School District No. 48	4,556,319,442	239,962,500	0.28	671,895	4.11
Tempe Union High School District No. 213	3,070,794,868	105,000,000	51.95	54,547,500	3.06
State of Arizona	55,352,051,074	None	N/A	None	0.51
Maricopa County	35,079,646,593	None	N/A	None	1.52
East Valley Institute of Technology		None	N/A	None	N/A
Subtotal overlapping debt (A)				<u>233,708,714</u>	
City direct debt (repaid with secondary property tax)	\$ 1,627,720,901	\$ 181,905,000	100.00 %	<u>181,905,000</u>	
Total direct and overlapping debt				<u><u>\$ 415,613,714</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.

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

City of Tempe, Arizona

Governmental Unit:	<u>Debt Outstanding</u>	<i>Portion Applicable To City of Tempe</i>	
		<u>Percent</u>	<u>Amount</u>
Debt repaid with property taxes:			
Maricopa County Community College	\$ 654,190,000	4.64 %	\$ 30,354,416
Tempe Elementary School District No. 3	124,260,000	83.71	104,018,046
Mesa Unified School District No. 4	246,950,000	0.73	1,802,735
Kyrene Elementary School District No. 28	146,365,000	28.91	42,314,122
Scottsdale Unified School District No. 48	239,962,500	0.28	671,895
Tempe Union High School District No. 213	105,000,000	51.95	54,547,500
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>233,708,714</u>
City direct debt	\$ 304,424,876	100.00 %	<u>304,424,876</u>
Total direct and overlapping debt			<u><u>\$ 538,133,590</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-19)

Last Ten 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	Fiscal Year 2013-14	Fiscal Year 2014-15
Assessed Valuation	<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>	<u>\$ 1,513,299,272</u>	<u>\$ 1,627,720,901</u>
20% Limitation:										
Debt limit equal to 20% of assessed valuation	\$ 380,885,238	\$ 401,340,666	\$ 480,379,693	\$ 531,389,638	\$ 553,497,773	\$ 502,599,094	\$ 391,465,722	\$ 339,447,408	\$ 302,659,854	\$ 325,544,180
Total net debt applicable to 20% limit	<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>	<u>390,600,904</u>	<u>361,721,555</u>
Legal 20% debt margin (available borrowing capacity)	<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>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	57.62%	92.68%	88.40%	86.99%	88.92%	94.49%	114.00%	123.21%	129.06%	111.11%
6% Limitation:										
Debt limit equal to 6% of assessed valuation	\$ 114,265,571	\$ 120,402,200	\$ 144,113,908	\$ 159,416,891	\$ 166,049,332	\$ 150,779,728	\$ 117,439,717	\$ 101,834,222	\$ 90,797,956	\$ 97,663,254
Total net debt applicable to 6% limit	<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>	<u>39,045,000</u>	<u>81,495,000</u>
Legal 6% debt margin (available borrowing capacity)	<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>	<u>\$ 51,752,956</u>	<u>\$ 16,168,254</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	80.78%	2.55%	1.01%	0.88%	4.99%	5.52%	12.80%	27.85%	43.00%	83.44%

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-20)

City of Tempe, Arizona

	<u>Authorization</u>	<u>Amount Used</u>	<u>Transaction</u>	<u>Remaining Authorization</u>
2008 Program:				
Water/Wastewater	\$ 113,300,000	\$ 16,970,000 18,130,302 19,125,000	Series 2009 WIFA 2009 Series 2010	\$ 59,074,698
Streets/Transportation/Storm Drains	44,200,000	75,000 1,005,000 2,915,000 4,510,000 3,040,000 2,430,000	Series 2010 Series 2011 Series 2012 Series 2013 Series 2014 Series 2015	30,225,000
Public Safety - Police/Fire	32,010,000	5,855,000 3,140,000 2,175,000 4,355,000 3,040,000 4,005,000	Series 2010 Series 2011 Series 2012 Series 2013 Series 2014 Series 2015	9,440,000
Community Services/Park Improvement	51,800,000	2,390,000 12,520,000 115,000 1,915,000 2,535,000 2,630,000 29,695,000	Series 2009 Series 2010 Series 2010 Series 2012 Series 2013 Series 2014 Series 2015	-
Total 2008 Program	<u>241,310,000</u>	<u>142,570,302</u>		<u>98,739,698</u>
2012 Program:				
Public Safety - Police/Fire	6,400,000	-	-	6,400,000
Community Services/Park Improvement	10,500,000	4,305,000	Series 2015	6,195,000
Municipal Infrastructure Preservation	12,900,000	2,275,000 2,940,000 3,530,000	Series 2013 Series 2014 Series 2015	4,155,000
Total 2012 Program	<u>29,800,000</u>	<u>13,050,000</u>		<u>16,750,000</u>
Grand Total				<u><u>\$ 115,489,698</u></u>

Source: City of Tempe, Arizona Internal Services Department

Pledged-Revenue Coverage (Exhibit S-21)

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Special Assessment Bonds</i>				<i>Excise Tax Revenue Obligations</i>		
<u>Fiscal Year</u>	<u>Special Assessment Collections</u>	<u>Debt Service (D)</u>	<u>Coverage</u>	<u>Excise Tax Revenue Collections (A)</u>	<u>Debt Service (D)</u>	<u>Coverage</u>
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
2013-14	3,605,932	2,959,851	1.22	165,485,314	11,977,968	13.82
2014-15	3,862,306	3,884,758	0.99	156,733,794	12,055,250	13.00

<i>Performing Arts Excise Tax Obligations</i>				<i>Transit Excise Tax Obligations</i>		
<u>Fiscal Year</u>	<u>0.1% Privilege and Use Tax Collections (B)</u>	<u>Debt Service (D)</u>	<u>Coverage</u>	<u>0.5% Privilege and Use Tax Collections (C)</u>	<u>Debt Service (D)</u>	<u>Coverage</u>
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
2013-14	6,921,904	5,918,250	1.17	33,539,177	4,655,713	7.20
2014-15	7,460,054	5,919,026	1.26	36,147,640	4,655,688	7.76

Source: City of Tempe, Arizona Accounting Division

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

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

Excise Tax Obligations (Excluding Transit Excise Tax Obligations)

City of Tempe, Arizona

Fiscal Year	Senior Excise Tax Obligations			Subordinate Excise Tax Obligations		
	2014-15 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)	Revenue Available for Debt Service (D)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (E)	Coverage (F)
2014-15	\$ 156,733,794	\$ 12,055,250	13.00	\$ 152,138,598	\$ 5,919,026	25.70
2015-16		23,954,670	6.54		5,921,676	25.69
2016-17		14,091,792	11.12		3,427,850	44.38
2017-18		12,978,667	12.08		3,428,850	44.37
2018-19		12,974,892	12.08		3,428,100	44.38
2019-20		12,982,092	12.07		3,433,850	44.31
2020-21		12,368,092	12.67			
2021-22		12,366,067	12.67			
2022-23		12,296,792	12.75			
2023-24		9,344,767	16.77			
2024-25		16,636,617	9.42			
2025-26		7,009,385	22.36			
2026-27		7,005,365	22.37			
2027-28		7,008,735	22.36			
2028-29		7,009,334	22.36			
2029-30		5,217,238	30.04			
2030-31		5,215,800	30.05			
2031-32		2,723,850	57.54			
2032-33		2,116,125	74.07			

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in fiscal year 2014-15. See Excise Tax Collection schedule (Exhibit S-14).
- (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 \$1,390,000 and the City of Tempe, Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$19,500,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009A+B, currently outstanding in the principal amount of \$18,490,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2011A+B, currently outstanding in the principal amount of \$34,740,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2012, currently outstanding in the principal amount of \$25,865,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2013, currently outstanding in the principal amount of \$25,335,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2015, currently outstanding in the principal amount of \$11,810,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2014-15 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 2014-15.
- (E) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2006, currently outstanding in the principal amount of \$2,385,000; the City of Tempe, Arizona Excise Tax Refunding Obligations, Series 2011, currently outstanding in the principal amount of \$15,170,000. Debt service requirements do not include fiscal fees.
- (F) Pursuant to the Purchase Agreement, the City agrees that the Performing Arts Center Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Performing Arts Center Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-23)

Transit Excise Tax Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations

Fiscal Year	Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)
2014-15	\$ 36,147,640	\$ 4,655,688	7.76
2015-16		4,658,463	7.76
2016-17		4,658,863	7.76
2017-18		4,658,413	7.76
2018-19		4,657,413	7.76
2019-20		4,658,413	7.76
2020-21		4,656,213	7.76
2021-22		4,656,063	7.76
2022-23		4,655,763	7.76
2023-24		4,659,356	7.76
2024-25		4,657,450	7.76
2025-26		4,660,044	7.76
2026-27		4,655,294	7.76
2027-28		4,659,044	7.76
2028-29		4,655,544	7.76
2029-30		4,659,194	7.76
2030-31		4,659,319	7.76
2031-32		4,656,806	7.76
2032-33		4,658,931	7.76
2033-34		4,657,913	7.76
2034-35		4,657,625	7.76
2035-36		4,659,119	7.76
2036-37		4,656,963	7.76
2037-38		1,895,975	19.07

Source City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in Fiscal Year 2014-15.
- (B) Includes annual debt service requirements for the Series 2008 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$26,105,000 and the Series 2012 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$38,795,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2014-15 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

Demographic and Economic Statistics (Exhibit S-24)

Last Ten Fiscal Years

City of Tempe, Arizona

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)
2005-06	165,796	\$ 3,906,153,760	\$ 23,560	\$ 58,000	31	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
2013-14	170,027	4,601,100,647	27,061	64,714	28.1	25,264	73,378	7.50
2014-15	169,533	4,546,705,527	26,819	62,291	28.5	25,480	83,301	6.80

Source: (A) Estimate provided by Sites USA (June 2015)
 (B) Amount is calculated using population times per capita personal income
 (C) Estimate provided by Sites USA (June 2015)
 (D) Arizona Department of Education (Azed.gov)
 (E) ASU.edu/Headcount enrollment
 (F) workforce.az.gov (June 2015)

Principal Employers (Exhibit S-25)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

	Fiscal Year 2014-2015			Fiscal Year 2005-2006		
	Employees (A)	Rank	Employment	Employees (B)	Rank	Employment
<i>Employers:</i>						
Arizona State University	11,185	1	27.67 %	12,569	1	42.60 %
Maricopa Community Colleges	4,611	2	11.41	-	-	-
SRP	4,374	3	10.82	-	-	-
Safeway Inc.	3,996	4	9.89	-	-	-
Wells Fargo Banking Division	3,576	5	8.85	-	-	-
Motorola	3,000	6	7.42	3,510	3	11.90
Honeywell	3,000	7	7.42	-	-	-
Kyrene School District	2,401	8	5.94	-	-	-
Chase Manhattan Corporation	2,377	9	5.88	2,300	4	7.80
US Airways	1,898	10	4.70	3,916	2	13.27
Bank One Telephone Banking Division	-		-	1,000	8	3.39
City of Tempe	-		-	1,933	5	6.55
Medtronic Microelectronics	-		-	1,363	6	4.62
State Farm	-		-	1,149	7	3.89
Financial & Credit Services Group	-		-	914	9	3.10
Wilson Electric	-		-	850	10	2.88
Total	40,418		100.00 %	29,504		100.00 %

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, 2005-06

Full-Time Equivalent City Government Employees by Function (Exhibit S-26)

Last Ten 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>	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2014-15</u>
Police	535	530	577	580	568	499	494	497	497	496
Fire	171	160	187	187	185	182	182	182	156	156
Community services	340	234	230	232	308	289	287	288	314	286
Public works	380	307	323	330	535	489	485	484	486	467
Community development	53	60	62	62	106	88	83	82	90	90
Human services	-	-	-	-	-	-	-	-	-	40
Municipal court	41	41	46	46	42	42	42	42	42	42
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	4	4	4	4	3	4	4	4	11	31
City attorney	26	29	29	29	25	25	25	25	25	26
Internal audit office	4	4	4	4	4	3	3	3	4	4
Municipal budget office	-	-	-	-	-	-	-	-	-	4
City clerk and elections	5	5	5	5	5	5	5	5	5	4
Internal services	-	-	-	-	-	-	-	-	-	155
Parks and recreation	-	208	208	210	-	-	-	-	-	-
Community relations	18	20	20	20	27	25	25	24	-	-
Diversity program	4	4	5	5	4	3	3	3	3	-
Tempe learning center	-	-	-	-	-	3	3	3	-	-
Development services	52	63	63	62	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	132	132	132	139	-
Financial services	69	72	72	73	139	-	-	-	-	-
Human resources	19	21	23	24	20	17	17	17	20	-
Information technology	72	73	76	76	-	-	-	-	-	-
Water/wastewater	135	136	138	143	-	-	-	-	-	-
Total	<u>1,935</u>	<u>1,978</u>	<u>2,079</u>	<u>2,097</u>	<u>1,977</u>	<u>1,813</u>	<u>1,797</u>	<u>1,798</u>	<u>1,799</u>	<u>1,808</u>

Source: City of Tempe, Arizona 2014-15 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-27)

Last Ten 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	Fiscal Year 2013-2014	Fiscal Year 2014-15
Function /Program										
Police										
Crime rate (per 100,000 population)	8,269	8,000	6,700	6,100	5,500	5,898	5,800	5,288	5,343	5,110
Traffic accidents	5,562	6,729	5,895	4,920	4,595	4,693	4,834	4,825	4,755	5,103
Emergency service average response time (minimum)	4:43	5:01	5:07	5:08	5:17	5:30	6:35	5:00	5:02	5:13
Citizen calls for police service	124,923	123,847	112,409	106,317	86,074	85,673	87,730	86,996	84,092	85,502
Operating expenditures per citizen calls (C)	\$ 391.87	\$ 353.37	\$ 415.22	\$ 443.34	\$ 432.95	\$ 748.69	\$ 725.33	\$ 829.91	\$ 874.25	\$ 925.59
Fire										
Firefighters per capita (10,000)	8.52	8.24	9.43	9.37	9.13	8.95	9.45	9.44	9.47	9.45
No. of fire calls	2,097	2,148	1,964	2,414	2,144	2,208	2,167	2,002	1,958	2,022
No. of medical calls	13,059	13,469	13,255	15,199	15,413	15,264	17,156	17,411	18,119	19,630
No. of other assistance calls	1,722	2,429	2,708	1,260	1,253	1,275	1,336	2,033	1,976	1,853
Emergency service average response time (minimum)	4:25	4:17	4:22	4:20	4:20	4:20	4:10	4:07	4:08	4:10
% of emergency responses taking 5.0 minutes or less	70%	72%	71%	72%	74%	74%	76%	76%	76%	
Transportation										
On-time performance (bus)	94%	92%	89%	90%	94%	95%	95%	93%	91%	92%
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	7,897,964	7,178,128
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	397,605	302,000
Library										
Registered borrowers	141,509	142,323	142,524	142,500	147,914	140,600	145,948	140,523	143,018	143,000
Circulation	1,404,318	1,246,650	1,257,336	1,250,000	1,089,174	937,500	1,015,578	933,824	814,199	930,000
Community development										
# of permits issued for commercial /industrial	69	69	46	21	18	8	18	18	30	678
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	211,281,465	527,389,841
# of permits issued for residential	1,061	700	675	508	425	314	297	271	451	646
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	235,037,289	173,004,137
# of permits issued other	715	673	653	577	534	521	600	647	660	4
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	156,702,779	8,758,218
Water/wastewater										
Number of customer accounts	42,059	42,261	42,494	42,686	42,453	42,218	42,398	42,351	42,555	42,678
Total water gallons treated (million gallons - mg)	17,589 (B)	16,686 (B)	17,135 (B)	15,774 (B)	15,606	15,877	16,700	16,900	15,979	
O&M per customer account	\$ 221.20	\$ 316.56	\$ 251.00	\$ 256.46	\$ 181.33	\$ 217.49	\$ 249.00	\$ 278.00	309.00	
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total wastewater gallons treated (million gallons per day)	21.5 (B)	21.3 (B)	20.9 (B)	19.7 (B)	18.7	18.6	18.6	18.5	19.4	19.4
Solid waste collection										
Residential container/recycling cost per ton	\$ 73	\$ 70	\$ 102	\$ 71	\$ 114	\$ 112	\$ 115	\$ 121	\$ 108	\$ 140
# of residential accounts	33,021	33,056	32,964	32,916	32,886	33,927	33,759	33,405	33,440	33,397
Residential recycling diversion rate	34%	29%	28%	28%	28%	29%	15%	15%	15%	19%
# of commercial accounts	1,976	1,861	1,942	1,875	1,837	1,940	2,030	2,133	2,130	1,783
Commercial collection cost per ton	\$ 57	\$ 52	\$ 59	\$ 59	\$ 77	\$ 73	\$ 78	\$ 81	\$ 95	\$ 95

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

- (A) Numbers are the 2013-14 revised values as shown in City of Tempe, Arizona Annual Budget dated July 1, 2015.
- (B) Numbers revised by department to reflect change in methodology in tracking.
- (C) Fiscal Year 2009-10 and prior, the operating expenditures were based on *per capita*.

Capital Asset Statistics by Function/Program (Exhibit S-28)

Last Ten Fiscal Years

City of Tempe, Arizona | pe, 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	Fiscal Year 2013-14	Fiscal Year 2014-15
Police										
Stations	2	2	3	3	3	3	3	3	3	3
Patrol Units (Squads)	22	22	22	22	22	20	20	21	24	24
Fire Stations	6	6	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	1,241	1,241
Streetlights	11,754	11,774	11,810	12,021	12,428	11,778	11,778	11,797	11,849	11,904
Traffic Signals	193	199	217	219	219	221	221	221	222	223
Buses	123	115	148	198	188	188	140	135	124	125
Parks and recreation										
Acreage	1,684	1,684	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Playgrounds	44	44	45	45	45	45	45	45	45	45
Sports Fields	195	195	200	200	200	200	200	200	200	200
Community centers	4	4	4	4	4	5	5	5	5	5
Golf Courses	2	2	2	2	2	2	2	2	2	2
Water/Wastewater										
Water mains (miles)	852	852	823	825	839	839	839	833	833	833
Water production capacity (million gallons per day)	120	120	120	120	129	125	125	125	125	125
Water storage capacity (million gallons)	53	53	53	53	53	42	42	42	42	42
Sanitary sewers (miles)	502	502	500	497	498	498	498	496	549	549
Storm sewers (miles)	174	174	193	193	195	194	194	173	173	173
Wastewater treatment capacity (million gallons per day)	32	32	32	38	38	33	33	19	19	19
Solid waste collection										
Collection trucks	68	56	60	58	58	58	58	51	52	47

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