



**Tempe**<sup>®</sup>

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

for the fiscal year ended June 30, 2019

**City of Tempe, Arizona**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended  
June 30, 2019



**City Council:**

Mark Mitchell, Mayor  
Lauren Kuby, Vice Mayor  
Jennifer Adams  
Robin Arredondo-Savage  
Arlene Chin  
Randy Keating  
Joel Navarro

**Administrative Staff:**

Andrew Ching, City Manager

**Presented by:**

Kenneth Jones, Deputy City Manager - Chief Financial Officer  
Renie Broderick, Internal Services Director  
Thomas F. Duensing, CPA, Deputy Internal Services Director - Finance  
Karen Huffman, CPA, Controller



# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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City of Tempe, Arizona

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City of Tempe, Arizona

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December 17, 2019

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

The Comprehensive Annual Financial Report, including the Independent Auditor's Report, for the fiscal year ended June 30, 2019 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 <https://www.tempe.gov/government/internal-services/finance/open-book> 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 40.22 square miles with an estimated population of 192,000 residents. Tempe offers more than 330 days of sunshine each year with rainfall amounts of approximately 7 inches a year. The City is located in Maricopa County, Arizona and is bordered by the cities of Phoenix, Scottsdale, Mesa, Chandler and the Town of Guadalupe. Tempe is surrounded by five major freeways and is only minutes away from Phoenix Sky Harbor International Airport, making it the most accessible City in the metropolitan Phoenix area.

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

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

## **LOCAL ECONOMY**

The City's overall financial condition continues to be strong and stable. The five-year forecast for revenues remains positive, anticipating moderate growth in taxable sales and other revenue sources. Commercial and residential development activity has provided a big boost to construction sales tax revenues in recent years and is projected to decline slightly in the latter years of the forecast. Increases in other local taxes should provide for a stable local tax revenue stream into fiscal year 2019/20, with slowing growth projected in the subsequent years of the forecast.

During fiscal year ended June 30, 2019, the City continued to experience strong performance in the three key categories of revenue including sales taxes, state shared revenue and property taxes as indicated below. For the current year, these three revenue sources comprised 79% of total General Fund revenue.

### Sales Tax

Growth continued in the local sales tax base across many categories including retail, rentals, restaurants and hotel/motels. General Fund sales tax revenues increased by \$5.8 million (or 5.4%) to \$113.1 million. Sales tax revenue represented 49% of total General Fund revenues for the year.

### State-Shared Revenue

The United States 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. State-shared sales tax revenue decreased slightly by \$0.3 million (or 1.7%) to \$18 million compared to the prior year. The City experienced a slight decrease in state-shared income tax of \$0.2 million (or 0.9%). State shared income tax received during the fiscal year (\$22.4 million) is from actual collections by the State for fiscal year 2016/17. Auto lieu tax (\$7.7 million) increased by \$0.1 million (or 1.7%) compared to the prior year, reflective of continuing strong auto sales. These state-shared revenues combined represented about 20.9% of General Fund revenue for the year.

### Property Tax

Property tax revenues grew by \$0.7 million (or 3.6%) to \$20.5 million and by \$0.5 million (or 1.7%) to \$28.2 million over the prior year in the General Fund and General Obligation Debt Service Fund, respectively. The city continues to experience continued overall improvement in property valuations. General Fund property tax comprised approximately 8.9% of total General Fund revenues for the year.

Though a changing economy can periodically provide the City with financial challenges, we expect continued moderate, although slowing growth 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 maintain a strong foundation for the future.

## **LONG-TERM FINANCIAL PLANNING**

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

The latest forecast projects growth in the sales tax, state shared, and property tax revenues. This is due to continued recovery in both the local and state economies. However, Tempe's economy continues to outperform the forecasts for state and regional growth. Tempe's retail and development activity are projected to continue to outperform our surrounding cities for the near term. Revenue related to building permits, plan reviews and other development-related activities continues at a rate well above normal.

An economic downturn is inevitable at some point in our cyclical economy and we continue to watch economic trends for indications of any economic slowdown. Recessionary trends have not been included in any of the individual fund forecasts. Healthy fund balances are projected in the General Fund throughout the forecast period, which would help overcome moderate recessionary trends.

## **CITY COUNCIL STRATEGIC PRIORITIES**



Safe & Secure  
Communities



Quality of Life



Strong Community  
Connections



Sustainable Growth  
& Development



Financial Stability  
& Vitality

Realization of the City Council's strategic priorities for Tempe is ongoing. During the year, city departments, led by the Office of Strategic Management and Diversity, continued working collaboratively to refine performance measures that, over time, will allow the city to measure actual progress towards achieving the identified strategic priorities which are as follows:

- *Safe and Secure Communities* -- Ensuring a safe and secure community through a commitment to public safety and justice.
- *Strong Community Connections* -- Developing and maintaining a strong community connection by emphasizing the importance of open government, customer service and communication with community members.
- *Quality of Life* -- Enhancing the quality of life for all Tempe residents and workers through investment in neighborhoods, parks, the arts, human services and city amenities, with an emphasis on equity and diversity.
- *Sustainable Growth & Development* -- Implementing sustainable growth and development strategies to improve Tempe's environment, quality of life and economic outcomes. Tempe strives to make long-term generational investments in technology, infrastructure and public transit that create a safe, clean, equitable and healthy city.
- *Financial Stability and Vitality* -- Maintaining long-term financial stability and vitality by focusing on economic development, business retention and generating employment to create a robust and diverse economic base.

The associated performance measures, which continue to evolve, reflect the various strategies by which achievement of the strategic priorities will be made possible. The strategic priorities and associated performance measures are incorporated into the decision-making processes within the City. To the extent possible, public meeting agenda items requiring explicit council direction and/or action must identify the related strategic priorities. This was particularly the case during the development of both the fiscal year 2018/19 Annual Operating Budget as well as the Five-Year Capital Improvement Program Budget. Additionally, many non-budgetary decisions of the City Council during the year were made within the context of the identified strategic priorities.

Important tools utilized in the continual evolution of strategic planning are three separate biennial surveys of the community, businesses and employees. Another tool used to align the budget with City Council priorities is the Strategic Tool for Aligning Resources for Tempe (START). This tool provides the Mayor and Council an early opportunity to communicate the areas of focus for the upcoming budget year. The data from the performance measures, the Community, Business and Employee Surveys along with 311 calls, are incorporated in the S.T.A.R.T. tool to assist the Mayor and Council in making budget decisions.

To ensure transparency, the progress towards the achievement of the identified strategic priorities and performance measures are openly displayed through dashboards on the city's public-facing website. These dashboards also assist in fostering improved accountability to the residents of Tempe.

## **FINANCIAL POLICY**

During the 2018 legislative session, the Arizona Legislature approved a statutory change that now requires all Public Safety Personnel Retirement System (PSPRS) employers to adopt formal pension funding policies. Arizona Revised Statute 38-863.01 contains the following requirements of all PSPRS employers:

By July 2019, annually approve a PSPRS pension funding policy that is posted on the governing body's public website and, at least, addresses the following:

- How adequate assets will be maintained to fund benefits payable under PSPRS;
- How the stability of the governing body's contributions will be maintained;
- How and when the governing body's funding requirements will be met;
- Define the funded ratio target and timeline for reaching the target; and,
- Formal acceptance of the annual PSPRS Actuarial Valuation Reports.

This new statutory requirement is sound financial policy and is consistent with Tempe's values related to transparent, stable finances. The legislative change does not impose any requirements that the City of Tempe was not already contemplating. Per Council direction, we will be utilizing actuarial services to determine the funded obligation of Tempe's Public Safety Retirement System plans and to refine a public safety funding policy, as required by the recent legislation. Additionally, although not required by the legislation, the city included the Arizona State Retirement System (ASRS), PSPRS Tier 3 System, and the Elected Official Retirement System (EORS) in the policy which was formally adopted by the city council in June 2019.

## MAJOR INITIATIVES

### Arts and Culture Tax

At the special election held on November 6, 2018, Tempe voters approved a permanent one-tenth of one percent transaction privilege (sales) and use tax to fund arts and culture throughout the city. The existing Performing Arts tax is set to expire on December 31, 2020. Effective on January 1, 2021, the new Arts and Culture tax will assist in the implementation of the Tempe Arts and Culture Plan including:

- Expanding, presenting and producing programs at the Tempe Center for the Arts to include concerts, plays, etc.
- Expanding co-productions at the Tempe Center for the Arts
- Creating signature festivals
- Developing more after school/summer arts/cultural programs for youth
- Expanding Arts in the Park Program
- Enhancing Tempe's Historic properties and utilize spaces
- Providing more arts and cultural programming for adults and seniors
- Broadening the scope of history and culture
- Expanding visual and performing arts opportunities for artists and patrons throughout the community
- Providing free programming for arts and culture across multidisciplinary sect

### Pre-kindergarten Pilot Program (Tempe PRE) - Update

The pilot program has been successful in its goal of improving kindergarten readiness. The city council has decided to provide funding to the Tempe PRE program for the next two fiscal years until a permanent, recurring funding source is identified. The initial two-year pilot program was launched in July 2017 to increase access to high-quality preschool at no cost for qualifying families. Families that are eligible for the free tuition program must live in Tempe and be living at or below 200 percent of the Federal Poverty Level; half-tuition is available to families residing in Tempe with an income between 200 and 300 percent of our income guidelines. Full tuition is available to all families in Tempe and neighboring cities. It is open to children who are age 3 or 4 by July 31 of the school year they are applying to, and children must be fully potty-trained.

Our program is currently designed to be 5 days a week, full day. We also offer free extended care hours at several of our sites, some of which are provided by Kid Zone, as well as camps during school breaks. Our classrooms have early childhood certified lead teachers and well-trained instructional assistants. The classrooms implement the HighScope Preschool Curriculum, which promotes active, play-based and child-centered learning. The City of Tempe partners with the Tempe Elementary and Kyrene school districts to offer programming in 20 classrooms at 12 elementary schools located in the City of Tempe.

### Emergency Medical Transportation - Update

The Fire Medical Rescue Department expanded its emergency medical transportation services during the fiscal year. These services had previously been contracted out, but due to concerns regarding the long-term viability of the service providers within the past few years, the city began taking the necessary steps towards direct provision of this critical service. Emergency service provided by the department during the year totaled 6,093 patient transports. The ambulances are currently housed at stations No. 1, 2, 4 and 6. There are also currently two contractor-provided ambulances serving Tempe. Within five years, the fire department expects to have a fleet of six ambulances in service and two in reserve that will respond to the 9-1-1 calls for medical aid.

Private ambulance companies will continue to provide the city with backup when needed and will continue to provide convalescent or inter-facility transport such as rides to doctor appointments or hospital. Those transportation needs are arranged through health care providers. Service fees for Tempe 9-1-1 Ambulance are set by the Arizona Department of Health Services. The fees are the same as those for the private ambulance companies. Tempe Fire Medical Rescue uses the service fees to support its ambulance service with a long-term goal of becoming self-sustaining through those revenues.

Streetcar - Update

On November 28, 2018, the Federal Transit Administration (FTA) announced that Tempe Streetcar has been allocated the full \$75 million through the Federal Transit Administration (FTA) Capital Investment Grants (CIG). The project was allocated \$50 million from the FTA in 2017 and with the approval of the final \$25 million installment, it allows the project to move toward a fully funded grant. In August 2018, Valley Metro received approval from the Federal Transit Administration (FTA) to begin the initial phase of significant construction on the Tempe Streetcar. With this approval, Valley Metro began work in fall 2018 to build the system's rail trackway, power systems and street improvements. Significant construction progress was made during the year with track installation underway along the entire planned route including the downtown Mill Avenue corridor. Tempe Streetcar is scheduled to open in 2021.

**AWARDS AND ACKNOWLEDGEMENTS**

**Certificates of Achievement**

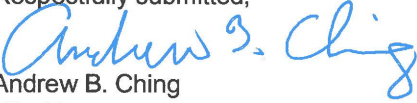
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last forty-three consecutive years (fiscal years 1975/76 through 2017/18). 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 2018/19 annual budget and the National Purchasing Institute's **Achievement of Excellence in Procurement Award** for 2019.

**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, 2018**

*Christopher P. Morill*

Executive Director/CEO



For the Fiscal Year  
Ended June 30, 2019

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

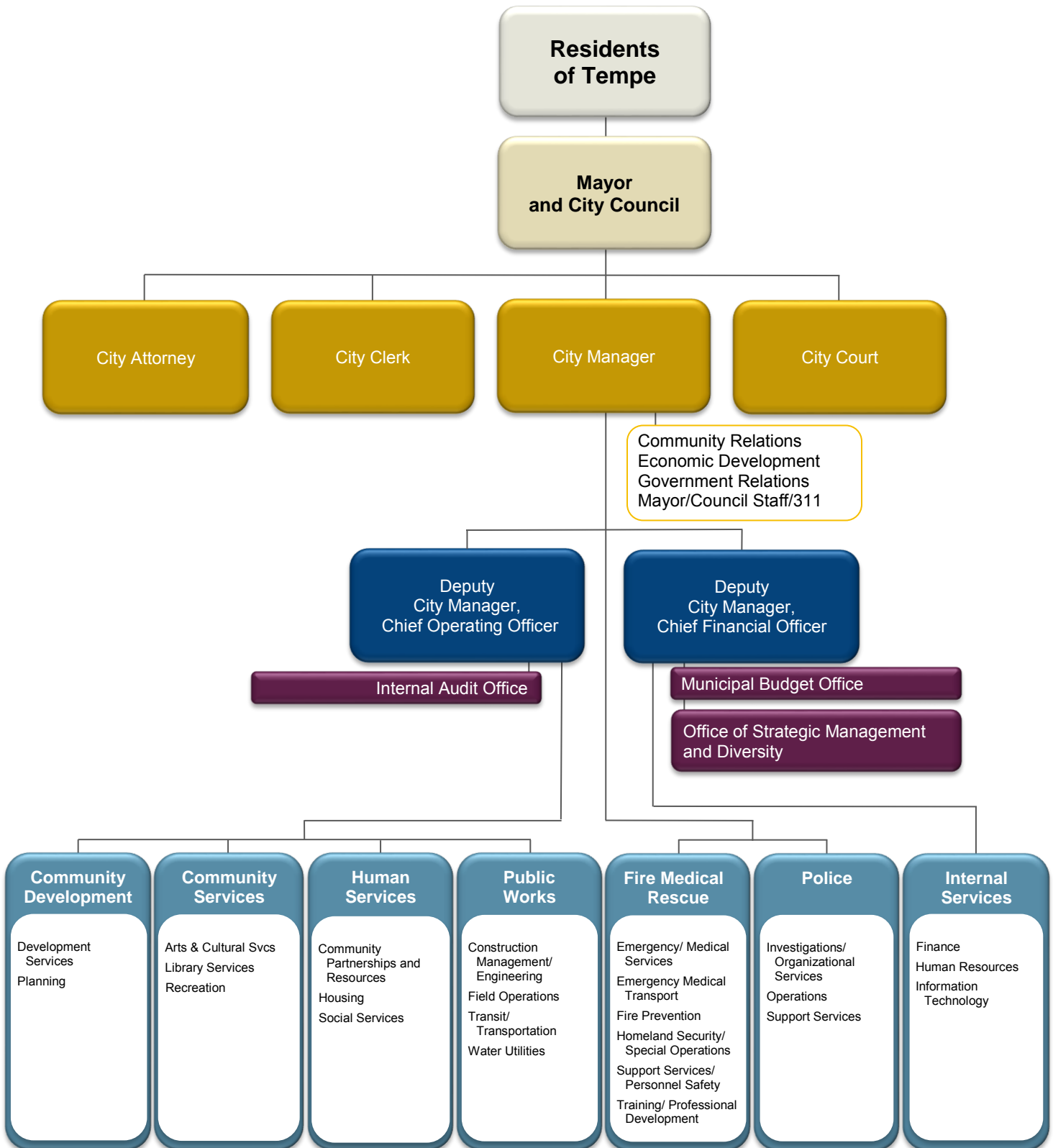
### **City Council**

Mark Mitchell, Mayor  
Lauren Kuby, Vice Mayor  
Jennifer Adams  
Robin Arredondo-Savage  
Arlene Chin  
Randy Keating  
Joel Navarro

### **Administrative Staff**

Andrew Ching, City Manager  
Ken Jones, Deputy City Manager-Chief Financial Officer  
Steven Methvin, Deputy City Manager-Chief Operating Officer  
Sylvia Moir, Police  
Gregory Ruiz, Fire  
Keith Burke, Community Services  
Vacant, Public Works  
Chad Weaver, Community Development  
Naomi Farrell, Human Services  
Kevin Kane, Municipal Court  
Judith R. Baumann, City Attorney  
Bill Greene, Internal Audit Office  
Mark Day, Municipal Budget Office  
Rosa Inchausti, Office of Strategic Management and Diversity  
Carla Reece, City Clerk and Elections  
Renie Broderick, Internal Services

# City Organizational Chart







## 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, the budgetary comparisons for the General Fund and the Transit Special Revenue Fund, and the aggregate remaining fund information of the City of Tempe, Arizona, (the City), as of and for the year ended June 30, 2019, 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, the budgetary comparisons for the General Fund and Transit Special Revenue Fund and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1, the City/Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for the year ended June 30, 2019, 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, budgetary comparison information, net pension liability information, and other postemployment benefit plan information, 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 and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules 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 and Individual Fund Financial Statements and Schedules 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 17, 2019, on our consideration of the 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 solely 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 effectiveness of the City of Tempe's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tempe, Arizona's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
December 17, 2019

## 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, 2019. 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 \$920.0 million (net position). Of this amount, \$223.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$55.9 million during the fiscal year compared to an increase of \$13.6 million in the prior year. The governmental activities experienced an increase in net position of \$42.4 million compared to an increase of \$2.1 million in the prior year and the business-type activities experienced an increase of \$13.5 million compared to an increase of \$11.6 million in the prior year.
- For the fiscal year ended June 30, 2019, the City's governmental revenues overall increased by \$40.4 million. This was predominately due to an increase of \$20.6 million in *capital grants and contributions* revenue followed by an increase of \$8.9 million in *sales taxes*, \$6.4 million in *unrestricted investment earnings*, and \$4.2 million in *operating grants and contributions*. Expenses for *Public Works* and *Fire Medical Recue* increased by \$7.8 million and \$3.7, respectively; while, expenses for *Police* and *Community Services* decreased by \$5.7 million and \$1.3 million, respectively.
- At June 30, 2019, the City's governmental funds reported combined ending fund balances of \$241.7 million. Approximately 72.2% of this total amount (\$174.4 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2019, total fund balance for the General Fund was \$117.8 million, which represents an increase of \$7.6 million over the prior year's fund balance as revenues continued to exceed expenditures. Revenues increased by \$9.6 million, while related expenditures increased by \$13.4 million. Net other financing uses increased by \$2.7 million.
- At June 30, 2019, the City's enterprise funds reported combined total net position of \$278.0 million, and total unrestricted net position of \$153.2 million. Of this total, \$157.9 million of the unrestricted net position was in the Water and Wastewater Fund.

# 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 medical rescue, community services, public works, community development, human services, municipal court, mayor and council, city manager, city attorney, internal audit office, municipal budget office, office of strategic management and diversity, city clerk and elections, and internal services. The business-type activities of the City include water and wastewater, solid waste, emergency medical transportation, and golf operations.

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

## FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater, solid waste, emergency medical transportation 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, 2019			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 657,413,508	\$ 264,300,437	\$ 921,713,945
Capital assets, net	822,291,754	374,025,745	1,196,317,499
Total assets	1,479,705,262	638,326,182	2,118,031,444
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	7,820,971	11,014,756	18,835,727
Deferred outflow from pensions	64,623,464	3,058,485	67,681,949
Deferred outflow from OPEB	2,121,951	303,060	2,425,011
Total deferred outflows of resources	74,566,386	14,376,301	88,942,687
<b>Liabilities</b>			
Long-term liabilities	819,612,790	325,087,551	1,144,700,341
Other liabilities	73,653,632	46,515,661	120,169,293
Total liabilities	893,266,422	371,603,212	1,264,869,634
<b>Deferred inflows of resources</b>			
Deferred inflow from pensions	15,671,091	2,593,456	18,264,547
Deferred inflow from OPEB	3,372,159	462,621	3,834,780
Total deferred inflows of resources	19,043,250	3,056,077	22,099,327
<b>Net position</b>			
Net investment in capital assets	491,949,237	124,836,951	616,786,188
Restricted	79,370,511	-	79,370,511
Unrestricted	70,642,228	153,206,243	223,848,471
Total net position	\$ 641,961,976	\$ 278,043,194	\$ 920,005,170

### ANALYSIS OF NET POSITION

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$920.0 million and \$864.1 million as of June 30, 2019 and 2018, respectively. The City reclassified certain employees during the fiscal year which resulted in a prior period adjustment resulting in a change in estimate. The net position as of June 30, 2018 has been restated for Governmental Activities and Business-Type Activities along with the long-term liabilities, deferred outflows and deferred inflows for both OPEB and pensions. Total, Government-Wide long-term liabilities, deferred outflows and deferred inflows did not change.

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 was \$616.8 million and \$594.8 million at June 30, 2019 and 2018, respectively. These totals represent 67.0% and 68.9% of total net position at June 30, 2019 and 2018, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

**Net position- June 30, 2018 restated**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 618,808,086	\$ 263,227,412	\$ 882,035,498
Capital assets, net	813,193,183	364,360,921	1,177,554,104
Total assets	<u>1,432,001,269</u>	<u>627,588,333</u>	<u>2,059,589,602</u>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	8,910,973	12,364,932	21,275,905
Deferred outflow from pensions, restated	65,127,065	2,647,389	67,774,454
Deferred outflow from OPEB, restated	3,162,724	358,983	3,521,707
Total deferred outflows of resources, Restated	<u>77,200,762</u>	<u>15,371,304</u>	<u>92,572,066</u>
<b>Liabilities</b>			
Long-term liabilities, restated	827,059,211	330,756,201	1,157,815,412
Other liabilities	67,900,346	46,048,156	113,948,502
Total liabilities	<u>894,959,557</u>	<u>376,804,357</u>	<u>1,271,763,914</u>
<b>Deferred inflows of resources</b>			
Deferred inflow from pensions, restated	12,905,892	1,721,670	14,627,562
Deferred inflow from OPEB, restated	1,468,363	173,486	1,641,849
Total deferred inflows of resources, Restated	<u>14,374,255</u>	<u>1,895,156</u>	<u>16,269,411</u>
<b>Net position</b>			
Net investment in capital assets	483,438,668	111,354,858	594,793,526
Restricted	102,808,694	-	102,808,694
Unrestricted, restated	13,318,115	153,208,008	166,526,123
Total net position, restated	<u>\$ 599,565,477</u>	<u>\$ 264,562,866</u>	<u>\$ 864,128,343</u>

An additional portion of the City's net position represents resources that are subject to external restriction on their usage. The net position subject to external restrictions was \$79.4 million (8.6% of total net position) at June 30, 2019. At June 30, 2018 restricted net position was \$102.8 million (11.9% 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 \$223.8 million (24.3% of total net position) and \$166.5 million (19.3% of total net position) at June 30, 2019 and 2018, respectively.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the governmental as well as for the business-type activities as a whole. The same situation held true for the previous fiscal year.

## ANALYSIS OF CHANGE IN NET POSITION

The City's total net position increased by \$55.9 million during the current fiscal year. These changes in net position are explained in the governmental and business-type activities discussion below.



## Changes in Net Position- June 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 48,615,402	\$ 108,714,216	\$ 157,329,618
Operating grants and contributions	34,467,594	-	34,467,594
Capital grants and contributions	39,638,190	-	39,638,190
General revenues:			
Sales taxes	177,596,413	-	177,596,413
Intergovernmental revenue, unrestricted	48,024,343	-	48,024,343
Property taxes	48,706,817	-	48,706,817
Franchise taxes	3,036,531	-	3,036,531
Unrestricted investment earnings	7,936,949	3,614,531	11,551,480
Miscellaneous	5,924,186	1,124,986	7,049,172
Gain on sale of capital assets	674,569	199,388	873,957
Capital contributions	-	32,552	32,552
Total revenues	414,620,994	113,685,673	528,306,667
<b>Expenses</b>			
Police	101,620,981	-	101,620,981
Fire medical rescue	44,646,087	-	44,646,087
Community services	28,463,648	-	28,463,648
Public works	110,725,592	-	110,725,592
Community development	17,550,896	-	17,550,896
Human services	21,669,347	-	21,669,347
Municipal court	4,985,853	-	4,985,853
Mayor and council	491,026	-	491,026
City manager	7,150,485	-	7,150,485
City attorney	3,137,658	-	3,137,658
Internal audit office	434,770	-	434,770
Municipal budget office	172,182	-	172,182
Office of strategic management and diversity	1,079,461	-	1,079,461
City clerk and elections	829,499	-	829,499
Internal services	15,650,001	-	15,650,001
Unallocated depreciation	1,716,431	-	1,716,431
Interest on long-term debt	12,503,655	-	12,503,655
Water and wastewater	-	77,906,953	77,906,953
Solid waste	-	15,791,378	15,791,378
Emergency medical transportation	-	2,966,379	2,966,379
Golf	-	2,937,558	2,937,558
Total expenses	372,827,572	99,602,268	472,429,840
Increase in net position before transfers	41,793,422	14,083,405	55,876,827
Transfers	603,077	(603,077)	-
Change in net position	42,396,499	13,480,328	55,876,827
Net position- beginning, restated	599,565,477	264,562,866	864,128,343
Net position- ending	\$ 641,961,976	\$ 278,043,194	\$ 920,005,170

## Changes in Net Position- June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 48,449,068	\$ 109,182,268	\$ 157,631,336
Operating grants and contributions	30,237,598	-	30,237,598
Capital grants and contributions	19,044,276	-	19,044,276
General revenues:			
Sales taxes	168,650,143	-	168,650,143
Intergovernmental revenue, unrestricted	48,403,871	-	48,403,871
Property taxes	47,495,555	-	47,495,555
Franchise taxes	3,290,220	-	3,290,220
Unrestricted investment earnings	1,489,603	697,388	2,186,991
Miscellaneous	5,506,328	651,500	6,157,828
Gain on sale of capital assets	1,667,264	33,015	1,700,279
Total revenues	374,233,926	110,564,171	484,798,097
<b>Expenses</b>			
Police	107,357,688	-	107,357,688
Fire medical rescue	40,900,261	-	40,900,261
Community services	29,739,525	-	29,739,525
Public works	102,940,790	-	102,940,790
Community development	17,270,124	-	17,270,124
Human services	22,505,753	-	22,505,753
Municipal court	5,007,487	-	5,007,487
Mayor and council	405,716	-	405,716
City manager	7,045,025	-	7,045,025
City attorney	3,283,818	-	3,283,818
Internal audit office	476,584	-	476,584
Municipal budget office	288,182	-	288,182
Office of strategic management and diversity	981,169	-	981,169
City clerk and elections	979,356	-	979,356
Internal services	16,749,283	-	16,749,283
Unallocated depreciation	1,716,725	-	1,716,725
Interest on long-term debt	11,817,213	-	11,817,213
Water and wastewater	-	76,903,243	76,903,243
Solid waste	-	17,494,354	17,494,354
Emergency Medical Transportation	-	3,026,686	3,026,686
Golf	-	2,802,184	2,802,184
Total expenses	369,464,699	100,226,467	466,664,480
Increase in net position before transfers	4,769,227	10,337,704	15,106,931
Transfers	(1,454,082)	(25,122)	(1,479,204)
Change in net position	3,315,145	10,312,582	13,627,727
Net position- beginning, restated	596,250,332	254,250,284	850,500,616
Net position- ending	\$ 599,565,477	\$ 264,562,866	\$ 864,128,343

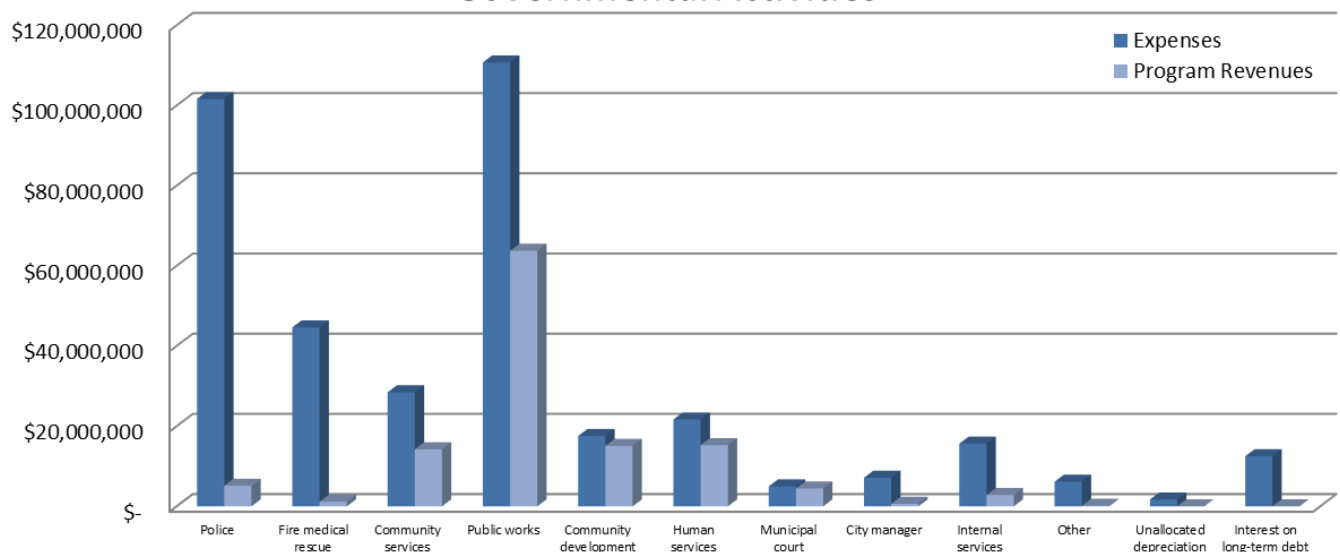
**Governmental activities.** The governmental net position increased by \$42.4 million for the fiscal year ended June 30, 2019 compared to a \$3.3 million increase in net position for the fiscal year ended June 30, 2018. Overall, revenues increased by \$40.4 million while expenses increased by \$3.4 million.

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

- *Sales taxes*, the largest revenue source, increased in the amount of \$8.9 million (5.3%) due to the increase in development coupled with the continued strong overall economy.
- *Capital grants and contributions* increased by \$20.6 million (108.1%). The majority of the increase (\$19.4 million) is due to the increase in net funding from the prior year for the transit streetcar project which is a part of the Valley Metro Rail, Incorporated joint venture. The revenues from this project grew from \$14.9 million to \$34.3 million from the fiscal years ended June 30, 2018 and June 30, 2019, respectively.
- *Unrestricted investment earnings* increased from \$1.5 million for the fiscal year ended June 30, 2018 to \$7.9 million for the fiscal year ended June 30, 2019 due primarily to realized gains on investments at June 30, 2019 totaling \$4.6 million.
- The positive change in net position was not only due to the increase in revenues, but expenses remained relatively flat at an increase of \$3.4 million, or 0.9%. For the public safety services, *Police* expenses decreased by \$5.7 million (5.4%) and *Fire Medical Rescue* expenses increased by \$3.7 million (9.2%). The decrease in police expenses is due to a reduction in both pension and OPEB expense for the year ended June 30, 2019. The increase in Fire expenses is due to the addition of 23 authorized positions. For non-public safety services, increases in Public Works expenses of \$7.8 million were offset by overall decreases in governmental activity expenses by \$2.4 million as a result of reduced pension and OPEB expenses. The increase in Public Works expense is primarily due to increased costs of bus service of \$2.1 million plus the net loss related to the Regional Wireless Consortium of \$3.2 million.

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

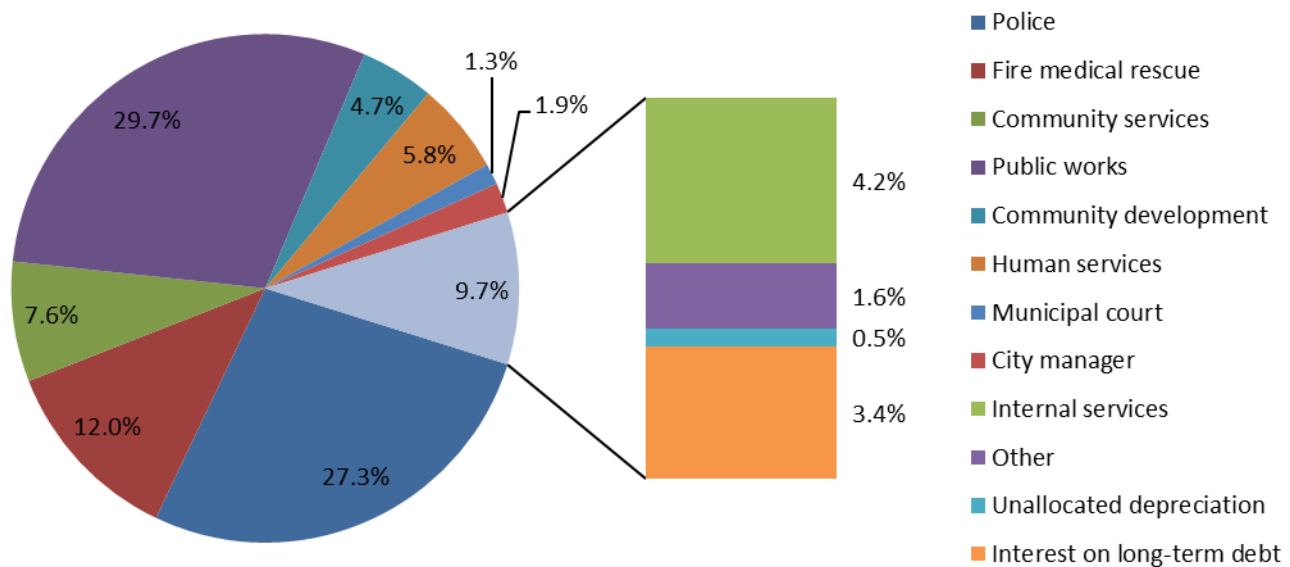
### Fiscal Year 2019 Expenses and Program Revenues Governmental Activities



A comparison of expenses by function and the percentage of total expenses for the largest functions are presented in the chart. As stated earlier, total expenses for the City's governmental activities increased from prior year by \$3.4 million (0.9%). The main functions which experienced the increases were *Fire Medical Rescue* and *Public Works*.

	Fiscal Year Ended			
	June 30, 2019		June 30, 2018	
Public works	\$110,725,592	29.7%	\$102,940,790	27.9%
Police	101,620,981	27.3	107,357,688	29.1
Fire medical rescue	44,646,087	12.0	42,150,580	11.1
Community services	28,463,648	7.6	29,739,525	8.0
Human services	21,669,347	5.8	22,505,753	6.1
Community development	17,550,896	4.7	17,270,124	4.7
Internal services	15,650,001	4.2	16,749,283	4.5

### Fiscal Year 2019 Expenses by Function- Governmental Activities



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

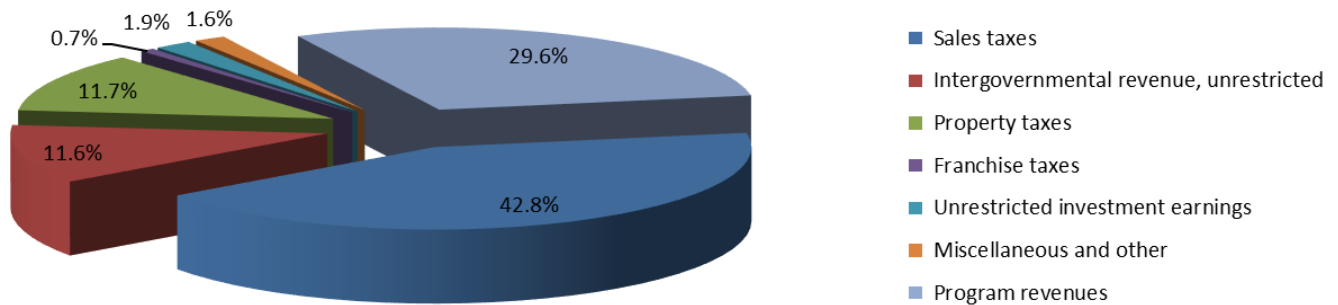
For governmental activities overall, without regard to program, a comparison of the largest general revenues and their percentage of total revenues (excluding transfers) is presented.

	Fiscal Year Ended			
	June 30, 2019		June 30, 2018	
Sales taxes	\$177,596,413	42.8%	\$168,650,143	45.1%
Intergovernmental revenue- unrestricted	48,024,343	11.6	48,403,871	12.9
Property taxes	48,706,817	11.7	47,495,555	12.7
Unrestricted investment earnings	7,936,949	1.9	1,489,603	0.4
Miscellaneous and other	6,598,755	1.6	7,173,592	1.9
Franchise taxes	3,036,531	0.7	3,290,220	0.9

As stated previously,

sales taxes, intergovernmental revenue- unrestricted, property taxes and unrestricted investment earnings each displayed growth. The categories of miscellaneous and other and franchise taxes decreased slightly.

### Fiscal Year 2019 Revenues by Source- Governmental Activities



**Business-type activities.** Business-type activities increased the City’s net position by \$13.5 million for the year ended June 30, 2019 compared to an increase of \$10.3 million for the year ended June 30, 2018. Rate increases were implemented in January 2018 for the Water and Wastewater Fund and Solid Waste Fund and the fiscal year ended June 30, 2019 was the first full fiscal year under the current rates.

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

For the Year Ended June 30, 2019					
	Water and Wastewater	Solid Waste	Emergency Medical Transport	Golf	Total
Charges for services Unrestricted	\$ 85,339,513	\$ 17,306,244	\$ 3,442,151	\$ 2,626,308	\$ 108,714,216
investment earnings/ other	4,285,469	185,199	296,858	171,379	4,938,905
Total	<u>\$ 89,624,982</u>	<u>\$ 17,491,443</u>	<u>\$ 3,739,009</u>	<u>\$ 2,797,687</u>	<u>\$ 113,653,121</u>

For the Year Ended June 30, 2018					
	Water and Wastewater	Solid Waste	Emergency Medical Transport	Golf	Total
Charges for services Unrestricted	\$ 87,807,953	\$ 16,706,706	\$ 2,280,247	\$ 2,387,362	\$ 109,182,268
investment earnings/ other	806,560	17,159	541,246	16,938	1,381,903
Total	<u>\$ 88,614,513</u>	<u>\$ 16,723,865</u>	<u>\$ 2,821,493</u>	<u>\$ 2,404,300</u>	<u>\$ 110,564,171</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 \$77.9 million for the fiscal year, followed by Solid Waste with \$15.8 million, Emergency Medical Transportation with \$3.0 million, and Golf with \$2.9 million.

Expenses, both operating and nonoperating, for the Water and Wastewater Fund increased by a total of \$1.0 million (1.3%) due to normal operating and nonoperating expense growth across all categories coupled with decreased pension and OPEB expenses. *Charges for services* decreased by \$2.5 million (2.8%) due to a decrease in water consumption coupled with no rate increases for the fiscal year ended June 30, 2019. The *change in net position* was a \$10.6 million increase in fiscal year 2018 which is down slightly from \$10.8 million increase in fiscal year 2017.

The Solid Waste Fund had decreased expenses of \$1.7 million (9.7%) primarily due decreased pension and OPEB expenses and a reduction in risk management charges from the prior year of \$1.7 million. *Charges for services* increased by \$0.6 million (3.6%) due to a full year of a January 2018 rate increase. The *change in net position* increased by \$2.2 million in fiscal year 2019 while the prior year had a decrease of \$0.6 million.

In Fiscal Year 2018, the City created the Emergency Medical Transportation Fund to provide ambulance services. During Fiscal Year 2019, service was expanded, and the number of authorized, full-time equivalent positions grew from 13 to 25 as a result of the transfer of 12 full-time equivalent positions from Governmental Activities. The service expansion resulted in an increase in the charges for services from \$2.3 million during Fiscal Year 2018 to \$3.4 million in the Fiscal Year Ended June 30, 2019. The fund realized operating income of \$0.8 million. The reclassification of those position resulted in a change in estimate of the pension and OPEB liabilities, thus, a restatement of the July 1, 2018 beginning net position. The ending net position grew to \$1.2 million at June 30, 2019.

In the Golf Fund, *charges for services* increased by \$0.2 million (10.0%) while operating expenses increased by \$0.1 million (4.5%). In the prior year, the Rolling Hills Golf Course was closed during the replacement of the irrigation system. The total net position of the fund decreased by \$29,295, resulting in a deficit ending net position of \$0.2 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*. This unrestricted fund balance 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 \$241.7 million, a decrease of \$0.7 million from the prior year. Approximately \$174.4 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 \$14.9 million over the prior year's combined balance of \$159.5 million. The increase is due primarily to a combination of increases in *sales taxes*, *property tax*, *intergovernmental revenues- unrestricted* and *licenses and permits*.

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, 2019, the non-

spendable fund balance included amounts for *inventories* (\$1.1 million), *prepaid items* (\$0.6 million) and a *capital improvement note receivable* reserve (\$0.3 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (City Charter) that govern their use. The restricted portion of fund balance consists primarily of amounts for *debt service* (\$3.5 million), *Public Works* (\$51.5 million), *Police* (\$4.2 million).

Revenues for governmental functions overall totaled \$382.2 million in the fiscal year ended June 30, 2019, which represents a net increase of \$19.6 million (5.4%) from the fiscal year ended June 30, 2018. This change is primarily due to the increase in the following areas: \$8.2 million (5.2%) in *sales taxes*, \$1.2 million (2.5%) in *property taxes*, \$6.5 million in *Federal grants* (39.3%), \$6.4 million in *investment income*. On the other hand, there was a decrease in *other entities participation* of \$2.2 million, and in *licenses and permits* of \$1.4 million (16.6%).

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$117.8 million. The fund only had \$0.5 million in non-spendable fund balance and \$0.1 million in *restricted* fund balance. The remaining \$117.2 million is available for spending at the City's discretion. 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 \$7.6 million. In the prior year the net increase was \$14.1 million.

Total revenues increased by \$9.6 million (4.3%) from the prior year. *Sales taxes* increased by \$5.8 million (5.4%), *property taxes* increased by \$0.7 million (3.6%), *state sales taxes* decreased by \$0.3 million (1.7%) and *state income tax* decreased by \$0.2 million (0.9%). Overall, these revenues remained relatively stable due to economic stability. In addition, *Intergovernmental- other* increased by \$0.9 million (24.20%) due primarily to the

	Fiscal Year Ended			
	June 30, 2019		June 30, 2018	
Revenues	\$ 230,323,385		\$ 220,762,808	
Total fund balance	117,786,874	51.0 %	110,198,374	49.9 %
Unassigned fund balance	97,995,211	42.5	93,995,709	42.6

increased revenue from the Tempe Sports Authority. *Investment income* increased by \$4.5 million (452.6%) due primarily to realized gains on investments at June 30, 2019. *Charges for services* decreased by \$0.5 million (3.3%). This is due to slight decreases in fees, fines & forfeitures of \$0.4 million. *Licenses and permits* decreased by \$1.4 million (16.6%) due primarily to a reduction in building permit fees which can fluctuate depending on issuance of building permits throughout any fiscal year.

Expenditures increased by \$13.4 million (6.5%) due primarily to an increase in employee compensation and the net increase in 15 full-time equivalent positions. Net transfers out decreased by \$1.4 million due to a transfer out in the prior year to the Internal Service Health Fund of \$1.3 million. *Proceeds from the sale of capital assets* decreased by \$1.2 million due to the sale of real estate in the prior fiscal year. The combination of the increase in the *excess of revenues over expenditures* of \$11.6 million along with the decrease in *total other financing uses* of \$4.1 million resulted in *net change in fund balances* decreasing from \$14.1 to \$7.6 million.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues increased by \$2.9 million due primarily to increases in sales tax revenue of \$2.0 million (4.8%), increases in investment income of \$1.7 million (448%) due to realized gains on investments.

Expenditures increased slightly by \$0.4 million (0.7%). Although program expenditures increased by \$6.0 million, due to increased costs of the fixed route and local circulator bus services, this increase was offset by a reduction in debt service of \$5.5 million due to the \$5.3 million reduction in debt service cost related to the 2008 excise tax obligations. Net transfers out of \$6.3 million were primarily to the Transit Capital Projects Fund.

The fund balance totaled \$45.9 million at June 30, 2019, compared to a \$47.5 million fund balance at June 30, 2018. The fund balance decreased by \$1.6 million in the current year as compared to an increase of \$0.6 million in prior year.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance decreased by \$9.6 million from \$13.1 million at June 30, 2018 to \$3.5 million at June 30, 2019. Of this fund balance, \$3.6 represents accumulation of non-secondary property taxes set aside for future payment of Qualified Energy Conservation Bonds (QEBC's). Therefore, the amount of unspent secondary property taxes, used for interest, principal redemption and related fees for General Obligation debt service is a \$0.1 million deficit. This deficit will be covered by future secondary property tax levies.

The planned decrease in fund balance was due predominately to a June 2019 defeasance of General Obligation debt of \$9.0 million (see Debt Administration section). There was an increase in *property tax* revenues (\$0.5 million). In addition, there was a decrease in expenditures of \$0.5 million. 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) decreased slightly by \$0.2 million for fiscal year ended June 30, 2019. There are only two remaining improvement districts with debt outstanding (refer to Note 9 of the *Notes to the Financial Statements*).

The **Transit Capital Projects Fund** accounts for the acquisition of buses, streetscapes, the East Valley Bus Maintenance Facility upgrades and other transit improvements. Total fund balance had a \$0.1 million increase in fund balance from \$17.0 million at June 30, 2018 to \$17.1 million at June 30, 2019. Increases in expenditures of \$6.9 million were due primarily to the increased project expenditures for the Tempe Street Car project (\$2.7 million increase) and the Highline Canal Multi-Use Path project (\$2.6 million increase). The projects in this fund are mainly funded with grants and cash transfers from the Transit Special Revenue Fund. Expenditures will be more than revenues when cash transfers are used to fund the projects.

## 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, 2019	June 30, 2018
Water and wastewater fund	\$ 272,579,833	\$ 262,017,940
Solid waste fund	4,484,324	2,309,224
Emergency Medical		
Transportation	1,156,991	384,361
Golf fund	(177,954)	(148,659)
Internal service funds	3,925,191	3,164,682

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 \$10.6 million for the fiscal year ended June 30, 2019 versus an increase in net position of \$10.8 million for the fiscal year ended June 30, 2018. *Charges for services* decreased by \$2.5 million (2.8%) due to a decrease in water consumption coupled with no rate increases for the fiscal year. Total expenses increased by \$1.0 million (1.3%) mainly due to the recognition of higher operating expenses.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. A rate increase was implemented in January 2018 resulting in a full fiscal year's increase in *Charges for services* of \$0.6 million (3.6%). Total expenses decreased by \$1.7 million (9.7%) primarily due to the reduction in risk management charges for a large liability claim recognized in the fiscal year ended June 30, 2018. Net position increased by \$2.2 million compared to prior year's decrease of \$0.6 million.



The **Emergency Medical Transportation Fund** accounts for the operation of the City's ambulance services. As mentioned earlier, service was expanded during the current fiscal year, and the number of authorized, full-time equivalent positions grew from 13 to 25 as a result of the transfer of 12 full-time equivalent positions from the General Fund. The service expansion resulted in an increase in the charges for services from \$2.3 million during Fiscal Year 2018 to \$3.4 million in the Fiscal Year Ended June 30, 2019. The fund realized operating income of \$0.8 million. The reclassification of those position resulted in a change in estimate of the pension and OPEB liabilities, thus, a restatement of the July 1, 2018 beginning net position. The ending net position grew to \$1.2 million at June 30, 2019.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund net position decreased by \$29,295 compared to prior year's decrease in net position of \$0.3 million. *Charges for Services* increased by \$0.2 million (10.0%) and there was a corresponding increase in total expenses of \$0.1 million.

The **Internal Service Funds** account for the risk management, worker's compensation and health insurance activities of the City. The current ending net position increased by \$0.8 million from \$3.2 million to \$4.0 million. The \$0.8 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 and accumulates resources for health care benefit payments to qualified retirees. The increase in net position of \$0.8 million is due to investment earnings within the fund. All other benefit payments were made funded with City contributions. At June 30, 2019, the ending net position was \$14.2 million.

## BUDGET HIGHLIGHTS

The City's final General Fund expenditure budget of \$221.7 million differs from the original budget of \$220.7 million due to budget appropriation transfers from other funds.

During the year, actual revenues were greater than budgetary estimates by \$11.1 million (5.1% of total budgeted revenue) in the General Fund. This is due primarily to the positive variance in *charges for services* and *licenses and permits*. Actual expenditures were under budget by \$4.9 million.

# CAPITAL ASSETS AND DEBT ADMINISTRATION

## CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2019 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 \$18.8 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2019 and 2018, respectively.

**Capital Assets, Net of Depreciation- June 30, 2019**

	Governmental Activities	Business-type Activities	Total
Land	\$ 91,314,323	\$ 6,693,377	\$ 98,007,700
Buildings	152,970,611	21,557,177	174,527,788
Infrastructure	376,087,235	165,620,014	541,707,249
Improvements	116,012,468	114,452,149	230,464,617
Machinery and equipment	28,202,694	13,493,144	41,695,838
Construction in progress	57,704,423	52,209,884	109,914,307
Total	\$ 822,291,754	\$ 374,025,745	\$ 1,196,317,499

**Capital Assets, Net of Depreciation- June 30, 2018**

	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	162,987,428	22,819,217	185,806,645
Infrastructure	386,452,235	170,201,027	556,653,262
Improvements	120,891,695	122,763,036	243,654,731
Machinery and equipment	31,268,241	12,132,619	43,400,860
Construction in progress	21,988,411	29,751,645	51,740,056
Total	\$ 813,193,183	\$ 364,360,921	\$ 1,177,554,104

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

**Governmental Activities**

- The City completed several improvement projects including \$7.2 million in street resurfacing, \$0.4 million in police security improvements, \$0.9 million in fire station renovations, \$2.5 million in park improvements, and \$0.9 million in other City facility improvements.

**Business-type Activities**

- The enterprise funds (predominately the Water and Wastewater Fund) incurred \$28.2 million in construction in progress (CIP) costs in the current year. The major CIP projects completed and capitalized in the Water and Wastewater Fund included \$4.8 million in the sewer collection system assessments and rehabilitation projects. \$0.9 million in flood irrigation improvements, \$0.4 million in various sewer system repairs. Additionally, the Water and Wastewater Fund acquired \$0.7 million in operation support vehicles.
- The Emergency Medical Transportation Fund acquired three ambulances for \$0.6 million for service expansion.
- During the fiscal year, the Golf Fund acquired \$0.8 million in golf carts through a capital lease and various other course maintenance equipment for \$0.2 million.
- The Solid Waste Fund acquired four refuse trucks for \$1.3 million and four additional support vehicles for \$0.2 million.

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

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$1,144.7 million, which is a decrease of \$13.1 million over the prior fiscal year. In the current year, the City issued general obligation bonds, refunded excise tax obligations, and defeased general obligation bonds.

The largest change in long-term liabilities was the issuance of general obligation bonds for \$52.1 million in principal and \$10.5 million in premium. This was offset by \$33.5 million in general obligation principal payments, \$3.4 million in general obligation premium amortization and \$9.0 million in defeased general obligation bonds. Notably, the OPEB liability for both Governmental and Business-type Activities decreased by \$5.1 million due to the OPEB liability associated with the OPEB trust. There were additional decreases in the HUD 108 loan and WIFA loans.

<b>Outstanding Long-term Obligations - June 30, 2019</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General obligation bonds	\$ 183,990,000	\$ 197,700,000	\$ 381,690,000
Special assessment bonds	16,035,000	-	16,035,000
Excise tax obligations	87,269,000	57,886,000	145,155,000
Premium on debt payable	25,046,197	30,951,583	55,997,780
HUD Section 108 loan	2,966,000	-	2,966,000
WIFA loan	-	8,799,363	8,799,363
Capital Leases	40,972	736,327	777,299
Total debt payable	<u>315,347,169</u>	<u>296,073,273</u>	<u>611,420,442</u>
Compensated absences	32,030,165	-	32,030,165
Claims and judgments	8,677,577	-	8,677,577
OPEB	70,478,941	9,012,781	79,491,722
Pensions	393,078,938	20,001,497	413,080,435
Total long-term obligations	<u>\$ 819,612,790</u>	<u>\$ 325,087,551</u>	<u>\$1,144,700,341</u>

## Outstanding Long-term Obligations - June 30, 2018

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 180,435,000	\$ 191,635,000	\$ 372,070,000
Special assessment bonds	17,415,000	-	17,415,000
Excise tax obligations	97,994,000	69,876,000	167,870,000
Premium on debt payable	21,847,912	27,703,607	49,551,519
HUD Section 108 loan	3,389,000	-	3,389,000
WIFA loan	-	9,581,644	9,581,644
Capital Leases	65,610	213,267	278,877
Total debt payable	321,146,522	299,009,518	620,156,040
Compensated absences	31,362,690	-	31,362,690
Claims and judgments	8,576,085	-	8,576,085
OPEB	75,083,055	9,017,390	84,100,445
Pensions	392,248,852	21,371,300	413,620,152
Total long-term obligations	\$ 828,417,204	\$ 329,398,208	\$1,157,815,412

The City issued \$52.1 million in general obligation debt with \$10.5 million premium allocated to the projects during the current fiscal year. The funding was for public safety, parks, municipal infrastructure preservation, street improvements and water and wastewater projects in the amounts of \$7.1 million, \$12.0 million, \$6.7 million, \$6.2 million and \$29.6 million, respectively.

The City issued \$9.1 million in excise tax revenue refunding obligations. The refunding obligations refunded portions of the Excise Tax Revenue Refunding Obligations series 2009A and 2009B. The primary purpose of refunding the existing debt was to take advantage of lower interest rates thereby reducing future debt service payments which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$1.5 million in the City's Governmental and Proprietary funds.

The City defeased \$9.0 million of general obligation bonds. The primary purpose of the defeasance was to lower the fund balance in the General Obligation Debt Service Fund and reduce future debt service expenses.

The City's total net general obligation bonded debt (total bonded debt, including the enterprise funds and Water Infrastructure Finance Authority loans, general obligation premiums less debt service reserves) outstanding increased by \$25.1 million from the fiscal year ended June 30, 2018 to the fiscal year ended June 30, 2019. 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, 2019	June 30, 2018
Net general bonded debt	\$ 425,827,274	\$ 400,760,799
Net general bonded debt per capita	2,214	2,166
Ratio of net general bonded debt to total assessed value	22.9%	22.6%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.50	\$ 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, 2019 is \$121.6 million under the 20% capacity and \$69.5 million under the 6% limitation. Additional information on the statutory debt limitations may be found in Note 9 of the *Notes to the Financial Statements* and the *Statistical Section* (Exhibit S-19) of this report.

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

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

## REQUESTS FOR INFORMATION

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



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

# Statement of Net Position

June 30, 2019

	<i>City of Tempe, Arizona</i>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Pooled cash and investments	\$ 236,797,131	\$ 99,968,129	\$ 336,765,260
Receivables:			
Taxes	25,052,959	-	25,052,959
Accounts, net	7,510,490	14,351,180	21,861,670
Accrued interest	1,130,458	621,344	1,751,802
Due from other governments	9,052,076	-	9,052,076
Inventories	1,075,847	1,174,101	2,249,948
Prepaid items	692,751	283,569	976,320
Restricted cash and investments	47,672,024	35,352,765	83,024,789
Special assessment receivables	16,833,630	-	16,833,630
Capital improvement notes receivable	3,663,861	495,983	4,159,844
Net OPEB assets	482,327	52,254	534,581
Equity in joint venture	307,449,954	112,001,112	419,451,066
Capital assets not being depreciated:			
Land	91,314,323	6,693,377	98,007,700
Construction in progress	57,704,423	52,209,884	109,914,307
Capital assets (net of accumulated depreciation):			
Buildings	152,970,611	21,557,177	174,527,788
Infrastructure	376,087,235	165,620,014	541,707,249
Improvements	116,012,468	114,452,149	230,464,617
Machinery and equipment	28,202,694	13,493,144	41,695,838
Total assets	<u>1,479,705,262</u>	<u>638,326,182</u>	<u>2,118,031,444</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refundings	7,820,971	11,014,756	18,835,727
Deferred outflows from pensions	64,623,464	3,058,485	67,681,949
Deferred outflows from OPEB	2,121,951	303,060	2,425,011
Total outflow of resources	<u>74,566,386</u>	<u>14,376,301</u>	<u>88,942,687</u>
<b>Liabilities</b>			
Accounts payable	20,269,553	6,691,156	26,960,709
Deposits	4,110,069	800,538	4,910,607
Accrued expenses	16,227,618	3,486,631	19,714,249
Unearned revenue	2,661,929	205,117	2,867,046
Liabilities payable from restricted assets	30,384,463	35,332,219	65,716,682
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,445,000	-	1,445,000
Due in more than one year	14,590,000	-	14,590,000
Other long-term liabilities:			
Due within one year	43,929,326	25,039,311	68,968,637
Due in more than one year	759,648,464	300,048,240	1,059,696,704
Total liabilities	<u>893,266,422</u>	<u>371,603,212</u>	<u>1,264,869,634</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from pensions	15,671,091	2,593,456	18,264,547
Deferred inflows from OPEB	3,372,159	462,621	3,834,780
Total inflow of resources	<u>19,043,250</u>	<u>3,056,077</u>	<u>22,099,327</u>
<b>Net Position</b>			
Net investment in capital assets	491,949,237	124,836,951	616,786,188
Restricted for:			
Police	4,202,692	-	4,202,692
Fire medical rescue	1,406,820	-	1,406,820
Community services	540,012	-	540,012
Public works	52,249,367	-	52,249,367
Community development	1,657,563	-	1,657,563
Human services	1,836,008	-	1,836,008
Municipal court	423,126	-	423,126
City manager	122,352	-	122,352
Office of strategic management and diversity	2,000	-	2,000
Debt service	16,930,571	-	16,930,571
Unrestricted	70,642,228	153,206,243	223,848,471
Total net position	<u>\$ 641,961,976</u>	<u>\$ 278,043,194</u>	<u>\$ 920,005,170</u>

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

# Statement of Activities

For the fiscal year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 101,620,981	\$ 1,298,812	\$ 2,959,992	\$ 856,886
Fire medical rescue	44,646,087	200,378	321,207	661,873
Community services	28,463,648	7,714,161	6,525,612	-
Public works	110,725,592	17,797,231	8,636,236	37,326,330
Community development	17,550,896	14,283,336	20,226	793,101
Human services	21,669,347	10,031	15,242,642	-
Municipal court	4,985,853	4,457,922	-	-
Mayor and council	491,026	-	-	-
City manager	7,150,485	-	650,370	-
City attorney	3,137,658	23,487	18,432	-
Internal audit office	434,770	-	-	-
Municipal budget office	172,182	-	-	-
Office of strategic management and diversity	1,079,461	-	90,573	-
City clerk and elections	829,499	2,056	-	-
Internal services	15,650,001	2,827,988	2,304	-
Unallocated depreciation	1,716,431	-	-	-
Interest on long-term debt	12,503,655	-	-	-
Total governmental activities	<u>372,827,572</u>	<u>48,615,402</u>	<u>34,467,594</u>	<u>39,638,190</u>
Business-type activities:				
Water and wastewater	77,906,953	85,339,513	-	-
Solid waste	15,791,378	17,306,244	-	-
Emergency medical transportation	2,966,379	3,442,151	-	-
Golf course	2,937,558	2,626,308	-	-
Total business-type activities	<u>99,602,268</u>	<u>108,714,216</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 472,429,840</u>	<u>\$ 157,329,618</u>	<u>\$ 34,467,594</u>	<u>\$ 39,638,190</u>

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

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

*City of Tempe, Arizona*

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (96,505,291)	\$ -	\$ (96,505,291)
(43,462,629)	-	(43,462,629)
(14,223,875)	-	(14,223,875)
(46,965,795)	-	(46,965,795)
(2,454,233)	-	(2,454,233)
(6,416,674)	-	(6,416,674)
(527,931)	-	(527,931)
(491,026)	-	(491,026)
(6,500,115)	-	(6,500,115)
(3,095,739)	-	(3,095,739)
(434,770)	-	(434,770)
(172,182)	-	(172,182)
(988,888)	-	(988,888)
(827,443)	-	(827,443)
(12,819,709)	-	(12,819,709)
(1,716,431)	-	(1,716,431)
(12,503,655)	-	(12,503,655)
<u>(250,106,386)</u>	<u>-</u>	<u>(250,106,386)</u>
-	7,432,560	7,432,560
-	1,514,866	1,514,866
-	475,772	475,772
-	(311,250)	(311,250)
<u>-</u>	<u>9,111,948</u>	<u>9,111,948</u>
<u>(250,106,386)</u>	<u>9,111,948</u>	<u>(240,994,438)</u>
177,596,413	-	177,596,413
48,024,343	-	48,024,343
48,706,817	-	48,706,817
3,036,531	-	3,036,531
7,936,949	3,614,531	11,551,480
5,924,186	1,124,986	7,049,172
674,569	199,388	873,957
-	32,552	32,552
603,077	(603,077)	-
<u>292,502,885</u>	<u>4,368,380</u>	<u>296,871,265</u>
42,396,499	13,480,328	55,876,827
599,565,477	264,562,866	864,128,343
<u>\$ 641,961,976</u>	<u>\$ 278,043,194</u>	<u>\$ 920,005,170</u>



# Balance Sheet

## Governmental Funds

June 30, 2019

	General	Transit Special Revenue	General Obligation Debt Service
<b>Assets</b>			
Pooled cash and investments	\$ 97,119,920	\$ 45,407,735	\$ -
Receivables:			
Taxes	15,323,541	6,748,045	748,649
Accounts	6,968,565	-	29,022
Accrued interest	657,915	164,872	-
Due from other funds	13,189,459	-	-
Due from other governments	-	4,389,291	-
Inventories	241,024	-	-
Prepaid items	-	-	-
Restricted cash and investments	2,582,167	3,134,314	35,192,903
Special assessments	-	-	-
Capital improvement notes receivable	2,137,601	1,526,260	-
Total assets	<u>\$ 138,220,192</u>	<u>\$ 61,370,517</u>	<u>\$ 35,970,574</u>
<b>Liabilities</b>			
Accounts payable	\$ 6,504,722	\$ 7,060,631	\$ 29,693
Deposits	3,639,484	-	-
Accrued expenditures	4,084,325	50,711	-
Due to other funds	-	-	11,239,153
Unearned revenue	572,139	-	-
Matured bonds payable	-	2,130,000	17,025,000
Matured interest payable	-	993,271	3,771,384
Total liabilities	<u>14,800,670</u>	<u>10,234,613</u>	<u>32,065,230</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue- courts	3,712,980	-	-
Unavailable revenue- federal grants	-	299,936	-
Unavailable revenue- grants	-	-	-
Unavailable revenue- notes receivable	902,416	1,526,260	-
Unavailable revenue- other	751,934	3,388,064	-
Unavailable revenue- property tax	265,318	-	441,843
Unavailable revenue- special assessments	-	-	-
Total deferred inflows of resources	<u>5,632,648</u>	<u>5,214,260</u>	<u>441,843</u>
<b>Fund Balances</b>			
Fund balances:			
Non-spendable	491,024	-	-
Restricted	106,684	26,686,269	3,463,501
Committed	480,675	11,201,499	-
Assigned	18,713,280	8,033,876	-
Unassigned	97,995,211	-	-
Total fund balances	<u>117,786,874</u>	<u>45,921,644</u>	<u>3,463,501</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 138,220,192</u>	<u>\$ 61,370,517</u>	<u>\$ 35,970,574</u>

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

<b>Special Assessment Debt Service</b>	<b>Transit Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 7,681	\$ 16,197,523	\$ 61,835,340	\$ 220,568,199
-	-	2,232,724	25,052,959
-	-	58,286	7,055,873
293,454	-	6,229	1,122,470
-	-	-	13,189,459
-	1,623,104	3,039,681	9,052,076
-	-	834,823	1,075,847
-	-	692,751	692,751
398,985	-	6,363,655	47,672,024
16,833,630	-	-	16,833,630
-	-	-	3,663,861
<u>\$ 17,533,750</u>	<u>\$ 17,820,627</u>	<u>\$ 75,063,489</u>	<u>\$ 345,979,149</u>
\$ -	\$ 748,194	\$ 5,492,584	\$ 19,835,824
-	-	470,585	4,110,069
-	-	473,914	4,608,950
-	-	1,950,306	13,189,459
85,000	-	2,004,790	2,661,929
-	-	5,720,000	24,875,000
398,985	-	345,823	5,509,463
<u>483,985</u>	<u>748,194</u>	<u>16,458,002</u>	<u>74,790,694</u>
-	-	-	3,712,980
-	-	898,833	1,198,769
-	-	178,508	178,508
-	-	-	2,428,676
-	-	39,636	4,179,634
-	-	-	707,161
17,127,084	-	-	17,127,084
<u>17,127,084</u>	<u>-</u>	<u>1,116,977</u>	<u>29,532,812</u>
-	-	1,527,574	2,018,598
-	17,072,433	17,899,466	65,228,353
-	-	35,151,647	46,833,821
-	-	4,274,740	31,021,896
(77,319)	-	(1,364,917)	96,552,975
<u>(77,319)</u>	<u>17,072,433</u>	<u>57,488,510</u>	<u>241,655,643</u>
<u>\$ 17,533,750</u>	<u>\$ 17,820,627</u>	<u>\$ 75,063,489</u>	<u>\$ 345,979,149</u>

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

June 30, 2019

City of Tempe, Arizona

Fund balances- total governmental funds	\$ 241,655,643
<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	1,654,476,693
Accumulated depreciation	(832,184,939)
	<u>822,291,754</u>
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>	
	307,449,954
<p>Other assets are not available to pay current-period expenditures and, therefore, are offset by unavailable revenue.</p>	
Unavailable special assessment revenue	17,127,084
Unavailable tax and other revenue	1,498,731
Unavailable notes receivable revenue	2,428,676
Unavailable court revenue	3,712,980
Grant and contribution monies not received within 60 days	4,765,341
	<u>29,532,812</u>
<p>Bond premiums and the deferred charge on refundings are not financial resources and, therefore, are not reported in the funds.</p>	
	(8,195,226)
<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	(32,030,165)
Claims and judgments	(8,677,577)
Net pension liability (excluding internal service)	(343,497,930)
Other post employment benefits (excluding internal service)	(71,161,508)
Bonds, capital improvement notes and capital leases	(299,330,972)
	<u>(754,698,152)</u>
<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>3,925,191</u>
Net position of governmental activities	<u>\$ 641,961,976</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, 2019

	General	Transit Special Revenue	General Obligation Debt Service
<b>Revenues:</b>			
Taxes:			
Sales taxes	\$ 113,051,026	\$ 43,063,185	\$ -
Property taxes	20,533,256	-	28,173,553
Franchise taxes	3,036,531	-	-
Intergovernmental:			
Federal grants	-	1,568,492	-
State grants	-	-	-
State sales tax	17,958,644	-	-
State income tax	22,408,078	-	-
Auto lieu tax	7,657,621	-	-
Other	4,807,042	6,226,000	-
Investment income	5,494,397	2,114,818	123,009
Charges for services	13,197,912	11,522,473	-
Fines and forfeitures	6,434,188	-	-
Other entities' participation	359,315	-	-
Special assessments	-	-	-
Licenses and permits	6,951,095	-	-
Miscellaneous	8,434,280	1,351	-
Total revenues	<u>230,323,385</u>	<u>64,496,319</u>	<u>28,296,562</u>
<b>Expenditures:</b>			
Current:			
Police	89,906,114	-	-
Fire medical rescue	38,468,308	-	-
Community services	19,445,469	-	-
Public works	13,583,975	55,668,805	-
Community development	13,762,094	-	-
Human services	9,980,798	-	-
Municipal court	4,599,924	-	-
Mayor and council	495,829	-	-
City manager	6,594,336	-	-
City attorney	3,497,353	-	-
Internal audit office	459,746	-	-
Municipal budget office	261,798	-	-
Office of strategic management and diversity	998,200	-	-
City clerk and elections	910,335	-	-
Internal services	15,715,866	-	-
Debt service:			
Principal	-	2,130,000	29,115,000
Interest	-	1,986,542	9,969,510
Fiscal fees	-	4,536	333,601
Capital outlay	-	-	-
Total expenditures	<u>218,680,145</u>	<u>59,789,883</u>	<u>39,418,111</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>11,643,240</u>	<u>4,706,436</u>	<u>(11,121,549)</u>
<b>Other financing sources (uses):</b>			
Transfers in	20,750	3,133,840	6,993,346
Transfers out	(4,492,142)	(9,416,394)	(8,983,336)
Issuance of debt	-	-	-
Premium on issuance of debt	-	-	795,061
Proceeds from sale of capital assets	416,652	24,182	-
Issuance of refunding bonds	-	-	2,665,000
Total other financing sources (uses)	<u>(4,054,740)</u>	<u>(6,258,372)</u>	<u>1,470,071</u>
Net change in fund balance	7,588,500	(1,551,936)	(9,651,478)
Fund balance at beginning of year	110,198,374	47,473,580	13,114,979
Fund balance (deficit) at end of year	<u>\$ 117,786,874</u>	<u>\$ 45,921,644</u>	<u>\$ 3,463,501</u>

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

City of Tempe, Arizona

Special Assessment Debt Service	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,823,434	\$ 164,937,645
-	-	-	48,706,809
-	-	-	3,036,531
-	2,556,339	18,859,529	22,984,360
-	-	619,642	619,642
-	-	12,658,768	30,617,412
-	-	-	22,408,078
-	-	-	7,657,621
-	53,169	3,738,405	14,824,616
-	15,736	188,989	7,936,949
514	-	4,831,630	29,552,529
-	-	757,716	7,191,904
-	439,638	2,979,705	3,778,658
1,990,732	-	-	1,990,732
-	-	-	6,951,095
6,151	-	563,882	9,005,664
<u>1,997,397</u>	<u>3,064,882</u>	<u>54,021,700</u>	<u>382,200,245</u>
-	-	3,171,974	93,078,088
-	-	328,731	38,797,039
-	-	5,783,125	25,228,594
-	-	9,839,442	79,092,222
-	-	2,862,868	16,624,962
-	-	16,263,926	26,244,724
-	-	533,433	5,133,357
-	-	-	495,829
-	-	803,312	7,397,648
-	-	18,432	3,515,785
-	-	-	459,746
-	-	-	261,798
-	-	90,573	1,088,773
-	-	-	910,335
144	-	-	15,716,010
1,380,000	-	6,143,000	38,768,000
831,570	-	738,576	13,526,198
1,500	-	4,594	344,231
-	9,972,189	43,546,032	53,518,221
<u>2,213,214</u>	<u>9,972,189</u>	<u>90,128,018</u>	<u>420,201,560</u>
<u>(215,817)</u>	<u>(6,907,307)</u>	<u>(36,106,318)</u>	<u>(38,001,315)</u>
-	9,316,576	19,265,362	38,729,874
-	(3,061,927)	(12,172,998)	(38,126,797)
-	-	27,130,000	27,130,000
-	-	4,860,000	5,655,061
-	759,990	19,350	1,220,174
-	-	-	2,665,000
-	<u>7,014,639</u>	<u>39,101,714</u>	<u>37,273,312</u>
(215,817)	107,332	2,995,396	(728,003)
138,498	16,965,101	54,493,114	242,383,646
<u>\$ (77,319)</u>	<u>\$ 17,072,433</u>	<u>\$ 57,488,510</u>	<u>\$ 241,655,643</u>

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

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ (728,003)

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	1,444,879
Other post employment benefits (excluding internal service)	1,626,716
	<u>3,071,595</u>

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

Property tax and charges for services revenue	(151,459)
Court revenue	(51,197)
Grants and contributions	(76,790)
Special assessments received/recognized	(1,113,974)
	<u>(1,393,420)</u>

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

Capital outlay	53,518,221
Miscellaneous net capital expenditures	33,474,787
Depreciation expense	(46,297,274)
	<u>40,695,734</u>

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

Current year pension contributions	33,402,544
Pension expense	(38,121,811)
	<u>(4,719,267)</u>

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

Principal payments made	24,638
	<u>24,638</u>

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

Amortization of deferred outflow- refunding	(1,090,002)
Amortization of bond premium	2,456,776
	<u>1,366,774</u>

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

Issuance of debt	(29,795,000)
Premium on issuance of debt	(5,655,061)
Principal payments made	38,768,000
	<u>3,317,939</u>

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

	<u>760,509</u>
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Change in net position of governmental activities \$ 42,396,499

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, 2019

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 135,781,062	\$ 135,781,062	\$ 136,620,813	\$ 839,751
Intergovernmental	52,856,182	52,856,182	52,831,385	(24,797)
Investment income	1,700,000	1,700,000	3,228,452	1,528,452
Charges for services	9,547,441	9,547,441	13,197,912	3,650,471
Fines and forfeitures	5,612,329	5,612,329	6,434,188	821,859
Licenses and permits	3,991,000	3,991,000	6,951,095	2,960,095
Other entities' participation	359,315	359,315	359,315	-
Miscellaneous	7,099,831	7,099,831	8,434,280	1,334,449
Total revenues	<u>216,947,160</u>	<u>216,947,160</u>	<u>228,057,440</u>	<u>11,110,280</u>
<b>Expenditures</b>				
Police	90,432,797	90,801,040	87,442,651	3,358,389
Fire medical rescue	37,640,519	37,935,866	38,119,023	(183,157)
Community services	20,565,750	20,643,249	19,935,505	707,744
Public works	14,412,283	14,249,827	13,494,580	755,247
Community development	14,625,093	14,810,573	13,739,316	1,071,257
Human services	9,142,314	10,654,623	10,359,627	294,996
Mayor and council	471,784	471,784	495,542	(23,758)
Municipal court	4,724,723	4,724,723	4,591,520	133,203
City manager	7,340,548	7,340,548	6,853,177	487,371
City attorney	3,388,518	3,493,218	3,494,887	(1,669)
Internal audit office	530,752	530,752	459,794	70,958
Municipal budget office	284,898	284,898	262,097	22,801
Office of strategic management and diversity	1,009,214	1,009,214	997,760	11,454
City clerk and elections	1,011,140	1,011,140	919,387	91,753
Internal services	29,181,379	28,696,397	32,170,576	(3,474,179)
Contingency	1,916,657	1,052,685	-	1,052,685
Interdepartmental charges	(15,974,695)	(15,974,695)	(16,510,377)	535,682
Total expenditures	<u>220,703,674</u>	<u>221,735,842</u>	<u>216,825,065</u>	<u>4,910,777</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	20,750	20,750	20,750	-
Transfers to other funds	(3,152,823)	(3,152,823)	(4,492,142)	(1,339,319)
Proceeds from sale of capital assets	332,585	332,585	416,652	84,067
Total other financing sources (uses)	<u>(2,799,488)</u>	<u>(2,799,488)</u>	<u>(4,054,740)</u>	<u>(1,255,252)</u>
Net change in fund balance	<u>\$ (6,556,002)</u>	<u>\$ (7,588,170)</u>	<u>7,177,635</u>	<u>\$ 14,765,805</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	2,265,945
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(2,330,406)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	934,126
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(458,800)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ 7,588,500</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, 2019

*City of Tempe, Arizona*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Sales taxes	\$ 42,859,114	\$ 42,859,114	\$ 43,063,185	\$ 204,071
Intergovernmental revenue	8,542,689	8,542,689	8,094,428	(448,261)
Investment income	640,000	640,000	1,296,180	656,180
Charges for services	12,430,050	12,430,050	13,643,834	1,213,784
Other entities' participation	130,000	130,000	-	(130,000)
Miscellaneous	564,875	564,875	42,515	(522,360)
Total revenues	<u>65,166,728</u>	<u>65,166,728</u>	<u>66,140,142</u>	<u>973,414</u>
<b>Expenditures</b>				
Current:				
Public works	57,938,199	58,010,112	54,473,051	3,537,061
Contingency	188,000	188,000	-	188,000
Debt service:				
Principal retirement	2,130,000	2,130,000	2,130,000	-
Interest and fiscal fees	2,381,330	2,381,330	1,991,078	390,252
Total expenditures	<u>62,637,529</u>	<u>62,709,442</u>	<u>58,594,129</u>	<u>4,115,313</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	3,133,840	3,133,840
Transfers to other funds	(10,081,654)	(10,081,654)	(9,416,394)	665,260
Proceeds from sale of capital assets	-	-	24,182	24,182
Total other financing sources (uses)	<u>(10,081,654)</u>	<u>(10,081,654)</u>	<u>(6,258,372)</u>	<u>3,823,282</u>
Net change in fund balance	<u>\$ (7,552,455)</u>	<u>\$ (7,624,368)</u>	1,287,641	<u>\$ 8,912,009</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	860,877
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(10,708)
The City recognizes certain other revenues on a budget basis, rather than on a modified accrual basis	(2,504,700)
The City recognizes certain other expenditures on a budget basis, rather than on a modified accrual basis	<u>(1,185,046)</u>
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ (1,551,936)</u>

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



# Statement of Net Position

## Proprietary Funds

June 30, 2019

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Emergency Medical Transportation	Golf Course	Total	
<b>Assets</b>						
Current assets:						
Pooled cash and investments	\$ 95,653,115	\$ 4,315,014	\$ -	\$ -	\$ 99,968,129	\$ 16,228,932
Restricted cash and investments	35,352,765	-	-	-	35,352,765	-
Accounts receivable, net	11,540,920	1,247,157	1,560,345	2,758	14,351,180	454,617
Accrued interest receivable	574,026	37,016	-	10,302	621,344	7,988
Due from other funds	1,306,417	-	-	-	1,306,417	-
Prepaid expense	-	-	-	283,569	283,569	-
Inventories	1,174,101	-	-	-	1,174,101	-
Total current assets	<u>145,601,344</u>	<u>5,599,187</u>	<u>1,560,345</u>	<u>296,629</u>	<u>153,057,505</u>	<u>16,691,537</u>
Noncurrent assets:						
Advance to other funds	2,873,802	-	-	-	2,873,802	-
Notes receivable	495,983	-	-	-	495,983	-
Net OPEB assets	35,724	13,206	2,069	1,255	52,254	1,663
Equity in joint venture	112,001,112	-	-	-	112,001,112	-
Capital assets:						
Land	6,330,829	-	-	362,548	6,693,377	-
Buildings	46,714,221	1,265,783	-	1,822,663	49,802,667	-
Infrastructure	340,429,268	-	-	3,210,587	343,639,855	-
Improvements	206,579,758	-	-	1,368,293	207,948,051	-
Machinery and equipment	15,531,275	15,709,131	1,444,675	2,336,239	35,021,320	-
Construction in progress	51,935,091	238,217	-	36,576	52,209,884	-
Less accumulated depreciation	(307,243,250)	(10,152,195)	(198,159)	(3,695,805)	(321,289,409)	-
Total capital assets (net of accumulated depreciation)	<u>360,277,192</u>	<u>7,060,936</u>	<u>1,246,516</u>	<u>5,441,101</u>	<u>374,025,745</u>	<u>-</u>
Total noncurrent assets	<u>475,683,813</u>	<u>7,074,142</u>	<u>1,248,585</u>	<u>5,442,356</u>	<u>489,448,896</u>	<u>1,663</u>
Total assets	<u>621,285,157</u>	<u>12,673,329</u>	<u>2,808,930</u>	<u>5,738,985</u>	<u>642,506,401</u>	<u>16,693,200</u>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	11,014,756	-	-	-	11,014,756	-
Deferred outflows related to pensions	2,049,354	771,626	164,300	73,205	3,058,485	89,355
Deferred outflows related to OPEB	205,316	73,083	16,046	8,615	303,060	7,008
Total deferred outflows of resources	<u>13,269,426</u>	<u>844,709</u>	<u>180,346</u>	<u>81,820</u>	<u>14,376,301</u>	<u>96,363</u>

**Business-type Activities - Enterprise Funds**

	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Emergency Medical Transportation</b>	<b>Golf Course</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	\$ 5,857,129	\$ 453,643	\$ 22,928	\$ 357,456	\$ 6,691,156	\$ 433,729
Deposits	800,538	-	-	-	800,538	-
Accrued expenses	2,493,325	804,218	68,321	120,767	3,486,631	11,618,668
Due to other funds	-	-	289,045	1,017,372	1,306,417	-
Unearned revenue	205,117	-	-	-	205,117	-
Accrued interest payable	5,397,219	-	-	-	5,397,219	-
General obligation bonds- current	18,925,000	-	-	-	18,925,000	-
Excise tax revenue obligations- current	11,010,000	-	-	-	11,010,000	-
WIFA loan payable- current	798,900	-	-	-	798,900	-
Capital leases payable- current	-	-	-	255,411	255,411	-
<b>Total current liabilities</b>	<b>45,487,228</b>	<b>1,257,861</b>	<b>380,294</b>	<b>1,751,006</b>	<b>48,876,389</b>	<b>12,052,397</b>
Noncurrent liabilities:						
Advance from other funds	-	-	-	2,873,802	2,873,802	-
General obligation bonds payable	218,512,042	-	-	-	218,512,042	-
Excise tax revenue obligations	68,025,541	-	-	-	68,025,541	-
WIFA loan payable	8,000,463	-	-	-	8,000,463	-
Capital leases payable	-	-	-	480,916	480,916	-
OPEB obligation	6,182,212	1,966,252	527,825	336,492	9,012,781	86,061
Pensions	13,676,901	5,048,615	796,750	479,231	20,001,497	635,579
<b>Total noncurrent liabilities</b>	<b>314,397,159</b>	<b>7,014,867</b>	<b>1,324,575</b>	<b>4,170,441</b>	<b>326,907,042</b>	<b>721,640</b>
<b>Total liabilities</b>	<b>359,884,387</b>	<b>8,272,728</b>	<b>1,704,869</b>	<b>5,921,447</b>	<b>375,783,431</b>	<b>12,774,037</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows related to pensions	1,773,390	654,619	103,309	62,138	2,593,456	82,411
Deferred inflows related to OPEB	316,973	106,367	24,107	15,174	462,621	7,924
<b>Total deferred inflows of resources</b>	<b>2,090,363</b>	<b>760,986</b>	<b>127,416</b>	<b>77,312</b>	<b>3,056,077</b>	<b>90,335</b>
<b>Net Position</b>						
Net investment in capital assets	114,698,527	7,060,936	1,246,516	1,830,972	124,836,951	-
Unrestricted	157,881,306	(2,576,612)	(89,525)	(2,008,926)	153,206,243	3,925,191
<b>Total net position</b>	<b>\$ 272,579,833</b>	<b>\$ 4,484,324</b>	<b>\$ 1,156,991</b>	<b>\$ (177,954)</b>	<b>\$ 278,043,194</b>	<b>\$ 3,925,191</b>

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, 2019

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Emergency Medical Transportation	Golf Course	Total	
Operating revenues:						
Charges for services	\$ 85,339,513	\$ 17,306,244	\$ 3,442,151	\$ 2,626,308	\$ 108,714,216	\$ 40,367,259
Miscellaneous	772,109	45,955	296,858	10,064	1,124,986	-
Total operating revenues	<u>86,111,622</u>	<u>17,352,199</u>	<u>3,739,009</u>	<u>2,636,372</u>	<u>109,839,202</u>	<u>40,367,259</u>
Operating expenses:						
Personnel services	13,697,077	5,090,077	1,535,206	605,680	20,928,040	-
Supplies and materials	5,398,179	723,873	317,156	371,526	6,810,734	-
Fees and services	21,379,309	8,748,292	985,350	1,404,429	32,517,380	39,697,380
Depreciation	21,071,083	1,229,136	128,667	506,534	22,935,420	-
Total operating expenses	<u>61,545,648</u>	<u>15,791,378</u>	<u>2,966,379</u>	<u>2,888,169</u>	<u>83,191,574</u>	<u>39,697,380</u>
Operating income (loss)	<u>24,565,974</u>	<u>1,560,821</u>	<u>772,630</u>	<u>(251,797)</u>	<u>26,647,628</u>	<u>669,879</u>
Nonoperating revenues (expenses):						
Investment income (loss)	3,477,970	136,561	-	-	3,614,531	90,630
Interest and fiscal fees	(10,074,840)	-	-	(49,389)	(10,124,229)	-
Gain (loss) on sale of capital assets	35,390	2,683	-	161,315	199,388	-
Net loss from joint venture	(6,286,465)	-	-	-	(6,286,465)	-
Income (loss) before contributions and operating transfers	<u>11,718,029</u>	<u>1,700,065</u>	<u>772,630</u>	<u>(139,871)</u>	<u>14,050,853</u>	<u>760,509</u>
Capital contributions	(47,360)	79,912	-	-	32,552	-
Transfers in	6,059,402	400,000	-	110,576	6,569,978	-
Transfers out	(7,168,178)	(4,877)	-	-	(7,173,055)	-
Change in net position	<u>10,561,893</u>	<u>2,175,100</u>	<u>772,630</u>	<u>(29,295)</u>	<u>13,480,328</u>	<u>760,509</u>
Total net position- beginning, restated	<u>262,017,940</u>	<u>2,309,224</u>	<u>384,361</u>	<u>(148,659)</u>	<u>264,562,866</u>	<u>3,164,682</u>
Total net position- ending	<u>\$ 272,579,833</u>	<u>\$ 4,484,324</u>	<u>\$ 1,156,991</u>	<u>\$ (177,954)</u>	<u>\$ 278,043,194</u>	<u>\$ 3,925,191</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, 2019

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Emergency Medical Transportation	Golf Course	Total	
Cash flows from operating activities:						
Receipts from customers	\$ 87,453,549	\$ 17,351,476	\$ 3,301,392	\$ 2,633,614	\$ 110,740,031	\$ -
Receipts from other funds	-	-	-	-	-	39,975,808
Payments to employees for services	(14,917,252)	(5,685,983)	(1,418,226)	(564,207)	(22,585,668)	-
Payments to suppliers for goods and services	(26,736,440)	(10,173,285)	(1,289,144)	(1,779,132)	(39,978,001)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(37,724,898)
Net cash provided (used) by operating activities	<u>45,799,857</u>	<u>1,492,208</u>	<u>594,022</u>	<u>290,275</u>	<u>48,176,362</u>	<u>2,250,910</u>
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	(313,448)	-	169,427	144,021	-	-
Transfers in	6,059,402	400,000	-	110,576	6,569,978	-
Transfers out	(7,168,178)	(4,877)	-	-	(7,173,055)	-
Net cash provided (used) by noncapital financing activities	<u>(1,422,224)</u>	<u>395,123</u>	<u>169,427</u>	<u>254,597</u>	<u>(603,077)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	37,670,463	-	-	-	37,670,463	-
Principal paid on advances	-	-	-	(137,283)	(137,283)	-
Principal paid on long-term debt	(40,519,768)	-	-	-	(40,519,768)	-
Principal paid on capital leases	-	-	-	(279,346)	(279,346)	-
Interest and fiscal fees	(8,956,125)	-	-	(49,389)	(9,005,514)	-
Change in capital assets	(29,085,136)	(1,693,116)	(763,449)	(242,132)	(31,783,833)	-
Investment in joint venture	(4,617,815)	-	-	-	(4,617,815)	-
Deferred revenue	31,894	-	-	-	31,894	-
Proceeds from the sale of assets	35,390	21,230	-	161,315	217,935	-
Net cash provided (used) by capital and related financing activities	<u>(45,441,097)</u>	<u>(1,671,886)</u>	<u>(763,449)</u>	<u>(546,835)</u>	<u>(48,423,267)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	3,337,691	131,780	-	1,963	3,471,434	87,142
Issuance of notes receivable	338,687	-	-	-	338,687	-
Net cash provided (used) by investing activities	<u>3,676,378</u>	<u>131,780</u>	<u>-</u>	<u>1,963</u>	<u>3,810,121</u>	<u>87,142</u>
Net increase (decrease) in cash and cash equivalents	2,612,914	347,225	-	-	2,960,139	2,338,052
Cash and cash equivalents at beginning of year	128,392,966	3,967,789	-	-	132,360,755	13,890,880
Cash and cash equivalents at end of year	<u>\$ 131,005,880</u>	<u>\$ 4,315,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,320,894</u>	<u>\$ 16,228,932</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 24,565,974	\$ 1,560,821	\$ 772,630	\$ (251,797)	\$ 26,647,628	\$ 669,879
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	21,071,083	1,229,136	128,667	506,534	22,935,420	-
Change in assets and liabilities:						
(Increase) decrease in receivables	1,341,927	(723)	(437,617)	(2,758)	900,829	(391,451)
(Increase) decrease in prepaid expenses	-	-	-	(283,569)	(283,569)	-
(Increase) decrease in inventories	(404,849)	-	-	-	(404,849)	-
(Increase) decrease in net OPEB asset	(35,724)	(13,206)	(2,069)	(1,255)	(52,254)	(1,663)
Increase (decrease) in deposits	(10,258)	(54,277)	-	-	(64,535)	-
Increase (decrease) in payables	456,155	(646,843)	13,362	280,392	103,066	283,987
Increase (decrease) in accrued expenses	1,706	(23,732)	34,305	6,262	18,541	1,768,781
(Increase) decrease in deferred outflows	(47,324)	(34,575)	34,443	(4,975)	(52,431)	1,060
Increase (decrease) in deferred inflows	772,449	267,891	83,719	36,862	1,160,921	27,962
Increase (decrease) in pension	(1,521,597)	(672,260)	(1,245)	27,304	(2,167,798)	(104,647)
Increase (decrease) in net OPEB liability	(389,685)	(120,024)	(32,173)	(22,725)	(564,607)	(2,998)
Net cash provided (used) by operating activities	<u>\$ 45,799,857</u>	<u>\$ 1,492,208</u>	<u>\$ 594,022</u>	<u>\$ 290,275</u>	<u>\$ 48,176,362</u>	<u>\$ 2,250,910</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	\$ (6,286,465)	\$ -	\$ -	\$ -	\$ (6,286,465)	\$ -
Capital contributions	(47,360)	79,912	-	-	32,552	-
Total noncash investing, capital, and financing activities:	<u>\$ (6,333,825)</u>	<u>\$ 79,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,253,913)</u>	<u>\$ -</u>

# Statement of Net Position

## Fiduciary Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	<u>Other Post Employment Benefits Trust</u>
<b>Assets</b>	
Cash and investments	\$ 14,187,536
Total assets	<u>14,187,536</u>
<b>Net Position</b>	
Restricted for other post employment benefits	14,187,536
Total net position	<u>\$ 14,187,536</u>

# Statement of Changes In Net Position

## Fiduciary Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	<u>Other Post Employment Benefits Trust</u>
<b>Additions:</b>	
Employer contributions	\$ 8,461,506
Investment earnings:	
Net increase in fair value of investments	236,922
Investment income	621,671
Investment expenses	<u>(62,307)</u>
Net investment earnings	796,286
Total additions	<u>9,257,792</u>
<b>Deductions:</b>	
Benefit payments	<u>8,461,506</u>
Total deductions	<u>8,461,506</u>
Change in net position	796,286
Net position- beginning	<u>13,391,250</u>
Net position- ending	<u>\$ 14,187,536</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, 2019

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, 2019, the City implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. For the City, the primary objective of this Statement is to improve the information that is disclosed in the notes to the financial statements related significant events of default on direct placement debt. During the Fiscal Year, additional information is provided for two outstanding direct placement debt issuances; the 2017 Transit Excise Tax Revenue Refunding Obligations and the 2017 Excise Tax Revenue Refunding Obligations (see note 9).

### A. Reporting Entity

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

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

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

### B. Basic Financial Statements

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



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

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

### **B. Basic Financial Statements** (Continued)

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

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

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

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

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

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

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

### **C. Basis of Presentation**

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

The following fund categories are used by the City:

#### **Governmental Funds**

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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, 2019

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.

**Emergency Medical Transportation Fund** – accounts for the operation of emergency medical transportation services. Revenues are derived from the user fees collected for ambulance services. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation and maintenance.

**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, 2019

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. As permitted by generally accepted accounting principles the City applies the "early recognition" option for debt service payments. Resources are provided during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liabilities have been recognized in the current period.

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

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

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

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

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

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

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

### **E. Budgetary Data**

State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted each fiscal year for the General, Special Revenue, Debt Service, and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued annual budget may be obtained from the City's Municipal Budget Office, 31 East 5<sup>th</sup> 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, 2019

*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 2019 Expenditure Limitation is \$507,146,336.

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

### G. Pooled Cash and Investments

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

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

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

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

### H. Receivables

For accounts receivable, all amounts are net of allowance for doubtful accounts.

### 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 the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when consumed in the fund financial statements.

In fund financial statements, inventory and prepaid items represent amounts that are not in spendable form, even though they are a component of assets. Such amounts are presented as a component of non-spendable fund balance.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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 \$2.6 million is included in restricted assets in the General Fund.

### K. Capital Assets

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

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

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 earned compensatory time 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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

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

### **M. Compensated Absences** (Continued)

are not expected to be liquidated with expendable available financial resources. Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees. Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Generally, upon retirement or resignation, employees with at least 10 or 20 years of service are eligible for compensation of up to 50 percent, or 60 percent respectively, of accumulated sick leave.

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

### **N. Pensions**

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

### **O. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### **P. 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.

### **Q. Net Position Flow Assumption**

In the government-wide and proprietary fund financial statements the City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### R. 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.

### S. 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).

### T. 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.

### U. 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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

## **NOTE 3 - PROPERTY TAXES**

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

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

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

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

## **NOTE 4 - CASH AND INVESTMENTS**

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

### **Deposits**

At year-end, the carrying amount of the City's deposits with financial institutions was \$7,222,232 and the bank balance was \$5,827,241; \$5,327,241 of that amount was exposed to custodial risk because it was uninsured and is collateralized with securities held by the pledging financial institution.

### **Investments**

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 4 - CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$426,755,353
Carrying amount of cash deposits	7,222,232
Total cash and investments	<u>\$433,977,585</u>
Pooled cash and investments – unrestricted	\$336,765,260
Restricted cash and investments	83,024,789
Investments in OPEB trust	14,187,536
Total cash and investments	<u>\$433,977,585</u>

The City had a net increase in the fair value of investments during Fiscal Year 2019 of \$1,765,412. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

At June 30, 2019, the City maintained the following investments and maturities:

	Category	Fair Value	Remaining Maturity in Months			
			12 Months or Less	13 – 24 Months	25 – 36 Months	37 - 48 Months
US government treasuries	Level 2	\$ 186,307,334	\$ 64,838,617	\$ 73,133,017	\$ 39,445,946	\$ 8,889,754
US government treasuries	Level 2	125,983,118	36,628,328	36,913,779	52,441,011	-
Money market	Level 1	69,614,919	69,614,919	-	-	-
Principal cash held with trustee	Level 1	10,865,971	10,865,971	-	-	-
State investment pool	N/A	19,843,945	19,843,945	-	-	-
Mutual funds	Level 1	14,140,066	14,140,066	-	-	-
		<u>\$426,755,353</u>	<u>\$215,931,846</u>	<u>\$110,046,796</u>	<u>\$ 91,886,957</u>	<u>\$ 8,889,754</u>

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

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

For level 2 investments, one method used to establish fair market value is the evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models. Another method is a volatility-driven, multi-dimensional single cash flow stream model or option-adjusted spread (OAS) model is used.

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 4 - CASH AND INVESTMENTS (Continued)

### Investments (Continued)

**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 and US government treasuries were rated AA+ and money market funds were rated AAAm by Standard & Poor's. The Arizona Local Government Investment Pool 5 is currently rated AAA by Moody's. The mutual funds in the OPEB Trust ranged from AA to BB.

**Concentration of Credit Risk.** The City policy places no limit on the amount that the City may invest in any one issuer of the US treasury obligations and the US agency obligations. The investment policy does establish a maximum percentage of 10% in banker's acceptances, 20% in commercial paper and 25% in repurchase agreements. The maximum investment in any one issuer for certificates of deposits is 33% and for repurchase agreements is 10%. The City is required to disclose if 5% or more of its investments are in securities of a single issuer. As of June 30, 2019, 43.66% of the City's investments are in US Treasuries, 9.88% of the City's investments are in Fannie Mae, 8.10% of the City's investments are in Federal Home Loan Bank, 11.55% of the City's investments are in Federal Home Loan Mortgage Corporation securities, and 16.31% in money market funds.

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

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

Due to/from other funds consisted of the following at June 30, 2019:

	Due to	Due from
General fund	\$ -	\$ 13,189,459
Debt service fund	11,239,153	-
Non-major governmental fund	1,950,306	-
Total governmental funds	<u>\$ 13,189,459</u>	<u>\$ 13,189,459</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 1,306,417
Emergency medical transportation fund	289,045	-
Golf fund	1,017,372	-
Total enterprise funds	<u>\$ 1,306,417</u>	<u>\$ 1,306,417</u>

The interfund balances at June 30, 2019 are short-term transfers to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2019 are expected to be repaid within one year.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Transfers Out

Transfers In

	General	Transit Special Revenue	General Obligation Debt Service	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Solid Waste	Total
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,750	\$ -	\$ 20,750
Transit Special Revenue	71,913	-	-	3,061,927	-	-	-	3,133,840
General Obligation Debt Service	648,270	-	-	-	195,979	6,144,220	4,877	6,993,346
Transit Capital Projects	-	9,316,576	-	-	-	-	-	9,316,576
Non-major Governmental	3,735,383	99,818	2,923,934	-	11,977,019	529,208	-	19,265,362
Water and Wastewater	-	-	6,059,402	-	-	-	-	6,059,402
Solid Waste	-	-	-	-	-	400,000	-	400,000
Golf	36,576	-	-	-	-	74,000	-	110,576
Emergency Medical Transportation	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 4,492,142</b>	<b>\$ 9,416,394</b>	<b>\$ 8,983,336</b>	<b>\$ 3,061,927</b>	<b>\$ 12,172,998</b>	<b>\$ 7,168,178</b>	<b>\$ 4,877</b>	<b>\$ 45,299,852</b>

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

**Interfund Advance.** In two installment payments in Fiscal Year 2016, the Water and Wastewater Enterprise Fund advanced the Golf Enterprise Fund a total of \$2.5 million for an irrigation system at Rolling Hills Golf Course. In Fiscal Year 2017, an additional \$825,000 was advanced. Currently the interest rate is .90% and can fluctuate based on the City's average earnings on its investments. The advance is repaid in an annual installment of \$182,450 commencing June 30, 2017 through June 30, 2038. The advance balance in the Water and Wastewater Enterprise Fund at June 30, 2019 was \$2,873,802.

## NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE

On November 10, 2004, the City entered into an intergovernmental agreement with the Arizona Sports and Tourism Authority ("AZSTA") 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 AZSTA 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 Fund for the AZSTA's portion. Payments are received semi-annually, and any unpaid interest is capitalized. Due to capitalizing interest, at June 30, 2019 the General Fund capital improvement note receivable balance for this agreement is \$1,887,601.

In August 2008, the City advanced to the Downtown Tempe Authority (DTA) \$250,000 to begin operations. The DTA is to repay the advance at zero percent interest rate when the district is terminated. At June 30, 2019 the General Fund capital improvement note receivable balance for this agreement is \$250,000.

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, 2019, the note receivable balance in the Transit Special Revenue fund is \$1,526,260 and the corresponding revenue has been reported as a deferred inflow of resources.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE (Continued)

In accordance with a development agreement, the City has deferred certain water and sewer development fees. Commencing in August 2011, the City receives \$12,324 monthly over a 10-year period with an interest rate of 4.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2019 was \$295,134 for this agreement.

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, 2019 was \$200,849 for this agreement.

## NOTE 7 - JOINT VENTURE

The City currently participates in three joint ventures, the Subregional Operating Group, Valley Metro Rail, Inc and Regional Wireless Cooperative.

### Subregional Operating Group (SROG)

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

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

As of June 30, 2018 (the latest information available), the City has a 15.48% 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, 2018 (the latest information available) is as follows (in thousands):

Total assets	\$ 714,798
Total liabilities	(30,972)
Total net position	<u>\$ 683,826</u>
Total revenues	\$ 73,244
Total expenses	(84,703)
Total non-operating revenues (expenses)	(186)
Net decrease in net position	<u>(\$ 11,645)</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 7 - JOINT VENTURE (Continued)

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

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2019, was \$ 112,001,112. The City's net loss from joint venture was \$ 6,286,465 for the fiscal year ended June 30, 2019. 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, 2019, the City has a 19.82% (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, 2018 (the latest information available) is as follows:

Total assets	\$ 1,507,283,952
Total liabilities	(107,646,761)
Total net position	<u>\$ 1,399,637,191</u>
Operating revenues	\$ 13,361,446
Operating expenses	(95,180,383)
Non-operating revenues	44,072,802
Non-operating expenses	(23,219,997)
Capital Contributions	142,017,878
Net increase in net position	<u>\$ 81,051,746</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, 2019 was \$298,553,612. During the fiscal year ended June 30, 2019, the equity in joint venture increased by \$33,881,737. This is primarily due to the funding of the transit streetcar project through capital grants and contributions toward the project. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 7 - JOINT VENTURE (Continued)

### Regional Wireless Cooperative (RWC)

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

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

The City records its share of contributions to the RWC and the equity in the joint venture in the government-wide financial statements. The City made current year contributions \$953,430. As of June 30, 2019, the City's net investment in RWC was \$8,896,342 (unaudited), or 12.74% of the RWC's total net position.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2018 (the latest information available) is as follows (in thousands):

Total assets	\$ 79,501
Total liabilities	(4,289)
Total net position	<u>\$ 75,212</u>
Total revenues	\$ 10,828
Total expenses	(17,294)
Net decrease in net position	<u>(\$ 6,466)</u>

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, for the RWC may be obtained from the Regional Wireless Cooperative, 200 West Washington Street, 7th Floor, Phoenix, Arizona, 85003-1611.



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2019 is as follows:

	Balances June 30, 2018	Additions	Retirements	Transfers in (out)	Balances June 30, 2019
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land	\$ 89,605,173	\$ 2,213,846	\$ -	\$ (504,696)	\$ 91,314,323
Construction-in-progress	21,988,411	52,564,790	(1,760,958)	(15,087,820)	57,704,423
Total non-depreciable assets	<u>111,593,584</u>	<u>54,778,636</u>	<u>(1,760,958)</u>	<u>(15,592,516)</u>	<u>149,018,746</u>
Depreciable assets:					
Buildings	310,644,847	-	-	998,121	311,642,968
Infrastructure	810,988,190	-	-	8,258,005	819,246,195
Improvements	205,194,259	-	-	4,286,827	209,481,086
Machinery and equipment	161,956,962	2,923,772	(1,301,924)	1,508,888	165,087,698
Total depreciable assets	<u>1,488,784,258</u>	<u>2,923,772</u>	<u>(1,301,924)</u>	<u>15,051,841</u>	<u>1,505,457,947</u>
Accumulated depreciation:					
Buildings	(147,657,419)	(11,014,938)	-	-	(158,672,357)
Infrastructure	(424,535,955)	(18,623,005)	-	-	(443,158,960)
Improvements	(84,302,564)	(9,166,054)	-	-	(93,468,618)
Machinery and equipment	(130,688,721)	(7,493,277)	1,293,567	3,427	(136,885,004)
Total accumulated depreciation	<u>(787,184,659)</u>	<u>(46,297,274)</u>	<u>1,293,567</u>	<u>3,427</u>	<u>(832,184,939)</u>
Governmental activities capital assets, net	<u>\$ 813,193,183</u>	<u>\$ 11,405,134</u>	<u>\$ (1,769,315)</u>	<u>\$ (537,248)</u>	<u>\$ 822,291,754</u>

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

Police	\$ 4,839,568
Fire medical rescue	1,868,034
Community services	3,869,849
Public works	31,723,782
Community development	1,399,868
Human services	99,829
Municipal court	88,896
City manager	997
City attorney	659
Internal services	689,361
Unallocated depreciation	1,716,431
Total depreciation expense	<u>\$ 46,297,274</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2018	Additions	Retirements	Transfers in (out)	Balances June 30, 2019
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	29,751,645	29,155,270	(551,363)	(6,145,668)	52,209,884
Total non-depreciable assets	36,445,022	29,155,270	(551,363)	(6,145,668)	58,903,261
Depreciable assets:					
Buildings	49,802,667	-	-	-	49,802,667
Infrastructure	337,494,187	-	-	6,145,668	343,639,855
Improvements	207,948,051	-	-	-	207,948,051
Machinery and equipment	31,989,155	3,982,333	(986,147)	35,979	35,021,320
Total depreciable assets	627,234,060	3,982,333	(986,147)	6,181,647	636,411,893
Accumulated depreciation:					
Buildings	(26,983,450)	(1,262,040)	-	-	(28,245,490)
Infrastructure	(167,293,160)	(10,726,681)	-	-	(178,019,841)
Improvements	(85,185,015)	(8,310,887)	-	-	(93,495,902)
Machinery and equipment	(19,856,536)	(2,635,812)	967,599	(3,427)	(21,528,176)
Total accumulated depreciation	(299,318,161)	(22,935,420)	967,599	(3,427)	(321,289,409)
Business-type activities capital assets, net	\$ 364,360,921	\$ 10,202,183	\$ (569,911)	\$ 32,552	\$374,025,745

Depreciation expense was charged to the proprietary funds in the government-wide and fund financial statements as follows:

Water and wastewater	\$ 21,071,083
Solid waste	1,229,136
Emergency medical transportation	128,667
Golf course	506,534
Total depreciation expense	<u>\$ 22,935,420</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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, \$52,120,000 was issued to finance improvements for Street Improvements and Infrastructure Preservation, Community Services, Parks, Public Safety and Water and Wastewater improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2019, were as follows (the 7/1/2019 principal payment was deducted as the Fiscal Year 2019 resources were dedicated):

\$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%	2,725,000
\$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%	14,370,000
\$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%	1,195,000
\$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%	2,250,000
\$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%	10,400,000
\$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%	23,935,000
\$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%	5,320,000
\$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%	40,260,000
\$43,965,000 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%	32,630,000
\$13,630,000 2016A Capital Improvement Serial Bonds due in annual installments of \$540,000 to \$880,000 beginning July 1, 2017 through July 1, 2036; interest at 2.00% to 3.00%	11,980,000
\$86,440,000 2016B Capital Improvement Refunding Serial Bonds due in annual installments of \$3,550,000 to \$17,935,000 beginning July 1, 2017 through July 1, 2029; interest at 2.00% to 4.00%	82,715,000
\$32,810,000 2017 Capital Improvement Serial Bonds due in annual installments of \$970,000 to \$2,390,000 beginning July 1, 2018 through July 1, 2037; interest at 2.00% to 5.00%	26,685,000
\$47,560,000 2018 Capital Improvement Serial Bonds due in annual installments of \$1,365,000 to \$3,640,000 beginning July 1, 2019 through July 1, 2038; interest at 2.00% to 5.00%	37,165,000
\$52,120,000 2019 Capital Improvement Serial Bonds due in annual installments of \$1,635,000 to \$3,785,000 beginning July 1, 2020 through July 1, 2039; interest at 2.00% to 5.00%	52,120,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 381,690,000</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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
2020	\$ 37,305,000	\$ 15,143,592	\$ 52,448,592
2021	38,030,000	13,603,905	51,633,905
2022	36,930,000	12,296,492	49,226,492
2023	36,110,000	10,987,850	47,097,850
2024	33,800,000	9,653,878	43,453,878
2025-2029	113,840,000	31,222,497	145,062,497
2030-2034	55,625,000	13,464,467	69,089,467
2035-2039	30,050,000	3,598,600	33,648,600
	<u>\$ 381,690,000</u>	<u>\$ 109,971,281</u>	<u>\$ 491,661,281</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
2020	\$ 16,875,000	\$ 7,014,414	\$ 23,889,414
2021	16,570,000	6,373,252	22,943,252
2022	15,760,000	5,825,924	21,585,924
2023	15,035,000	5,311,722	20,346,722
2024	13,775,000	4,753,019	18,528,019
2025-2029	60,215,000	16,319,633	76,534,633
2030-2034	35,025,000	6,074,479	41,099,479
2035-2039	10,735,000	1,234,900	11,969,900
	<u>\$ 183,990,000</u>	<u>\$ 52,907,343</u>	<u>\$ 236,897,343</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 20,430,000	\$ 8,129,177	\$ 28,559,177
2021	21,460,000	7,230,652	28,690,652
2022	21,170,000	6,470,569	27,640,569
2023	21,075,000	5,676,128	26,751,128
2024	20,025,000	4,900,859	24,925,859
2025-2029	53,625,000	14,902,864	68,527,864
2030-2034	20,600,000	7,389,988	27,989,988
2035-2039	19,315,000	2,363,701	21,678,701
	<u>\$ 197,700,000</u>	<u>\$ 57,063,938</u>	<u>\$ 254,763,938</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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, 2019, the special assessments receivable of \$16,067,891, 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, 2019, there is \$323,465 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 \$442,274 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, 2019, were as follows:

\$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%	\$ 420,000
\$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>15,615,000</u>
Total special assessment bonds outstanding	<u>\$ 16,035,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,445,000	\$ 762,768	\$ 2,207,768
2021	1,520,000	690,533	2,210,533
2022	1,370,000	619,250	1,989,250
2023	1,435,000	549,125	1,984,125
2024	1,510,000	475,500	1,985,500
2025-2029	<u>8,755,000</u>	<u>1,136,874</u>	<u>9,891,874</u>
	<u>\$ 16,035,000</u>	<u>\$ 4,234,050</u>	<u>\$ 20,269,050</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations

**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 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 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

\$31,825,000 2011A Excise Tax Revenue Obligations due in annual installments of \$1,030,000 to \$2,375,000 through July 1, 2022; interest at 2.00% to 5.00%	\$ 4,495,000
\$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>\$ 11,795,000</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
2020	\$ 1,425,000	\$ 323,008	\$ 1,748,008
2021	1,500,000	251,758	1,751,758
2022	1,570,000	176,758	1,746,758
2023	-	98,258	98,258
2024	-	98,258	98,258
2025	7,300,000	98,258	7,398,258
	<u>\$ 11,795,000</u>	<u>\$ 1,046,298</u>	<u>\$ 12,841,298</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 35,000	\$ 104,008	\$ 139,008
2021	35,000	102,258	137,258
2022	40,000	100,258	140,258
2023	-	98,258	98,258
2024	-	98,258	98,258
2025	7,300,000	98,258	7,398,258
	<u>\$ 7,410,000</u>	<u>\$ 601,298</u>	<u>\$ 8,011,298</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,390,000	\$ 219,000	\$ 1,609,000
2021	1,465,000	149,500	1,614,500
2022	1,530,000	76,500	1,606,500
	<u>\$ 4,385,000</u>	<u>\$ 445,000</u>	<u>\$ 4,830,000</u>

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. In the following outstanding balance, the 7/1/2019 principal payment was deducted as the fiscal year 2019 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>\$ 3,295,000</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
2020	<u>\$ 3,295,000</u>	<u>\$ 138,850</u>	<u>\$ 3,433,850</u>
	<u>\$ 3,295,000</u>	<u>\$ 138,850</u>	<u>\$ 3,433,850</u>



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

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

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

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

\$30,500,000 2012 Excise Tax Revenue and Refunding Obligations due in annual installments of \$280,000 to \$5,125,000 through July 1, 2032; interest at 1.50% to 5.00%	<u>\$ 20,125,000</u>
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The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,995,000	\$ 942,375	\$ 2,937,375
2021	2,090,000	842,625	2,932,625
2022	2,195,000	738,125	2,933,125
2023	5,125,000	628,375	5,753,375
2024	2,425,000	372,125	2,797,125
2025-2029	4,585,000	653,575	5,238,575
2030-2032	1,710,000	120,413	1,830,413
	<u>\$ 20,125,000</u>	<u>\$ 4,297,613</u>	<u>\$ 24,422,613</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,630,000	\$ 695,250	\$ 2,325,250
2021	1,710,000	613,750	2,323,750
2022	1,795,000	528,250	2,323,250
2023	4,705,000	438,500	5,143,500
2024	1,985,000	203,250	2,188,250
2025	2,080,000	104,000	2,184,000
	<u>\$ 13,905,000</u>	<u>\$ 2,583,000</u>	<u>\$ 16,488,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 365,000	\$ 247,125	\$ 612,125
2021	380,000	228,875	608,875
2022	400,000	209,875	609,875
2023	420,000	189,875	609,875
2024	440,000	168,875	608,875
2025-2029	2,505,000	549,575	3,054,575
2030-2032	1,710,000	120,413	1,830,413
	<u>\$ 6,220,000</u>	<u>\$ 1,714,613</u>	<u>\$ 7,934,613</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, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

In the following outstanding balance, the 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated. On May 9, 2018, the City advanced defeased \$2,860,000 of these obligations (see Note 10).

\$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%

\$ 31,270,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,265,000	\$ 1,357,794	\$ 2,622,794
2021	1,310,000	1,307,194	2,617,194
2022	1,375,000	1,241,694	2,616,694
2023	1,445,000	1,172,944	2,617,944
2024	1,520,000	1,100,694	2,620,694
2025-2029	8,825,000	4,283,969	13,108,969
2030-2034	10,795,000	2,319,163	13,114,163
2035-2037	<u>4,735,000</u>	<u>323,156</u>	<u>5,058,156</u>
	<u>\$ 31,270,000</u>	<u>\$ 13,106,608</u>	<u>\$ 44,376,608</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, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

In the following outstanding balance, the 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

\$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%

\$ 21,280,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,090,000	\$ 1,026,075	\$ 2,116,075
2021	1,140,000	971,575	2,111,575
2022	1,200,000	914,575	2,114,575
2023	1,260,000	854,575	2,114,575
2024	1,325,000	791,575	2,116,575
2025-2029	7,680,000	2,896,125	10,576,125
2030-2033	7,585,000	872,100	8,457,100
	<u>\$ 21,280,000</u>	<u>\$ 8,326,600</u>	<u>\$ 29,606,600</u>

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

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

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

\$ 20,715,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 1,035,750	\$ 1,035,750
2021	1,135,000	1,035,750	2,170,750
2022	1,190,000	979,000	2,169,000
2023	2,830,000	919,500	3,749,500
2024	1,665,000	778,000	2,443,000
2025-2029	9,445,000	2,571,000	12,016,000
2030-2031	4,450,000	336,500	4,786,500
	<u>\$ 20,715,000</u>	<u>\$ 7,655,500</u>	<u>\$ 28,370,500</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 57,950	\$ 57,950
2021	332,000	57,950	389,950
2022	345,000	41,350	386,350
2023	400,000	24,100	424,100
2024	39,000	4,100	43,100
2025	43,000	2,150	45,150
	<u>\$ 1,159,000</u>	<u>\$ 187,600</u>	<u>\$ 1,346,600</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ -	\$ 977,800	\$ 977,800
2021	803,000	977,800	1,780,800
2022	845,000	937,650	1,782,650
2023	2,430,000	895,400	3,325,400
2024	1,626,000	773,900	2,399,900
2025-2029	9,402,000	2,568,850	11,970,850
2030-2031	4,450,000	336,500	4,786,500
	<u>\$ 19,556,000</u>	<u>\$ 7,467,900</u>	<u>\$ 27,023,900</u>

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

The City covenants and agrees that, so long as any of the Parity Obligations remain outstanding and the principal and interest shall be unpaid, it will not further encumber the Transit Excise Taxes on a parity basis unless the Transit Excise Taxes collected in the immediately preceding fiscal year shall have amounted to at least two times the highest combined principal and interest debt service payments, or any required deposits, for any succeeding fiscal year for with respect to the transit excise tax revenue Parity Obligations. In the following outstanding balance, the 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

The City's outstanding obligations from the direct placement contain a provision that, in an event of default or covenant violation with this obligation, or default of any parity obligation that has not been cured by the City, the trustee may require performance and observance of any pledge and any outstanding amounts due may immediately become payable.

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

\$ 19,000,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 950,000	\$ 545,300	\$ 1,495,300
2021	980,000	518,035	1,498,035
2022	1,010,000	489,909	1,499,909
2023	1,035,000	460,922	1,495,922
2024	1,070,000	431,218	1,501,218
2025-2029	5,805,000	1,678,520	7,483,520
2030-2034	6,690,000	796,282	7,486,282
2035	1,460,000	41,902	1,501,902
	<u>\$ 19,000,000</u>	<u>\$ 4,962,088</u>	<u>\$ 23,962,088</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's Debt Service and Community Facilities District funds. As a result of the refunding, the City reduced its total debt service requirements by \$908,114, which resulted in an economic gain of \$873,351.

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 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

The City's outstanding obligations from the direct placement contain a provision that, in an event of default or covenant violation with this obligation, or default of any parity obligation that has not been cured by the City, the trustee may require performance and observance of any pledge and any outstanding amounts due may immediately become payable.

\$14,790,000 2017 Excise Tax Revenue Refunding Obligations due in annual installments of \$2,655,000 to \$3,200,000 through July 1, 2022; interest at 1.97%	<u>\$ 8,565,000</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
2020	\$ 3,200,000	\$ 168,731	\$ 3,368,731
2021	2,655,000	105,691	2,760,691
2022	<u>2,710,000</u>	<u>53,387</u>	<u>2,763,387</u>
	<u>\$ 8,565,000</u>	<u>\$ 327,809</u>	<u>\$ 8,892,809</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

**Excise Tax Revenue Refunding Obligations.** On June 26, 2019, the City issued \$9,110,000 of Excise Tax Revenue Refunding Obligations. The proceeds (including the premium) were used to (i) refund \$1,170,000 of the 2009A tax-exempt Excise Tax Revenue Obligations, (ii) refund \$9,315,000 of the 2009B taxable Excise Tax Revenue Obligations referred to as Build America Bonds and (iii) to pay costs incurred to execute and deliver the obligations.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's Debt Service and Enterprise funds. As a result of the refunding, the City reduced its total debt service requirements by \$1,645,317, which resulted in an economic gain of \$1,498,204.

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 to the extent permitted by law, 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 City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of Excise Taxes, all within and for such fiscal year of the City, shall be equal to at least three times the total Debt Service for all Outstanding Parity Obligations in such fiscal year. The City further covenants and agrees that if such receipts for any such fiscal year shall not equal three times such Debt Service for such fiscal year, or if at any time it appears that the current fiscal year's receipts will not be sufficient to meet such fiscal year's actual Debt Service, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) the current fiscal year's receipts will be sufficient to meet all such fiscal year's Debt Service requirements and (ii) the next succeeding fiscal year's receipts will be equal to at least three times the next succeeding fiscal year's Debt Service requirements. In the following outstanding balance, the 7/1/2019 principal payment was deducted as the fiscal year 2019 resources were dedicated.

\$9,110,000 2019 Excise Tax Revenue Obligations due in annual installments of \$1,000,000 to \$1,515,000 through July 1, 2029; interest at 5.00% to 6.50%

\$ 9,110,000



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Excise Tax Revenue and Refunding Obligations (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,000,000	\$ 431,410	\$ 1,431,410
2021	-	405,500	405,500
2022	-	405,500	405,500
2023	-	405,500	405,500
2024	1,200,000	405,500	1,605,500
2025-2029	<u>6,910,000</u>	<u>1,068,500</u>	<u>7,978,500</u>
	<u>\$ 9,110,000</u>	<u>\$ 3,121,910</u>	<u>\$ 12,231,910</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 290,000	\$ 126,280	\$ 416,280
2021	-	118,750	118,750
2022	-	118,750	118,750
2023	-	118,750	118,750
2024	350,000	118,750	468,750
2025-2029	<u>2,025,000</u>	<u>313,750</u>	<u>2,338,750</u>
	<u>\$ 2,665,000</u>	<u>\$ 915,030</u>	<u>\$ 3,580,030</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 710,000	\$ 305,130	\$ 1,015,130
2021	-	286,750	286,750
2022	-	286,750	286,750
2023	-	286,750	286,750
2024	850,000	286,750	1,136,750
2025-2029	<u>4,885,000</u>	<u>754,750</u>	<u>5,639,750</u>
	<u>\$ 6,445,000</u>	<u>\$ 2,206,880</u>	<u>\$ 8,651,880</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

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

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 1.25% to 2.35% \$ 2,966,000

The following discloses debt service requirements as of June 30, 2019 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 442,000	\$ 67,380	\$ 509,380
2021	462,000	58,651	520,651
2022	482,000	48,414	530,414
2023	504,000	36,576	540,576
2024	527,000	23,024	550,024
2025	549,000	7,823	556,823
	<u>\$ 2,966,000</u>	<u>\$ 241,868</u>	<u>\$ 3,207,868</u>

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

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

\$1,884,503 Water Infrastructure Finance Authority Loan #92A174-10 due in annual installments of \$69,678 to \$123,631 through July 1, 2029; interest at 1.56% and administrative fee at 1.50% \$ 1,083,368

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Water Infrastructure Finance Authority Loans (Continued)

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2019 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
2020	\$ 94,225	\$ 33,194	\$ 127,419
2021	97,112	30,307	127,419
2022	100,087	27,332	127,419
2023	103,154	24,265	127,419
2024	106,314	21,105	127,419
2025-2029	582,476	54,618	637,094
	<u>\$ 1,083,368</u>	<u>\$ 190,821</u>	<u>\$ 1,274,189</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%

\$ 7,715,995

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2019 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
2020	\$ 704,675	\$ 154,320	\$ 858,995
2021	718,769	140,226	858,995
2022	733,144	125,851	858,995
2023	747,807	111,188	858,995
2024	762,763	96,232	858,995
2025-2029	4,048,837	246,137	4,294,974
	<u>\$ 7,715,995</u>	<u>\$ 873,954</u>	<u>\$ 8,589,949</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

**Capital Leases.** The City has entered into capital lease agreements for equipment. These lease agreements generally require annual payments and the lease term varies from 4 to 5 years. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception.

The governmental assets acquired through capital leases are for equipment with an original cost of \$87,798. Accumulated depreciation as of June 30, 2019 totaled \$46,826. 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, 2019. These amounts will be paid for by the General Fund.

Fiscal Year Ending June 30,	Total
2020	\$ 17,560
2021	17,559
2022	5,853
	<u>40,972</u>
Less: remaining interest at 0%	-
Present value of future minimum lease payments	<u>\$ 40,972</u>

The proprietary assets acquired through capital leases are for equipment with an original cost of \$1,197,838. Accumulated depreciation as of June 30, 2019 totaled \$246,055. 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, 2019. These amounts will be paid for by the Golf Fund.

Fiscal Year Ending June 30,	Total
2020	\$ 283,569
2021	173,758
2022	173,758
2023	173,758
Total minimum lease payments	<u>804,843</u>
Less: remaining interest at 1.24% to 2.90%	(68,516)
Present value of future minimum lease payments	<u>\$ 736,327</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, 2019, the 20 percent debt limitation was \$491,419,390 with \$369,823,502 of outstanding debt. This provided a 20 percent debt margin of \$121,595,888. The 6 percent debt limitation was \$147,425,817 with \$77,915,351 of outstanding debt. This provided a 6 percent debt margin of \$69,510,466. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2019, was \$202,139,698.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

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

**Arbitrage.** Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2019.

**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 \$183,990,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2039. Annual principal and interest payments on the bonds are 115.5% of total 2019 General Obligation Debt Service Fund ad valorem taxes and represents a planned spenddown of Debt Service Fund balance for the fiscal year ended June 30, 2019. The total principal and interest remaining to be paid on the bonds is \$236,897,343. Principal and interest paid for the current year and total ad valorem tax revenues were \$30,312,981 and \$28,173,553, respectively.

**Debt Service Coverage for Business-type Activities General Obligation Bonds.** The business-type general obligations are paid from the water and wastewater utility system revenues of the City. A total of \$197,700,000 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, 2039. Annual principal and interest payments on the bonds are expected to require less than 31.36% of 2019 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$254,763,938. Principal and interest paid for the current year and water and wastewater system revenues were \$26,764,772 and \$85,339,513, respectively

**Debt Service Coverage for Governmental Excise Tax Obligations.** The City has pledged all future unrestricted excise taxes to repay a total of \$33,704,000 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 3.49% of total 2019 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$38,318,736. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$6,390,138 and \$182,518,296, 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 \$57,886,000 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 8.02% of total 2019 excise taxes. The total principal and interest remaining to be paid on the bonds is \$78,046,992. Principal and interest paid for the current year and total excise taxes were \$14,349,491 and \$182,518,296, respectively.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

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

**Debt Service Coverage for Transit Excise Tax Obligations.** For the repayment of transit excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 0.50% transportation excise tax. Proceeds of the bonds were used for the construction of the City's portion of the light rail system. The current balance outstanding is \$50,270,000. The bonds are payable through July 1, 2037. Annual principal and interest payments on the bonds are expected to require less than 9.56% of total 2019 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$68,338,693. Principal and interest paid for the current year and transit excise taxes were \$4,116,542 and \$43,063,185 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 \$3,295,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be less than 38.90% of total 2019 performing arts excise taxes. The total principal and interest remaining to be paid on the bonds is \$3,433,850. Principal and interest paid for the current year and total available excise taxes were \$3,428,100 and \$170,602,101, respectively.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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, 2019 (the ending balance does not include 7/1/2019 "matured" payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Debt payable:					
General obligation bonds payable	\$180,435,000	\$ 27,130,000	\$ (23,575,000)	\$183,990,000	\$16,875,000
Special assessments	17,415,000	-	(1,380,000)	16,035,000	1,445,000
2008 Excise tax obligations	760,000	-	(760,000)	-	-
2009 Excise tax obligations	3,385,000	-	(3,385,000)	-	-
2011 Excise tax obligations	7,445,000	-	(35,000)	7,410,000	35,000
2011 Excise tax refunding obligations	6,440,000	-	(3,145,000)	3,295,000	3,295,000
2012 Excise tax obligations	15,455,000	-	(1,550,000)	13,905,000	1,630,000
2012 Excise tax refunding obligations	32,485,000	-	(1,215,000)	31,270,000	1,265,000
2016 Excise tax refunding obligations	1,159,000	-	-	1,159,000	-
2017 Excise tax refunding obligations (direct placement)	19,155,000	-	(155,000)	19,000,000	950,000
2017 Excise tax refunding obligations (direct placement)	11,710,000	-	(3,145,000)	8,565,000	3,200,000
2019 Excise tax refunding obligations	-	2,665,000	-	2,665,000	290,000
Premium on debt payable	21,847,912	5,655,061	(2,456,776)	25,046,197	-
2004 HUD Section 108 loan	3,389,000	-	(423,000)	2,966,000	442,000
Capital leases	65,610	-	(24,638)	40,972	17,560
	<u>321,146,522</u>	<u>35,450,061</u>	<u>(41,249,414)</u>	<u>315,347,169</u>	<u>29,444,560</u>
Compensated absences	31,362,690	13,194,821	(12,527,346)	32,030,165	12,828,909
Claims and judgments	8,576,085	3,233,401	(3,131,909)	8,677,577	3,100,857
OPEB	75,083,055	-	(4,604,114)	70,478,941	-
Net pension liability	392,248,852	9,814,367	(8,984,281)	393,078,938	-
Governmental activities long-term	<u>\$828,417,204</u>	<u>\$ 61,692,650</u>	<u>\$ (70,497,064)</u>	<u>\$819,612,790</u>	<u>\$45,374,326</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$191,635,000	\$ 24,990,000	\$ (18,925,000)	\$197,700,000	\$20,430,000
General obligation premium	17,804,034	4,879,143	(1,871,135)	20,812,042	-
2009 Excise tax obligations	8,215,000	-	(8,215,000)	-	-
2011 Excise tax obligations	5,705,000	-	(1,320,000)	4,385,000	1,390,000
2012 Excise tax obligations	6,565,000	-	(345,000)	6,220,000	365,000
2013 Excise tax obligations	22,325,000	-	(1,045,000)	21,280,000	1,090,000
2016 Excise tax obligations	27,066,000	-	(7,510,000)	19,556,000	-
2019 Excise tax refunding obligations	-	6,445,000	-	6,445,000	710,000
Excise premium	9,899,573	1,356,320	(1,116,352)	10,139,541	-
2010 WIFA Loan	1,174,791	-	(91,423)	1,083,368	94,225
2010 WIFA Loan	8,406,853	-	(690,858)	7,715,995	704,675
Capital leases	213,267	802,406	(279,346)	736,327	255,411
OPEB	9,017,390	-	(4,609)	9,012,781	-
Net pension liability	21,371,300	-	(1,369,803)	20,001,497	-
Business-type activities long-term	<u>\$329,398,208</u>	<u>\$ 38,472,869</u>	<u>\$ (42,783,526)</u>	<u>\$325,087,551</u>	<u>\$25,039,311</u>

The long-term liabilities at June 30, 2019 have been reduced by deposits made with the City's fiscal agent for July 1, 2019 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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

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

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

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

On May 9, 2018, the City defeased \$8,045,000 of Transit excise tax revenue obligations. This transaction partially advanced defeased \$2,860,000 of Series 2012 outstanding obligations and contained a current defeasance of \$5,185,000 of Series 2008 obligations.

The primary purpose of the defeasance was to lower debt service in the Transit fund. As a result of the defeasance, the City reduced its total debt service requirements in the Transit fund by \$15,584,956, which resulted in an economic gain of \$7,089,619.

On May 8, 2018, the City defeased \$8,290,000 of general obligation bonds. This transaction partially advanced defeased \$4,220,000 of Series 2015 outstanding obligations and \$4,070,000 of Series 2017 obligations.

The primary purpose of the defeasance was to lower the balance in the debt service fund. As a result of the defeasance, the City reduced its total debt service requirements in the debt service fund by \$14,591,813, which resulted in an economic gain of \$5,092,510.

On June 18, 2019, the City defeased \$9,030,000 of general obligation bonds. This transaction was a cash defeasance and advanced defeased Series 2018 outstanding obligations.

The primary purpose of the defeasance was to lower the balance in the debt service fund. As a result of the defeasance, the City reduced its total debt service requirements in the debt service fund by \$16,925,500, which resulted in an economic gain of \$1,498,204.



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### Advance Bond Refundings (Continued)

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2019 are as follows:

\$23,615,000 excise tax revenue obligations issued in 2009 and partially refunded in 2016 (final redemption date is 7/1/2019)	\$ 3,860,000
\$31,825,000 excise tax revenue obligations issued in 2011 and partially refunded in 2016 (final redemption date is 7/1/2021)	17,850,000
\$56,055,000 general obligation bonds issued in 2009 and partially refunded in 2016 (final redemption date is 7/1/2019)	31,190,000
\$41,390,000 Transit excise tax revenue obligations issued in 2012 and partially defeased in 2018 (final redemption date is 7/1/2022)	2,860,000
\$43,965,000 general obligation bonds issued in 2015 and partially defeased in 2018 (final redemption date is 7/1/2025)	4,220,000
\$32,810,000 general obligation bonds issued in 2017 and partially defeased in 2018 (final redemption date is 7/1/2027)	4,070,000
\$47,560,000 general obligation bonds issued in 2018 and partially defeased in 2019 (final redemption date is 7/1/2028)	9,030,000
Total bonds advance refunded	<u>\$ 73,080,000</u>

## NOTE 11 – FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

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

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

As of June 30, 2019, 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, 2019, the unassigned fund balance is 42.55% of General Fund revenues.

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
<b>Fund balances:</b>							
<b>Non-spendable:</b>							
Inventories	\$ 241,024	\$ -	\$ -	\$ -	\$ -	\$ 834,823	\$ 1,075,847
Prepaid items	-	-	-	-	-	692,751	692,751
Capital improvements notes receivable	250,000	-	-	-	-	-	250,000
	491,024	-	-	-	-	1,527,574	2,018,598
<b>Restricted:</b>							
Debt Service reserve	-	-	3,463,501	-	-	-	3,463,501
Police	-	-	-	-	-	4,202,692	4,202,692
Fire	-	-	-	-	-	1,406,820	1,406,820
Community services	-	-	-	-	-	540,012	540,012
Public works	-	26,686,269	-	-	17,072,433	7,708,893	51,467,595
Community development	106,684	-	-	-	-	1,657,563	1,764,247
Human services	-	-	-	-	-	1,836,008	1,836,008
Municipal court	-	-	-	-	-	423,126	423,126
City manager	-	-	-	-	-	122,352	122,352
Strategic management and diversity	-	-	-	-	-	2,000	2,000
	106,684	26,686,269	3,463,501	-	17,072,433	17,899,466	65,228,353
<b>Committed to:</b>							
Police	101,500	-	-	-	-	342,417	443,917
Fire	-	-	-	-	-	789,690	789,690
Public works	379,175	11,201,499	-	-	-	22,309,726	33,890,400
Community development	-	-	-	-	-	11,240,585	11,240,585
Municipal court	-	-	-	-	-	469,229	469,229
	480,675	11,201,499	-	-	-	35,151,647	46,833,821
<b>Assigned to:</b>							
Self-insurance purposes	6,841,391	-	-	-	-	-	6,841,391
Capital projects	2,482,000	-	-	-	-	3,971,496	6,453,496
Other	-	-	-	-	-	303,244	303,244
Transit	-	8,033,876	-	-	-	-	8,033,876
TSA	9,389,889	-	-	-	-	-	9,389,889
	18,713,280	8,033,876	-	-	-	4,274,740	31,021,896
<b>Unassigned:</b>							
	97,995,211	-	-	(77,319)	-	(1,364,917)	96,552,975
<b>Total fund balances</b>	<b>\$ 117,786,874</b>	<b>\$ 45,921,644</b>	<b>\$ 3,463,501</b>	<b>\$ (77,319)</b>	<b>\$ 17,072,433</b>	<b>\$ 57,488,510</b>	<b>\$ 241,655,643</b>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

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, 2019, the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
<b>Governmental funds:</b>		
Transit	\$ 5,465,593	\$ 12,253,034
Non-major funds	12,894,568	45,451,389
	<u>\$ 18,360,161</u>	<u>\$ 57,704,423</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
<b>Proprietary funds:</b>		
Water/wastewater	\$ 23,317,214	\$ 51,935,091
Solid waste	-	238,217
Golf	-	36,576
	<u>\$ 23,317,214</u>	<u>\$ 52,209,884</u>

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

	<u>Commitment</u>
<b>Governmental funds:</b>	
General	\$ 934,126
Non-major funds	348,524
	<u>\$ 1,282,650</u>
	<u>Commitment</u>
<b>Proprietary funds:</b>	
Water/wastewater	\$ 70,193
Solid waste	1,028,096
	<u>\$ 1,098,289</u>

## NOTE 13 - OPERATING LEASES

The City leases copiers under certain non-cancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Current year lease costs for the fiscal year ended June 30, 2019 were \$86,827. The following is a schedule by year of future minimum lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 25,535
2021	1,408
2022	<u>1,056</u>
Total minimum payments required	<u>\$ 27,999</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the pension and other, multi-employer post employment benefit (OPEB) 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. All amounts reported in this footnote relate to the multi-employer OPEB plans. The City has also established a single-employer, post employment health benefit plan (see Note 15 - OTHER POSTEMPLOYMENT BENEFITS).

**Aggregate Amounts.** At June 30, 2019, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Pension	OPEB
Net assets	\$ -	\$ 534,581
Net liabilities	413,080,435	79,774,364
Deferred outflows of resources	67,681,949	2,425,011
Deferred inflows of resources	18,264,547	3,834,780
Expense	39,003,999	781,289
Contributions	35,814,225	739,239

### 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](http://www.azasrs.gov).

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

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

\*With actuarially reduced benefits

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retired and disabled members, with at least five years of credited service, are eligible to receive health insurance premium benefits. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a long-term disability benefit in the event they become unable to perform their work. The monthly benefit is equal to two-thirds of their monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999 are limited to 30 years of service or the service on record as of the effective disability date, if their service is greater than 30 years.

**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 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2019 were as follows:

	<u>Contributions</u>
Pension	\$ 8,950,287
Health Insurance Premium	325,216
Long-Term Disability	122,149

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The City's pension and OPEB contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

**Pension and OPEB Assets/Liability.** The net pension and OPEB assets/liability were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liability as of June 30, 2018 reflects changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2016, including decreasing the discount rate from 8.0 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. The City's proportion of the net assets/liability was based on the City's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2018.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2019, the City reported the following amounts for its proportionate share of the ASRS plans net assets/liability. In addition, at June 30, 2019, the City's percentage proportion for each plan and the related change from its proportion measured as of June 30, 2017 was:

	Net (Assets) Liability	City % Proportion	Increase (Decrease)
Pension	\$ 108,146,590	0.78%	( \$10,354,084)
Health Insurance Premium	(282,642)	0.78%	135,577
Long-Term Disability	406,033	0.78%	129,807

**Pension/OPEB Expense and Deferred Outflows/Inflows of Resources.** The City has deferred outflows and inflows of resources related to the net pension and OPEB assets/liabilities. Certain changes in the net pension and OPEB assets/liability are recognized as pension and OPEB expense over a period of time rather than the year of occurrence. For the year ended June 30, 2019, the City recognized pension and OPEB expense as follows:

	Expense
Pension	\$ 1,943,579
Health Insurance Premium	269,628
Long-Term Disability	146,365

The City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pensions	Health Insurance Premium	Long-Term Disability
Difference between expected and actual experience	\$ 2,979,351	\$ -	\$ 10,384
Changes of assumptions and other inputs	2,861,756	545,078	87,945
Changes in proportion and differences between the City contributions and proportionate share of contributions	1,699,746	568	5,264
Contributions subsequent to the measurement date	8,950,287	325,216	122,149
Total	<u>\$ 16,491,140</u>	<u>\$ 870,862</u>	<u>\$ 225,742</u>

	Deferred Inflows of Resources		
	Pensions	Health Insurance Premium	Long-Term Disability
Difference between expected and actual experience	\$ 596,194	\$ 260,867	\$ -
Changes of assumptions and other inputs	9,588,680	-	-
Net difference between projected and actual earnings on plan investments	2,600,670	564,621	39,328
Changes in proportion and differences between the City contributions and proportionate share of contributions	1,237,086	405	35
Total	<u>\$ 14,022,630</u>	<u>\$ 825,893</u>	<u>\$ 39,363</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

	Deferred Outflows (Inflows) of Resources		
	Pension	Health	Long-Term Disability
		Insurance Premium	
2020	\$ 756,568	\$ (109,422)	\$ 1,918
2021	(2,127,021)	(109,422)	1,917
2022	(3,945,024)	(109,422)	1,917
2023	(1,166,300)	10,876	12,451
Thereafter	-	37,143	46,027

**Actuarial Assumptions.** The significant actuarial assumptions used to measure the total ASRS pension and OPEB liabilities are as follows:

	Pension	OPEB
Actuarial valuation date	June 30, 2017	June 30, 2017
Actuarial roll forward date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.5%	7.5%
Projected salary increases	2.7-7.2%	Not applicable
Inflation	2.3%	2.3%
Permanent base increases	Included	Not applicable
Mortality rates	2017 SRA Scale U-MP	Health Ins: 2017 SRA Scale U-MP, LTD: 2012 GLDT
Healthcare cost trend rate	Not applicable	Not applicable

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. 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, 2017, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. The target allocation and best estimates of geometric real rates of return for each major asset class for all ASRS plans are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	50%	5.50%
Fixed income	30	3.83
Real estate	20	5.85
Total	100%	

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Discount Rate.** The discount rate used to measure the ASRS total pension and OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 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 investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.

**Sensitivity of the Proportionate Share of the Net Pension and OPEB Asset/Liability to Changes in the Discount Rate.** The following presents the City’s proportionate share of the net pension and OPEB assets/liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension and OPEB asset/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:

	Proportionate share of net (assets) liabilities		
	1% Decrease	Current Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Pension	\$ 154,165,453	\$ 108,146,590	\$ 69,698,575
Health Insurance Premium	1,001,468	(282,642)	(1,376,448)
Long-Term Disability	460,148	406,033	353,526

**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](http://www.azasrs.gov).

### B. Public Safety Personnel Retirement System

**Plan Descriptions.** City public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS), or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSDCRP). 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 nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues 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](http://www.psprs.com).



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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 (Tier 1)	On or After January 1, 2012 (Tier 2)	On or After January 1, 2017 (Tier 3)
<b>Retirement and Disability:</b> Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years or 15 years of credited service and age 52.5	15 years and age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years	Highest 60 months of last 15 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%	1.5% to 2.5% per year of service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater		
<b>Survivor benefit:</b> Retired members	80%-100% of retired member's pension benefit		
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Employees Covered by Benefit Terms.** At June 30, 2019, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS - Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
Retirees and beneficiaries & DROP	255	255	132	132
Inactive, non-retired members	67	30	33	23
Active members	317	317	134	134
Total	639	602	299	289

**Contributions.** 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, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members – pension		
Tier 1	7.65%	7.65%
Tier 2	11.65	11.65
Tier 3	9.60	10.67
Employer rates – pension		
Tier 1	61.25%	71.88%
Tier 2	61.25	71.88
Tier 3	55.60	66.47

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to PSPRS. The City was required by statute to contribute at the actuarially determined rate of 46.00% for police and 55.80% for fire of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the contributions to the pension and OPEB plans for the year ended were:

	PSPRS Police	PSPRS Fire
Pension	\$ 17,208,734	\$ 9,655,204
Health insurance	259,528	32,346

The City pension and OPEB contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

**Pension and OPEB Assets/Liability.** At June 30, 2019, the City reported the following assets and liabilities.

	Net (Assets) Liabilities	
	PSPRS - Police	PSPRS - Fire
Pension	\$ 195,113,534	\$ 109,820,311
Health insurance	3,020,026	(251,939)

The net pension and OPEB assets/liability were measured as of June 30, 2017. The total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

	Pension	OPEB
Actuarial valuation date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.40%	7.40%
Projected salary increases	3.50% - 7.00%	Not applicable
Inflation	2.50%	Not applicable
Cost-of-living adjustment	Included	Not applicable
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable	Not applicable

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	16%	7.60%
Non-U.S. equity	14	8.70
Private equity	12	5.83
Fixed income	5	1.25
Private credit	16	6.75
GTS	12	3.96
Real assets	9	4.52
Real estate	10	3.75
Risk parity	4	5.00
Short-term investments	2	0.25
Total	<u>100%</u>	

**Discount Rates.** At the June 30, 2018 valuation date, the discount rate used to measure the total pension and OPEB liability was 7.4 percent, which was the same as the discount rate used as of June 30, 2016 valuation date.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension and OPEB liability.



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
<b>PSPRS - Police:</b>			
Rate	6.40%/6.00%	7.40%/7.00%	8.40%/8.00%
Net pension (assets) liability	\$ 239,994,768	\$ 195,113,534	\$ 158,661,013
Net OPEB (assets) liability	3,806,818	3,020,026	2,362,914
<b>PSPRS - Fire:</b>			
Rate	6.40%/6.00%	7.40%/7.00%	8.40%/8.00%
Net pension liability	\$ 134,281,887	\$ 109,820,311	\$ 89,739,977
Net OPEB (assets) liability	109,502	(251,939)	(556,081)

**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](http://www.psprs.com).

**Expense.** For the year ended June 30, 2019, the City recognized the following as pension and OPEB expense:

	Expense	
	PSPRS - Police	PSPRS - Fire
Pension	\$ 24,128,910	\$ 12,931,510
Health insurance	365,965	(669)

**Deferred Outflows/Inflows of Resources.** At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	PSPRS – Police Pension		PSPRS – Fire Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Pensions</b>				
Differences between expected and actual experience	\$ 1,245,645	\$ 3,069,111	\$ 1,672,578	\$ 1,172,806
Changes of assumptions or other inputs	9,584,164	-	9,669,611	-
Net difference between projected and actual earnings on pension plan investments	1,165,829	-	989,044	-
Contributions subsequent to the measurement date	17,208,734	-	9,655,204	-
<b>Total</b>	<b>\$ 29,204,372</b>	<b>\$ 3,069,111</b>	<b>\$ 21,986,437</b>	<b>\$ 1,172,806</b>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 14 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Health Insurance	PSPRS – Police Health Insurance		PSPRS – Fire Health Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,767	\$ -	\$ 16,770	\$ 41,543
Changes of assumptions or other inputs	-	167,883	-	22,739
Net difference between projected and actual earnings on pension plan investments	-	85,335	-	76,225
Contributions subsequent to the measurement date	259,528	-	32,346	-
Total	<u>\$ 429,295</u>	<u>\$ 253,218</u>	<u>\$ 49,116</u>	<u>\$ 140,507</u>

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:20222

Fiscal Year Ended	PSPRS - Police		PSPRS - Fire	
	Pension	Health Insurance	Pension	Health Insurance
2020	\$ 4,239,230	\$ (37,318)	\$ 4,972,754	\$ (37,114)
2021	3,301,044	(37,318)	2,971,165	(37,114)
2022	757,838	(37,318)	1,769,621	(37,114)
2023	370,710	11,142	1,476,852	(7,968)
2024	246,985	12,644	(31,965)	(4,427)
Thereafter	10,720	4,717	-	-

## NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS

The City offers (through a single-employer defined contribution plan, the “City of Tempe Post-Employment Health Plan”) additional post-employment health insurance benefits through an irrevocable trust. Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Like 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. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, effective with fiscal years beginning after June 15, 2016, requires certain financial reporting disclosures by plans that administer OPEB benefits; those disclosures have been incorporated throughout this report. GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, effective with fiscal years beginning after June 15, 2017, requires certain financial reporting disclosures for employers which also have been incorporated throughout this report.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### A. Plan Description

The City's single-employer *Post-Employment Health Plan* is administered by the City's Human Resources Division, in accordance with Resolution 2009.86 of the City Council, to all retired, benefitted employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Due to changes effective July 1, 2009, benefitted employees hired after June 30, 1999 are not eligible to participate in the post-employment benefit plan.

As of June 30, 2019, 937 retirees met those eligibility requirements to receive post-employment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	937
Active employees eligible	<u>414</u>
Total	<u>1,351</u>

**Benefits provided.** The plan provides benefits to eligible retirees, their spouses and dependents through monthly City contributions to a health reimbursement account established for each retiree. The plan benefits and contribution amounts are annually determined by the City's Human Resources Division, in accordance with the approved OPEB Health Plan, based on the costs of coverage that is available through the health plans offered by the ASRS. Coverage for Medicare-eligible retirees is provided through fully-insured, City-sponsored Medicare Supplemental plans. Medicare-eligible retirees who formally waive the coverage of the Medicare Supplemental plans are eligible to receive a \$100 monthly contribution to a health reimbursement account established for the retiree. The provision of these benefits is discretionary, and the City is not legally or contractually obligated to continue them.

**Contributions.** Contributions for benefits due are based on actual benefit payments during the fiscal year and are not based on a measure of pay. Additional contributions to the trust can only be authorized by a majority of the City Council. The total contributions for the year ended June 30, 2019 were \$8,461,506.

### B. Basis of Accounting and Valuation of Investments

An irrevocable trust fund (Other Post Employment Benefit Trust) has been established for the purpose of advance funding the OPEB liability; the trust has an \$14.2 million balance as of June 30, 2019. The investments of the trust are overseen by the OPEB Retirement Investment Committee, consisting of three city employees appointed by the City's Deputy City Manager/Chief Financial Officer. Separate financial statements are not available for the trust.

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. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability at June 30, 2019 were as follows:

Total OPEB liability	\$90,253,199
Plan fiduciary net position	<u>14,187,536</u>
Net OPEB liability	<u>\$76,065,663</u>
Plan fiduciary net position as a percentage of total OPEB liability	15.7%

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### C. Net OPEB Liability (Continued)

**Actuarial Assumptions.** The total OPEB liability as of the July 1, 2017 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2019
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Actuarial assumptions:	
Salary increases	2.60% per annum
Investment rate of return	6.50%
Discount rate	6.50%
Healthcare cost trend	ASRS/PSPRS Pre-Medicare, 5.00% to 16.00%; ASRS/ PSPRS Medicare Supplement, 2.50% to 19.90%; City Medicare Supplement, 2.50% to 7.80%; City High/Low PPO, 5.00% to 14.05%
Mortality rates	For active employees, based on the PubG.H-2010 & PubS.H-2010 Employee Mortality Tables, Generational with Projection Scale MP-2018 for males/females. For retired employees, based on the PubG.H-2010 & PubS.H-2010 Healthy Annuitant Mortality Tables, Generational with Projection Scale MP-2018 for males/females.

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

**Investment policy.** The City's policy in regard to the allocation of invested assets is established and may be amended by the OPEB Retirement Investment Committee by a majority of vote of its members. It is the policy of the committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio.

**Rate of return.** For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.43%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term rate of return on OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the geometric real rates of return for each major asset class are summarized in the following table:



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

### C. Net OPEB Liability (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Cash & Equivalents	0%	Not applicable
Equity	65%	7.50%
Fixed Income	35%	5.00%
Real Estate	0%	6.00%
Other	0%	Not applicable
Total	100%	6.63%

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

The separately issued actuarial valuation report for the fiscal year ended June 30, 2019 may be obtained from the City's Internal Services Department, 20 East 6th Street, Tempe, Arizona, 85281

### D. Changes in the Net OPEB Liability

The change in the net OPEB liability during the year was as follows:

	Changes in Net OPEB Liability		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/2018	\$ 95,154,294	\$ 13,391,250	\$ 81,763,044
Changes for the year:			
Service cost	319,754	-	319,754
Interest	5,930,814	-	5,930,814
Differences between expected and actual Experience	(4,271,517)	-	(4,271,517)
Changes in Assumptions/Inputs	1,581,360	-	1,581,360
Contributions for Benefits due	-	8,461,506	(8,461,506)
Net Investment income		796,286	(796,286)
Benefit payments	(8,461,506)	(8,461,506)	-
Net changes	(4,901,095)	796,286	(5,697,381)
Balance at 6/30/2019	\$ 90,253,199	\$ 14,187,536	\$ 76,065,663

**Sensitivity of the net OPEB liability.** The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount or healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current discount or healthcare cost trend rates:

	1% Decrease	No Change	1% Increase
Discount Rate:	\$84,063,537	\$76,065,663	\$68,706,519

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

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

**E. OPEB Expense and Deferred Outflows/Inflows of Resources related to OPEB.** For the year ended June 30, 2019, the City recognized OPEB expense of \$6,565,778. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Expense	
Service Cost	\$ 319,754
Interest (on Liabilities)	5,930,814
Interest (on Assets)	(870,431)
Difference between Actual and Expected Experience	322,213
Changes in Assumptions/Inputs	1,042,488
Difference between Actual and Expected Investment Earnings	(179,060)
Total	<u>\$ 6,565,778</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,135,759
Changes of assumptions or other inputs	790,680	-
Difference between actual and expected investment earnings	59,316	440,040
Total	<u>\$ 849,996</u>	<u>\$ 2,575,799</u>

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

Fiscal Year Ended June 30,	Deferred Outflow (Inflows) of Resources
2020	\$ 2,515,891
2021	1,185,641
2022	(1,524,138)
2023	(179,060)
2024	(37,433)
Thereafter	14,829

## NOTE 16 - DEFERRED COMPENSATION PLANS

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 17 - RISK FINANCING ACTIVITIES

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

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

The City is a self-insured entity with excess commercial insurance coverage purchased for general and automobile liability, property, workers' compensation/employers' liability, crime, cyber liability, fiduciary liability and group health coverage. The coverage is as follows: for general and automobile liability the City's self-insured retention is \$2.0 million with layered excess insurance coverage to \$40 million; for property coverage the City's per occurrence deductible is \$100,000 with a policy limit of \$500 million; for workers' compensation, the self-insured retention is \$750,000 for public safety employees, and \$500,000 for all other employees, with the maximum limit of indemnity per occurrence meeting the Arizona Statutory requirements and Employers Liability maximum limit of \$2 million per occurrence; and for group health the self-insurance retention is \$275,000 per individual, with no aggregate stop loss deductible limit. During the year there were no significant reductions in the amounts of excess coverage purchased.

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2019, 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, 2018	Claims Incurred Net of Change in Estimates	Payments	June 30, 2019
General liability	\$ 2,254,402	\$ 1,603,437	\$ (462,839)	\$ 3,395,000
Automobile liability	1,819,200	(315,662)	(348,388)	1,155,150
Property liability	134,200	513,607	(419,692)	228,115
Workers' compensation	2,504,377	2,872,394	(1,900,991)	3,475,780
Health insurance	1,383,143	20,217,631	(20,033,380)	1,567,394
	<u>\$ 8,095,322</u>	<u>\$ 24,891,407</u>	<u>\$(23,165,290)</u>	<u>\$ 9,821,439</u>

	June 30, 2017	Claims Incurred Net of Change in Estimates	Payments	June 30, 2018
General liability	\$ 2,200,882	\$ 667,513	\$ (613,993)	\$ 2,254,402
Automobile liability	801,335	1,368,829	(350,964)	1,819,200
Property liability	403,000	(221,141)	(47,659)	134,200
Workers' compensation	2,681,980	1,691,782	(1,869,385)	2,504,377
Health insurance	1,353,729	19,180,615	(19,151,201)	1,383,143
	<u>\$ 7,440,926</u>	<u>\$ 22,687,598</u>	<u>\$(22,033,202)</u>	<u>\$ 8,095,322</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

At June 30, 2019, the Risk Management Fund accrued expenses totaled \$4,787,557. This balance includes the general liability, automobile liability and property liability of \$4,778,265 and other accrued expenses of \$9,292. The Worker's Compensation Fund had accrued expenses totaling \$3,475,780. The Health Fund had accrued expenses totaling \$3,355,331. Additionally, at June 30, 2019, 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.

## NOTE 19 - RELATED ORGANIZATION

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

## NOTE 20 – TAX ABATEMENTS

The City has made commitments as part of our economic development programs to reimburse certain public improvement costs through transaction privilege taxes generated out of the respective development area. The total amount rebated for the fiscal year ended June 30, 2019 is \$3,645,701. Detailed information on such commitments is prohibited from disclosure under Arizona Revised Statute 42-2002 *Disclosure of Confidential Information Prohibited*.

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

## NOTE 20 – TAX ABATEMENTS (Continued)

For the fiscal year ended June 30, 2019, the difference between property taxes assessed and the GPLET collected totaled \$2,204,527 under this program, including the following tax abatement agreements that each exceed 10% of the total amount:

- A 16.8% property tax GPLET to a retail development for constructing a retail complex in the City. The GPLET amounted to \$371,373.
- A 14.0% property tax GPLET to a retail development in the northern portion of the City. The difference between property taxes assessed and the GPLET collected amounted to \$309,112.

## NOTE 21 - DEFICIT IN NET POSITION AND FUND BALANCE

The Special Assessments Fund had a deficit fund balance of \$77,319. The deficit will be covered by future assessment payments. The Performing Arts Special Revenue Fund had a deficit fund balance of \$1,070,978. The deficit will be covered by the continuing Performing Arts sales tax revenues beyond the final, July 1, 2020 debt service payment of the 2011 Excise Tax Revenue Refunding Obligations. The Grants Special Revenue Fund had a deficit fund balance of \$225,461. The deficit will be covered by future grant revenues.

## NOTE 22 – PRIOR PERIOD ADJUSTMENTS

**Beginning Net Position Restatement.** During the fiscal year ended June 30, 2019, employees were reclassified from the General Fund to the Emergency Medical Transportation Enterprise Fund. This reclassification resulted in a change in estimate to the net position to both Governmental Activities and the Business-type Activities as of July 1, 2018 and represents a change in estimate of the OPEB and pension liabilities, deferred outflows and deferred inflows of the Government-wide, Business-type Activities and Proprietary Funds Financial Statements. Net position as of July 1, 2018 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, 2018, as previously reported	\$ 598,315,158	\$ 265,813,185	\$ 864,128,343
Net OPEB liability	559,998	(559,998)	-
Deferred outflows – OPEB	(23,425)	23,425	-
Deferred Inflows – OPEB	10,921	(10,921)	-
Net pension liability	797,995	(797,995)	-
Deferred outflows – Pensions	(127,946)	127,946	-
Deferred Inflows – Pensions	32,776	(32,776)	-
Net position, July 1, 2018, as restated	<u>\$ 599,565,477</u>	<u>\$ 264,562,866</u>	<u>\$ 864,128,343</u>

	Proprietary Fund - Emergency Medical Transportation
Net position, June 30, 2018, as previously reported	\$ 1,634,680
Net OPEB liability	(559,998)
Deferred outflows – OPEB	23,425
Deferred Inflows – OPEB	(10,921)
Net pension liability	(797,995)
Deferred outflows – Pensions	127,946
Deferred Inflows – Pensions	(32,776)
Net position, July 1, 2018, as restated	<u>\$ 384,361</u>



**Required Supplementary Information**

## Schedule of Contributions

All Pension Plans  
Last Five Fiscal Years

City of Tempe, Arizona

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Arizona State Retirement System:</b>					
Actuarially determined contribution	\$ 8,950,287	\$ 8,163,494	\$ 7,887,785	\$ 7,731,482	\$ 7,738,771
Contributions in relation to the actuarially determined contribution	<u>8,950,287</u>	<u>8,163,494</u>	<u>7,887,785</u>	<u>7,731,482</u>	<u>7,738,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 80,056,234	\$ 74,894,440	\$ 73,170,548	\$ 71,257,899	\$ 71,063,096
Contributions as a percentage of covered payroll	11.18%	10.90%	10.78%	10.85%	10.89%
<b>Public Safety Personnel Retirement System- Police:</b>					
Actuarially determined contribution	\$ 17,208,734	\$ 11,464,549	\$ 12,852,861	\$ 12,604,739	\$ 9,727,183
Contributions in relation to the actuarially determined contribution	<u>17,208,734</u>	<u>11,464,549</u>	<u>12,852,861</u>	<u>12,604,739</u>	<u>9,727,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 28,519,612	\$ 20,593,765	\$ 28,606,412	\$ 28,627,615	\$ 28,889,762
Contributions as a percentage of covered payroll	60.34%	55.67%	44.93%	44.03%	33.67%
<b>Public Safety Personnel Retirement System- Fire:</b>					
Actuarially determined contribution	\$ 9,655,204	\$ 6,451,177	\$ 6,621,730	\$ 6,067,633	\$ 4,066,636
Contributions in relation to the actuarially determined contribution	<u>9,655,204</u>	<u>6,451,177</u>	<u>6,621,730</u>	<u>6,067,633</u>	<u>4,066,636</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,477,393	\$ 9,986,342	\$ 12,337,861	\$ 12,215,891	\$ 10,958,329
Contributions as a percentage of covered payroll	71.64%	64.60%	53.67%	49.67%	37.11%

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

## Schedule of the Proportionate Share of the Net Pension Liability

Arizona State Retirement System

Last Five Fiscal Years

City of Tempe, Arizona

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>City's proportion of the net pension liability</b>	0.77%	0.76%	0.78%	0.77%	0.76%
<b>City's proportion share of the net pension liability</b>	\$ 108,146,590	\$ 118,500,674	\$ 126,045,105	\$ 119,185,001	\$ 112,524,308
<b>Covered payroll</b>	\$ 80,056,234	\$ 73,170,548	\$ 71,257,899	\$ 71,063,096	\$ 69,182,112
<b>City's proportionate share of the net pension liability as a percentage of its covered payroll</b>	135.09%	161.95%	176.89%	167.72%	162.65%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	73.40%	69.92%	67.06%	68.35%	69.49%

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



**Schedule of the Proportionate Share of the Net OPEB Health Insurance Premium Liability (Asset)**  
**Arizona State Retirement System**  
 Last Two Fiscal Years

*City of Tempe, Arizona*

	<u>2019</u>	<u>2018</u>
<b>City's proportion of the net OPEB health insurance premium liability (asset)</b>	0.78%	0.77%
<b>City's proportion share of the net OPEB health insurance premium liability (asset)</b>	\$ (282,642)	\$ (418,219)
<b>Covered payroll</b>	\$ 80,056,234	\$ 73,170,548
<b>City's proportionate share of the net OPEB health insurance premium liability (asset) as a percentage of its covered payroll</b>	-0.35%	-0.57%
<b>Plan fiduciary net position as a percentage of the total OPEB health insurance premium liability (asset)</b>	102.20%	103.57%

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

## Schedule of the Proportionate Share of the Net OPEB Long-Term Disability Liability

Arizona State Retirement System

Last Two Fiscal Years

*City of Tempe, Arizona*

	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB long-term disability liability	0.78%	0.76%
City's proportion share of the net OPEB long-term disability liability	\$ 406,033	\$ 276,226
Covered payroll	\$ 80,056,234	\$ 73,170,548
City's proportionate share of the net OPEB long-term disability liability as a percentage of its covered payroll	0.51%	0.38%
Plan fiduciary net position as a percentage of the total OPEB liability long-term disability liability	77.83%	84.44%

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

## Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Police

Last Five Fiscal Years

City of Tempe, Arizona

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>					
Service cost	\$ 6,266,555	\$ 6,639,904	\$ 5,378,159	\$ 5,468,695	\$ 5,447,093
Interest	22,579,727	21,145,695	19,846,810	19,315,142	16,537,700
Changes of benefit terms	-	2,664,893	13,183,597	-	4,426,439
Differences between expected and actual	1,492,630	(215,490)	(5,746,957)	(2,753,278)	(2,351,309)
Changes of assumptions	-	7,860,019	10,622,755	-	25,455,442
Benefit payments, including refunds	(15,663,112)	(13,775,904)	(15,820,570)	(14,604,348)	(13,685,124)
<b>Net change in total pension liability</b>	<u>14,675,800</u>	<u>24,319,117</u>	<u>27,463,794</u>	<u>7,426,211</u>	<u>35,830,241</u>
<b>Total pension liability- beginning</b>	309,829,718	285,510,601	258,046,807	250,620,596	214,790,355
<b>Total pension liability- ending</b>	<u>\$ 324,505,518</u>	<u>\$ 309,829,718</u>	<u>\$ 285,510,601</u>	<u>\$ 258,046,807</u>	<u>\$ 250,620,596</u>
<b>Plan fiduciary net position</b>					
Contributions- employer	\$ 11,591,750	\$ 12,486,872	\$ 12,552,708	\$ 9,804,542	\$ 9,132,346
Contributions- employee	2,811,219	3,579,664	3,597,316	3,641,788	3,253,980
Net investment income	8,386,647	13,507,120	653,674	3,769,779	12,456,186
Benefit payments, including refunds	(15,663,112)	(13,775,904)	(15,820,570)	(14,604,348)	(13,685,124)
Administrative expense	(128,344)	(119,915)	(94,459)	(92,360)	-
Other	12,433	54,461	(173,159)	(36,082)	(3,260,002)
<b>Net change in plan fiduciary net position</b>	<u>7,010,593</u>	<u>15,732,298</u>	<u>715,510</u>	<u>2,483,319</u>	<u>7,897,386</u>
<b>Plan fiduciary net position- beginning</b>	122,381,391	106,649,093	105,933,583	103,450,264	95,552,878
<b>Plan fiduciary net position- ending</b>	<u>\$ 129,391,984</u>	<u>\$ 122,381,391</u>	<u>\$ 106,649,093</u>	<u>\$ 105,933,583</u>	<u>\$ 103,450,264</u>
<b>Net pension liability- ending</b>	<u>\$ 195,113,534</u>	<u>\$ 187,448,327</u>	<u>\$ 178,861,508</u>	<u>\$ 152,113,224</u>	<u>\$ 147,170,332</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	39.87%	39.50%	37.35%	41.05%	41.28%
<b>Covered payroll</b>	\$ 27,956,306	\$ 29,173,568	\$ 28,069,721	\$ 29,044,518	\$ 28,717,534
<b>Net pension liability as a percentage of covered payroll</b>	697.92%	642.53%	637.20%	523.72%	512.48%

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

## Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Fire

Last Five Fiscal Years

City of Tempe, Arizona

	2019	2018	2017	2016	2015
<b>Total pension liability</b>					
Service cost	\$ 3,184,469	\$ 3,288,107	\$ 2,601,714	\$ 2,527,186	\$ 2,541,502
Interest	13,505,923	12,435,795	11,454,692	11,256,214	9,938,885
Changes of benefit terms	-	1,132,919	9,445,952	-	2,317,758
Differences between expected and actual	(549,390)	2,381,447	177,366	(1,631,037)	(861,599)
Changes of assumptions	-	6,731,555	5,723,255	-	12,031,993
Benefit payments, including refunds	(9,489,726)	(8,942,533)	(10,767,917)	(8,554,561)	(9,805,679)
<b>Net change in total pension liability</b>	<b>6,651,276</b>	<b>17,027,290</b>	<b>18,635,062</b>	<b>3,597,802</b>	<b>16,162,860</b>
<b>Total pension liability- beginning</b>	<b>185,665,103</b>	<b>168,637,813</b>	<b>150,002,751</b>	<b>146,404,949</b>	<b>130,242,089</b>
<b>Total pension liability- ending</b>	<b>\$ 192,316,379</b>	<b>\$ 185,665,103</b>	<b>\$ 168,637,813</b>	<b>\$ 150,002,751</b>	<b>\$ 146,404,949</b>
<b>Plan fiduciary net position</b>					
Contributions- employer	\$ 7,496,857	\$ 7,629,875	\$ 6,665,926	\$ 4,553,293	\$ 4,587,619
Contributions- employee	1,274,574	1,711,846	1,620,334	1,627,959	1,461,331
Net investment income	5,290,034	8,517,929	420,827	2,537,356	8,786,886
Benefit payments, including refunds	(9,489,726)	(8,942,533)	(10,767,917)	(8,554,561)	(9,805,679)
Administrative expense	(81,213)	(75,769)	(60,954)	(62,287)	-
Other	11,590	930	64,490	(36,284)	(3,124,665)
<b>Net change in plan fiduciary net position</b>	<b>4,502,116</b>	<b>8,842,278</b>	<b>(2,057,294)</b>	<b>65,476</b>	<b>1,905,492</b>
<b>Plan fiduciary net position- beginning</b>	<b>77,993,952</b>	<b>69,151,674</b>	<b>71,208,968</b>	<b>71,143,492</b>	<b>69,238,000</b>
<b>Plan fiduciary net position- ending</b>	<b>\$ 82,496,068</b>	<b>\$ 77,993,952</b>	<b>\$ 69,151,674</b>	<b>\$ 71,208,968</b>	<b>\$ 71,143,492</b>
<b>Net pension liability- ending</b>	<b>\$ 109,820,311</b>	<b>\$ 107,671,151</b>	<b>\$ 99,486,139</b>	<b>\$ 78,793,783</b>	<b>\$ 75,261,457</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>42.90%</b>	<b>42.01%</b>	<b>41.01%</b>	<b>47.47%</b>	<b>48.59%</b>
<b>Covered payroll</b>	<b>\$ 13,664,614</b>	<b>\$ 13,548,032</b>	<b>\$ 12,995,575</b>	<b>\$ 12,133,956</b>	<b>\$ 12,719,039</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>803.68%</b>	<b>794.74%</b>	<b>765.54%</b>	<b>649.37%</b>	<b>591.72%</b>

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

## Schedule of Changes in the Net OPEB Liability and Related Ratios

Public Safety Personnel Retirement System - Police

Last Two Fiscal Years

City of Tempe, Arizona

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 83,184	\$ 87,521
Interest	489,304	491,831
Changes of benefit terms	-	11,390
Differences between expected and actual	80,581	164,972
Changes of assumptions	-	(271,985)
Benefit payments, including refunds	(417,982)	(436,179)
<b>Net change in total OPEB liability</b>	<u>235,087</u>	<u>47,550</u>
<b>Total OPEB liability- beginning</b>	<u>6,779,619</u>	<u>6,732,069</u>
<b>Total OPEB liability- ending</b>	<u>\$ 7,014,706</u>	<u>\$ 6,779,619</u>
<b>Plan fiduciary net position</b>		
Contributions- employer	\$ 70,089	\$ 216,193
Contributions- employee	182	-
Net investment income	272,884	443,606
Benefit payments, including refunds	(417,982)	(436,179)
Administrative expense	(4,153)	(3,925)
<b>Net change in plan fiduciary net position</b>	<u>(78,980)</u>	<u>219,695</u>
<b>Plan fiduciary net position- beginning</b>	<u>4,073,660</u>	<u>3,853,965</u>
<b>Plan fiduciary net position- ending</b>	<u>\$ 3,994,680</u>	<u>\$ 4,073,660</u>
<b>Net OPEB liability- ending</b>	<u>\$ 3,020,026</u>	<u>\$ 2,705,959</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	56.95%	60.09%
<b>Covered payroll</b>	\$ 27,956,306	\$ 29,173,568
<b>Net OPEB liability as a percentage of covered payroll</b>	10.80%	9.28%

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

## Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

Public Safety Personnel Retirement System - Fire

Last Two Fiscal Years

City of Tempe, Arizona

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 32,536	\$ 33,870
Interest	247,192	246,243
Changes of benefit terms	-	4,522
Differences between expected and actual	(50,860)	24,942
Changes of assumptions	-	(33,819)
Benefit payments, including refunds	(216,408)	(219,393)
<b>Net change in total OPEB liability</b>	<u>12,460</u>	<u>56,365</u>
<b>Total OPEB liability- beginning</b>	<u>3,432,367</u>	<u>3,376,002</u>
<b>Total OPEB liability- ending</b>	<u>\$ 3,444,827</u>	<u>\$ 3,432,367</u>
<b>Plan fiduciary net position</b>		
Contributions- employer	\$ 8,984	\$ -
Contributions- employee	105	-
Net investment income	248,942	398,603
Benefit payments, including refunds	(216,408)	(219,393)
Administrative expense	(3,789)	(3,526)
<b>Net change in plan fiduciary net position</b>	<u>37,834</u>	<u>175,684</u>
<b>Plan fiduciary net position- beginning</b>	<u>3,658,932</u>	<u>3,483,248</u>
<b>Plan fiduciary net position- ending</b>	<u>\$ 3,696,766</u>	<u>\$ 3,658,932</u>
<b>Net OPEB asset- ending</b>	<u>\$ (251,939)</u>	<u>\$ (226,565)</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	107.31%	106.60%
<b>Covered payroll</b>	\$ 13,664,614	\$ 13,548,032
<b>Net OPEB liability (asset) as a percentage of covered payroll</b>	-1.84%	-1.67%

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

# Schedule of Contributions

## OPEB Plan

Last Three Fiscal Years

*City of Tempe, Arizona*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 7,134,000	\$ 6,984,000	\$ 7,171,851
Contributions in relation to the actuarially determined contribution	<u>8,461,506</u>	<u>6,983,551</u>	<u>6,759,218</u>
Contribution deficiency (excess)	<u>\$ (1,327,506)</u>	<u>\$ 449</u>	<u>\$ 412,633</u>
Covered-employee payroll	\$ 35,758,296	\$ 34,716,792	\$ 41,444,730
Contributions as a percentage of covered-employee payroll	23.66%	20.12%	16.31%

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

## Schedule of Changes in the Net OPEB Liability and Related Ratios

### OPEB Plan

Last Three Fiscal Years

City of Tempe, Arizona

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>			
Service cost	\$ 319,754	\$ 321,229	\$ 300,495
Interest	5,930,814	5,689,881	5,742,386
Differences between expected and actual	(4,271,517)	4,915,943	-
Changes of assumptions	1,581,360	503,616	-
Benefit payments, including refunds	(8,461,506)	(6,983,551)	(6,759,218)
<b>Net change in total OPEB liability</b>	<u>(4,901,095)</u>	<u>4,447,118</u>	<u>(716,337)</u>
<b>Total OPEB liability- beginning</b>	95,154,294	90,707,176	91,423,513
<b>Total OPEB liability- ending</b>	<u>\$ 90,253,199</u>	<u>\$ 95,154,294</u>	<u>\$ 90,707,176</u>
<b>Plan fiduciary net position</b>			
Contributions- employer	\$ 8,461,506	\$ 6,983,551	\$ 6,759,218
Net investment income	796,286	1,062,670	1,211,093
Benefit payments, including refunds	(8,461,506)	(6,983,551)	(6,759,218)
<b>Net change in plan fiduciary net position</b>	<u>796,286</u>	<u>1,062,670</u>	<u>1,211,093</u>
<b>Plan fiduciary net position- beginning</b>	13,391,250	12,328,580	11,117,487
<b>Plan fiduciary net position- ending</b>	<u>\$ 14,187,536</u>	<u>\$ 13,391,250</u>	<u>\$ 12,328,580</u>
<b>Net OPEB liability- ending</b>	<u>\$ 76,065,663</u>	<u>\$ 81,763,044</u>	<u>\$ 78,378,596</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	15.72%	14.07%	13.59%
<b>Covered-employee payroll</b>	\$ 35,758,296	\$ 34,716,792	\$ 41,444,730
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	212.72%	235.51%	189.12%

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



# Schedule of Investment Returns

## OPEB Plan

Last Three Fiscal Years

*City of Tempe, Arizona*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.43%	9.13%	11.41%

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

# Notes to Required Supplementary Information

June 30, 2019

City of Tempe, Arizona

**Actuarial Assumptions for Valuations Performed.** The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

**Factors that Affect Trends - Pensions.** The actuarial assumptions used in the June 30, 2017 valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. 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, 2017, actuarial valuation.

The actuarial assumptions used in the June 30, 2018, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. Several actuarial assumptions were adjusted as a result of the study, including decreasing wage inflation from 4.0% to 3.5%. Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. In addition, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for fiscal year 2018 and fiscal year 2019.

## Schedule of Changes in Net OPEB Liability.

*Mortality Rates.* Mortality tables were previously based on the RPH-2014 Employee and Healthy Annuitant mortality tables, with generational mortality improvement using Scale MP-2017. The Society of Actuaries released the Pub-2010 mortality tables which are based on public-sector mortality experience. The valuation assumed the Pub G.H-2010 Employee and Healthy Annuitant for general employees and Pub S.H-2010 Employee and Healthy Annuitant for public safety employees, with generational mortality improvement with Scale MP-2018. This resulted in an increase in the total OPEB liability of approximately \$1.5 million.

*Contributions.* First-year trends were updated to reflect actual increases in City-HRA contributions for 2019. This resulted in a decrease in the total OPEB liability of approximately \$5.3 million.

**Schedule of Contributions – OPEB.** Methods and assumptions used to determine actuarial contribution amounts were as follows:

Measurement date	June 30, 2019
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Actuarial assumptions:	
Salary increases	2.60% per annum
Investment rate of return	6.50%
Discount rate	6.50%
Healthcare cost trend	ASRS/PSPRS Pre-Medicare, 5.00% to 16.00%; ASRS/ PSPRS Medicare Supplement, 2.50% to 19.90%; City Medicare Supplement, 2.50% to 7.80%; City High/Low PPO, 5.00% to 14.05%
Mortality rates	For active employees, based on the PubG.H-2010 & PubS.H-2010 Employee Mortality Tables, Generational with Projection Scale MP-2018 for males/females. For retired employees, based on the PubG.H-2010 & PubS.H-2010 Healthy Annuitant Mortality Tables, Generational with Projection Scale MP-2018 for males/females.

**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 Protection Fund.** Used for purchasing, constructing and equipping police functions.
- **Fire Protection Fund.** Used for purchasing, constructing and equipping fire functions.
- **Storm Sewers Fund.** Used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- **Parks Fund.** Used for acquiring, developing and equipping parks, playgrounds and recreation facilities.
- **Rio Salado Fund.** Used for consulting and engineering studies necessary for the design of the Rio Salado projects and for constructing a wildlife habitat.
- **Community Development Fund.** Used for acquiring, reconstructing, remodeling, renovating and equipping existing buildings that house municipal departments, and for acquiring and constructing housing for the elderly and the redevelopment of the downtown area.
- **Signals Fund.** Used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.
- **Community Facilities District.** Used for the improving and constructing in the Rio Salado Community Facilities District.

# Combining Balance Sheet

## Non-major Governmental Funds

June 30, 2019

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ 3,895,018	\$ 498,385	\$ 1,009,474
Receivables:				
Taxes	1,076,801	1,155,923	-	-
Accounts	-	-	-	-
Accrued interest	-	-	15	-
Due from other governments	-	-	379,058	-
Inventories	-	834,823	-	-
Prepaid items	-	-	29,545	647,998
Restricted cash and investments	3,286,550	-	310,025	-
Total assets	<u>\$ 4,363,351</u>	<u>\$ 5,885,764</u>	<u>\$ 1,217,028</u>	<u>\$ 1,657,472</u>
<b>Liabilities</b>				
Accounts payable	\$ 149,421	\$ 390,195	\$ 73,503	\$ 3,178
Deposits	-	-	293,175	-
Accrued expenditures	177,415	93,614	7,800	193,820
Due to other funds	1,820,943	-	-	-
Unearned revenue	-	-	-	-
Matured bonds payable	3,145,000	-	-	-
Matured interest payable	141,550	-	29,806	-
Total liabilities	<u>5,434,329</u>	<u>483,809</u>	<u>404,284</u>	<u>196,998</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue- federal grants	-	-	-	-
Unavailable revenue- grants	-	-	-	-
Unavailable revenue- other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Fund balance:				
Non-spendable	-	834,823	29,545	647,998
Restricted	-	4,567,132	783,199	812,476
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(1,070,978)	-	-	-
Total fund balances	<u>(1,070,978)</u>	<u>5,401,955</u>	<u>812,744</u>	<u>1,460,474</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,363,351</u>	<u>\$ 5,885,764</u>	<u>\$ 1,217,028</u>	<u>\$ 1,657,472</u>

**Special Revenue**

<b>Housing Affordability</b>	<b>Donations and Court Awards</b>	<b>Grants</b>	<b>Community Facilities District</b>	<b>Total</b>
\$ 27,645	\$ 2,725,879	\$ 1,006,768	\$ 1,680,776	\$ 10,843,945
-	-	-	-	2,232,724
-	-	-	-	-
138	6,076	-	-	6,229
-	19,201	1,793,670	-	2,191,929
-	-	-	-	834,823
-	-	15,208	-	692,751
-	17,613	-	2,749,467	6,363,655
<u>\$ 27,783</u>	<u>\$ 2,768,769</u>	<u>\$ 2,815,646</u>	<u>\$ 4,430,243</u>	<u>\$ 23,166,056</u>
\$ -	\$ 43,323	\$ 143,050	\$ 23,213	\$ 825,883
-	-	177,410	-	470,585
-	386	879	-	473,914
-	-	129,363	-	1,950,306
-	-	2,001,119	-	2,001,119
-	-	-	2,575,000	5,720,000
-	-	-	174,467	345,823
<u>-</u>	<u>43,709</u>	<u>2,451,821</u>	<u>2,772,680</u>	<u>11,787,630</u>
-	-	354,878	-	354,878
-	-	178,508	-	178,508
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>533,386</u>	<u>-</u>	<u>533,386</u>
-	-	15,208	-	1,527,574
27,783	1,362,882	40,692	1,657,563	9,251,727
-	1,058,934	-	-	1,058,934
-	303,244	-	-	303,244
-	-	(225,461)	-	(1,296,439)
<u>27,783</u>	<u>2,725,060</u>	<u>(169,561)</u>	<u>1,657,563</u>	<u>10,845,040</u>
<u>\$ 27,783</u>	<u>\$ 2,768,769</u>	<u>\$ 2,815,646</u>	<u>\$ 4,430,243</u>	<u>\$ 23,166,056</u>

(continued)

# Combining Balance Sheet

## Non-major Governmental Funds

June 30, 2019

### Capital Projects

	Streets	Police Protection	Fire Protection	Storm Sewers	Parks
<b>Assets</b>					
Pooled cash and investments	\$ 14,065,629	\$ 4,548,346	\$ 2,679,972	\$ 137,402	\$ 13,575,086
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	58,286
Accrued interest	-	-	-	-	-
Due from other governments	22,722	-	-	4,279	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 14,088,351</u>	<u>\$ 4,548,346</u>	<u>\$ 2,679,972</u>	<u>\$ 141,681</u>	<u>\$ 13,633,372</u>
<b>Liabilities</b>					
Accounts payable	\$ 989,155	\$ 25,211	\$ 559,635	\$ 3,330	\$ 1,247,586
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	3,671
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>989,155</u>	<u>25,211</u>	<u>559,635</u>	<u>3,330</u>	<u>1,251,257</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue- federal grants	-	-	-	-	-
Unavailable revenue- grants	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	39,636
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,636</u>
<b>Fund Balances</b>					
Fund balance:					
Non-spendable	-	-	-	-	-
Restricted	249,745	4,180,718	1,325,360	206,829	2,532,588
Committed	12,563,313	342,417	789,690	-	9,746,413
Assigned	286,138	-	5,287	-	63,478
Unassigned	-	-	-	(68,478)	-
Total fund balances	<u>13,099,196</u>	<u>4,523,135</u>	<u>2,120,337</u>	<u>138,351</u>	<u>12,342,479</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,088,351</u>	<u>\$ 4,548,346</u>	<u>\$ 2,679,972</u>	<u>\$ 141,681</u>	<u>\$ 13,633,372</u>

**Capital Projects**

<u>Rio Salado</u>	<u>Community Development</u>	<u>Signals</u>	<u>Community Facilities District</u>	<u>Total</u>	<u>Total Non-major Governmental Funds</u>
\$ 107,840	\$ 12,258,808	\$ 1,414,913	\$ 2,203,399	\$ 50,991,395	\$ 61,835,340
-	-	-	-	-	2,232,724
-	-	-	-	58,286	58,286
-	-	-	-	-	6,229
276,796	-	543,955	-	847,752	3,039,681
-	-	-	-	-	834,823
-	-	-	-	-	692,751
-	-	-	-	-	6,363,655
<u>\$ 384,636</u>	<u>\$ 12,258,808</u>	<u>\$ 1,958,868</u>	<u>\$ 2,203,399</u>	<u>\$ 51,897,433</u>	<u>\$ 75,063,489</u>
\$ -	\$ 874,844	\$ 940,717	\$ 26,223	\$ 4,666,701	\$ 5,492,584
-	-	-	-	-	470,585
-	-	-	-	-	473,914
-	-	-	-	-	1,950,306
-	-	-	-	3,671	2,004,790
-	-	-	-	-	5,720,000
-	-	-	-	-	345,823
<u>-</u>	<u>874,844</u>	<u>940,717</u>	<u>26,223</u>	<u>4,670,372</u>	<u>16,458,002</u>
-	-	543,955	-	543,955	898,833
-	-	-	-	-	178,508
-	-	-	-	39,636	39,636
<u>-</u>	<u>-</u>	<u>543,955</u>	<u>-</u>	<u>583,591</u>	<u>1,116,977</u>
-	-	-	-	-	1,527,574
-	-	152,500	-	8,647,739	17,899,466
-	9,263,303	-	1,387,577	34,092,713	35,151,647
384,636	2,120,661	321,696	789,599	3,971,496	4,274,740
-	-	-	-	(68,478)	(1,364,917)
<u>384,636</u>	<u>11,383,964</u>	<u>474,196</u>	<u>2,177,176</u>	<u>46,643,470</u>	<u>57,488,510</u>
<u>\$ 384,636</u>	<u>\$ 12,258,808</u>	<u>\$ 1,958,868</u>	<u>\$ 2,203,399</u>	<u>\$ 51,897,433</u>	<u>\$ 75,063,489</u>



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

### Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2019

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
<b>Revenues:</b>				
Sales taxes	\$ 8,823,434	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	4,472,875	10,060,275
State grants	-	-	-	-
State sales tax	-	12,658,768	-	-
Other	-	-	-	-
Investment income	-	-	914	19,506
Charges for services	1,043,251	381,242	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	2,773	-	-	-
Miscellaneous	13,438	1,151	459,236	27,607
Total revenues	<u>9,882,896</u>	<u>13,041,161</u>	<u>4,933,025</u>	<u>10,107,388</u>
<b>Expenditures:</b>				
Current:				
Police	-	-	-	-
Fire medical rescue	-	-	-	-
Community services	4,980,907	-	-	-
Public works	-	9,619,315	-	-
Community development	-	-	-	-
Human services	-	-	4,909,284	9,686,117
Municipal court	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Office of strategic management and diversity	-	-	-	-
Debt service:				
Principal retirement	3,145,000	-	423,000	-
Interest	317,638	-	72,004	-
Fiscal fees	2,376	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>8,445,921</u>	<u>9,619,315</u>	<u>5,404,288</u>	<u>9,686,117</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>1,436,975</u>	<u>3,421,846</u>	<u>(471,263)</u>	<u>421,271</u>
<b>Other financing sources (uses):</b>				
Transfers in:				
General fund	-	-	734,177	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
Debt service funds	-	(4,877)	-	-
Capital projects funds	(4,028,173)	(7,837,500)	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from sale of capital assets	1,299	6,686	-	-
Total other financing sources (uses)	<u>(4,026,874)</u>	<u>(7,835,691)</u>	<u>734,177</u>	<u>-</u>
Net change in fund balances	(2,589,899)	(4,413,845)	262,914	421,271
Fund balance at beginning of year	1,518,921	9,815,800	549,830	1,039,203
Fund balance at end of year	<u>\$ (1,070,978)</u>	<u>\$ 5,401,955</u>	<u>\$ 812,744</u>	<u>\$ 1,460,474</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,823,434
-	-	1,863,204	-	16,396,354
-	-	569,060	-	569,060
-	-	-	-	12,658,768
-	58,365	3,668,040	-	3,726,405
1,632	31,082	441	-	53,575
-	261,805	4,669	2,462,117	4,153,084
-	431,985	325,731	-	757,716
-	418,990	30,888	-	452,651
-	36,930	7,182	-	545,544
<u>1,632</u>	<u>1,239,157</u>	<u>6,469,215</u>	<u>2,462,117</u>	<u>48,136,591</u>
-	-	3,171,974	-	3,171,974
-	15,686	313,045	-	328,731
-	279,334	522,884	-	5,783,125
-	107,296	112,831	-	9,839,442
-	130,789	13,413	2,718,666	2,862,868
24,995	186,969	1,456,561	-	16,263,926
-	496,834	36,599	-	533,433
-	165,994	637,318	-	803,312
-	-	18,432	-	18,432
-	-	90,573	-	90,573
-	-	-	2,575,000	6,143,000
-	-	-	348,934	738,576
-	-	-	2,218	4,594
-	-	-	-	-
<u>24,995</u>	<u>1,382,902</u>	<u>6,373,630</u>	<u>5,644,818</u>	<u>46,581,986</u>
<u>(23,363)</u>	<u>(143,745)</u>	<u>95,585</u>	<u>(3,182,701)</u>	<u>1,554,605</u>
-	499,843	29,786	-	1,263,806
-	-	-	-	-
-	-	-	2,923,934	2,923,934
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(4,877)
-	-	-	-	(11,865,673)
-	-	-	-	-
-	-	-	-	-
-	-	-	11,365	19,350
-	<u>499,843</u>	<u>29,786</u>	<u>2,935,299</u>	<u>(7,663,460)</u>
(23,363)	356,098	125,371	(247,402)	(6,108,855)
51,146	2,368,962	(294,932)	1,904,965	16,953,895
<u>\$ 27,783</u>	<u>\$ 2,725,060</u>	<u>\$ (169,561)</u>	<u>\$ 1,657,563</u>	<u>\$ 10,845,040</u>

(continued)

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

### Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2019

	<b>Capital Projects</b>			
	<b>Streets</b>	<b>Police Protection</b>	<b>Fire Protection</b>	<b>Storm Sewers</b>
<b>Revenues:</b>				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	358,072	-	-	3,566
State grants	3,736	-	-	713
State sales tax	-	-	-	-
Other	-	-	-	-
Investment income	5,043	50,191	25,630	343
Charges for services	149,424	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	108,074	856,886	661,873	-
Miscellaneous	-	-	-	-
Total revenues	<u>624,349</u>	<u>907,077</u>	<u>687,503</u>	<u>4,622</u>
<b>Expenditures:</b>				
Current:				
Police	-	-	-	-
Fire medical rescue	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Human services	-	-	-	-
Municipal court	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Office of strategic management and diversity	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Fiscal fees	-	-	-	-
Capital outlay	9,586,741	3,040,165	4,629,726	194,247
Total expenditures	<u>9,586,741</u>	<u>3,040,165</u>	<u>4,629,726</u>	<u>194,247</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(8,962,392)</u>	<u>(2,133,088)</u>	<u>(3,942,223)</u>	<u>(189,625)</u>
<b>Other financing sources (uses):</b>				
Transfers in:				
General fund	100,000	-	-	-
Special revenue funds	7,337,500	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
Debt service funds	(46,705)	(761)	(7,653)	-
Capital projects funds	-	-	-	-
Issuance of debt	3,910,000	3,587,000	2,468,000	271,000
Premium on issuance of debt	700,000	643,000	442,000	49,000
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>12,000,795</u>	<u>4,229,239</u>	<u>2,902,347</u>	<u>320,000</u>
Net change in fund balances	3,038,403	2,096,151	(1,039,876)	130,375
Fund balance at beginning of year	10,060,793	2,426,984	3,160,213	7,976
Fund balance at end of year	<u>\$ 13,099,196</u>	<u>\$ 4,523,135</u>	<u>\$ 2,120,337</u>	<u>\$ 138,351</u>

Capital Projects

Capital Projects					Total	Total Non-major Governmental Funds
Parks	Rio Salado	Community Development	Signals	Community Facilities District		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,823,434
18,650	230,663	-	1,852,224	-	2,463,175	18,859,529
-	46,133	-	-	-	50,582	619,642
-	-	-	-	-	-	12,658,768
-	-	12,000	-	-	12,000	3,738,405
51,870	-	1,700	637	-	135,414	188,989
-	-	12,817	-	516,305	678,546	4,831,630
-	-	-	-	-	-	757,716
849,633	-	-	50,588	-	2,527,054	2,979,705
15,188	-	3,150	-	-	18,338	563,882
<u>935,341</u>	<u>276,796</u>	<u>29,667</u>	<u>1,903,449</u>	<u>516,305</u>	<u>5,885,109</u>	<u>54,021,700</u>
-	-	-	-	-	-	3,171,974
-	-	-	-	-	-	328,731
-	-	-	-	-	-	5,783,125
-	-	-	-	-	-	9,839,442
-	-	-	-	-	-	2,862,868
-	-	-	-	-	-	16,263,926
-	-	-	-	-	-	533,433
-	-	-	-	-	-	803,312
-	-	-	-	-	-	18,432
-	-	-	-	-	-	90,573
-	-	-	-	-	-	6,143,000
-	-	-	-	-	-	738,576
-	-	-	-	-	-	4,594
14,227,163	27,777	7,532,319	3,980,306	327,588	43,546,032	43,546,032
<u>14,227,163</u>	<u>27,777</u>	<u>7,532,319</u>	<u>3,980,306</u>	<u>327,588</u>	<u>43,546,032</u>	<u>90,128,018</u>
(13,291,822)	249,019	(7,502,652)	(2,076,857)	188,717	(37,660,923)	(36,106,318)
315,000	-	2,056,577	-	-	2,471,577	3,735,383
-	-	4,127,991	500,000	-	11,965,491	11,965,491
-	-	-	-	-	-	2,923,934
84,546	26,800	-	-	-	111,346	111,346
-	-	529,208	-	-	529,208	529,208
(6,736)	-	(432)	(128,815)	-	(191,102)	(195,979)
(26,800)	(84,546)	-	-	-	(111,346)	(11,977,019)
10,155,000	-	5,705,000	1,034,000	-	27,130,000	27,130,000
1,825,000	-	1,015,000	186,000	-	4,860,000	4,860,000
-	-	-	-	-	-	19,350
<u>12,346,010</u>	<u>(57,746)</u>	<u>13,433,344</u>	<u>1,591,185</u>	<u>-</u>	<u>46,765,174</u>	<u>39,101,714</u>
(945,812)	191,273	5,930,692	(485,672)	188,717	9,104,251	2,995,396
13,288,291	193,363	5,453,272	959,868	1,988,459	37,539,219	54,493,114
<u>\$ 12,342,479</u>	<u>\$ 384,636</u>	<u>\$ 11,383,964</u>	<u>\$ 474,196</u>	<u>\$ 2,177,176</u>	<u>\$ 46,643,470</u>	<u>\$ 57,488,510</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.** Used to account 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, 2019

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 7,075,913	\$ 3,596,714	\$ 5,556,305	\$ 16,228,932
Accounts receivable	-	-	454,617	454,617
Accrued interest receivable	-	7,988	-	7,988
Net OPEB asset	1,663	-	-	1,663
Total assets	<u>7,077,576</u>	<u>3,604,702</u>	<u>6,010,922</u>	<u>16,693,200</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	89,355	-	-	89,355
Deferred outflows related to OPEB	7,008	-	-	7,008
Total deferred outflows of resources	<u>96,363</u>	<u>-</u>	<u>-</u>	<u>96,363</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	43,741	24,262	365,726	433,729
Accrued expenses and claims payable	4,787,557	3,475,780	3,355,331	11,618,668
Total current liabilities	<u>4,831,298</u>	<u>3,500,042</u>	<u>3,721,057</u>	<u>12,052,397</u>
Noncurrent liabilities:				
Net OPEB liability	86,061	-	-	86,061
Net pension liability	635,579	-	-	635,579
Total noncurrent liabilities	<u>721,640</u>	<u>-</u>	<u>-</u>	<u>721,640</u>
Total liabilities	<u>5,552,938</u>	<u>3,500,042</u>	<u>3,721,057</u>	<u>12,774,037</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	82,411	-	-	82,411
Deferred inflows related to OPEB	7,924	-	-	7,924
Total deferred inflows of resources	<u>90,335</u>	<u>-</u>	<u>-</u>	<u>90,335</u>
<b>Net Position</b>				
Unrestricted	1,530,666	104,660	2,289,865	3,925,191
Total net position	<u>\$ 1,530,666</u>	<u>\$ 104,660</u>	<u>\$ 2,289,865</u>	<u>\$ 3,925,191</u>

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	<u>Risk Management</u>	<u>Worker's Compensation</u>	<u>Health</u>	<u>Total</u>
Operating revenues:				
Contributions	<u>\$ 3,170,689</u>	<u>\$ 2,872,394</u>	<u>\$ 34,324,176</u>	<u>\$ 40,367,259</u>
Total operating revenues	<u>3,170,689</u>	<u>2,872,394</u>	<u>34,324,176</u>	<u>40,367,259</u>
Operating expenses:				
Fees and services	<u>3,170,689</u>	<u>2,872,394</u>	<u>33,654,297</u>	<u>39,697,380</u>
Total operating expenses	<u>3,170,689</u>	<u>2,872,394</u>	<u>33,654,297</u>	<u>39,697,380</u>
Operating income (loss)	-	-	669,879	669,879
Nonoperating revenues				
Investment income	-	<u>90,630</u>	-	<u>90,630</u>
Total nonoperating revenues	<u>-</u>	<u>90,630</u>	<u>-</u>	<u>90,630</u>
Changes in net position	-	90,630	669,879	760,509
Total net position - beginning	1,530,666	14,030	1,619,986	3,164,682
Total net position - ending	<u>\$ 1,530,666</u>	<u>\$ 104,660</u>	<u>\$ 2,289,865</u>	<u>\$ 3,925,191</u>

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Cash flows from operating activities:				
Receipts from other funds	\$ 3,170,689	\$ 2,872,394	\$ 33,932,725	\$ 39,975,808
Reduction in (payments for) settlement of claims	(2,642,184)	(1,891,900)	(33,190,814)	(37,724,898)
Net cash provided (used) by in operating activities	<u>528,505</u>	<u>980,494</u>	<u>741,911</u>	<u>2,250,910</u>
Cash flows from investing activities:				
Interest received	-	87,142	-	87,142
Net cash provided (used) by investing activities	<u>-</u>	<u>87,142</u>	<u>-</u>	<u>87,142</u>
Net increase (decrease) in cash and cash equivalents	528,505	1,067,636	741,911	2,338,052
Cash and cash equivalents, beginning of year	<u>6,547,408</u>	<u>2,529,078</u>	<u>4,814,394</u>	<u>13,890,880</u>
Cash and cash equivalents, end of year	<u>\$ 7,075,913</u>	<u>\$ 3,596,714</u>	<u>\$ 5,556,305</u>	<u>\$ 16,228,932</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ -	\$ -	\$ 669,879	\$ 669,879
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in receivables	-	-	(391,451)	(391,451)
(Increase) decrease in net OPEB asset	(1,663)	-	-	(1,663)
Increase (decrease) in accounts payable	38,039	9,091	236,857	283,987
Increase (decrease) in accrued expenses	570,752	971,403	226,626	1,768,781
(Increase) decrease in deferred outflows	1,060	-	-	1,060
Increase (decrease) in deferred inflows	27,962	-	-	27,962
Increase (decrease) in net pension liability	(104,647)	-	-	(104,647)
Increase (decrease) in net OPEB liability	(2,998)	-	-	(2,998)
Net cash provided (used) by operating activities	<u>\$ 528,505</u>	<u>\$ 980,494</u>	<u>\$ 741,911</u>	<u>\$ 2,250,910</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, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 226,940,952	\$ 229,339,753	\$ 2,398,801
Intergovernmental	108,795,758	87,290,952	(21,504,806)
Investment income	3,442,000	7,019,500	3,577,500
Charges for services	131,813,141	137,147,359	5,334,218
Fines and forfeitures	8,755,076	9,678,547	923,471
Licenses and permits	3,991,000	6,951,095	2,960,095
Other entities' participation	1,677,016	3,326,007	1,648,991
Miscellaneous	20,121,214	12,344,197	(7,777,017)
Contingency	4,406,586	-	(4,406,586)
Total revenues	<u>509,942,743</u>	<u>493,097,410</u>	<u>(16,845,333)</u>
<b>Expenditures</b>			
Current:			
Police	102,111,380	93,751,040	8,360,340
Fire medical rescue	48,098,739	46,968,245	1,130,494
Community services	53,540,826	42,691,574	10,849,252
Public works	337,233,470	243,450,582	93,782,888
Community development	31,564,102	16,955,751	14,608,351
Human services	22,435,197	26,565,911	(4,130,714)
Mayor and council	471,784	495,542	(23,758)
Municipal court	6,196,108	4,815,088	1,381,020
City manager	11,119,302	7,987,329	3,131,973
City attorney	3,578,218	3,513,319	64,899
Internal audit office	530,752	459,794	70,958
Municipal budget office	284,898	262,097	22,801
Office of strategic management and diversity	1,173,523	1,254,327	(80,804)
City clerk and elections	1,011,140	919,387	91,753
Internal services	28,696,397	32,170,576	(3,474,179)
Contingency	9,444,811	-	9,444,811
Interdepartmental charges	(15,974,695)	(16,510,377)	535,682
Debt Service:			
Principal	68,602,704	69,485,281	(882,577)
Interest and fiscal fees	23,747,171	25,580,027	(1,832,856)
Total expenditures	<u>733,865,827</u>	<u>600,815,493</u>	<u>133,050,334</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	40,299,449	45,299,852	5,000,403
Transfers to other funds	(42,857,858)	(45,299,852)	(2,441,994)
Issuance of debt	125,226,687	58,565,000	(66,661,687)
Premium on issuance of debt	-	11,890,524	11,890,524
Proceeds (loss) from sale of capital assets	547,585	1,499,474	951,889
Total other financing sources (uses)	<u>123,215,863</u>	<u>71,954,998</u>	<u>(51,260,865)</u>
Net change in fund balance	<u>\$ (100,707,221)</u>	<u>\$ (35,763,085)</u>	<u>\$ 64,944,136</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, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 28,030,238	\$ 28,173,553	\$ 143,315
Investment income	-	123,009	123,009
Total revenues	<u>28,030,238</u>	<u>28,296,562</u>	<u>266,324</u>
<b>Expenditures:</b>			
Debt service:			
Principal	28,096,116	29,115,000	(1,018,884)
Interest and fiscal fees	8,324,188	10,303,111	(1,978,923)
Total expenditures	<u>36,420,304</u>	<u>39,418,111</u>	<u>(2,997,807)</u>
Excess (deficiency) of revenues over expenditures	(8,390,066)	(11,121,549)	(2,731,483)
<b>Other financing sources (uses):</b>			
Transfers in	6,802,366	6,993,346	190,980
Transfers out	(8,979,545)	(8,983,336)	(3,791)
Premium on issuance of debt	-	795,061	795,061
Total other financing sources (uses)	<u>(2,177,179)</u>	<u>(1,194,929)</u>	<u>982,250</u>
Net change in fund balance	<u>\$ (10,567,245)</u>	<u>\$ (12,316,478)</u>	<u>\$ (1,749,233)</u>

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

**Special Assessment Debt Service**  
For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 514	\$ 514
Special assessments	2,211,570	1,990,732	(220,838)
Miscellaneous	-	6,151	6,151
Total revenues	<u>2,211,570</u>	<u>1,997,397</u>	<u>(214,173)</u>
Expenditures:			
Current:			
Public works	-	144	(144)
Debt service:			
Principal	1,380,000	1,380,000	-
Interest and fiscal fees	831,570	833,070	(1,500)
Total expenditures	<u>2,211,570</u>	<u>2,213,214</u>	<u>(1,644)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (215,817)</u>	<u>\$ (215,817)</u>

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

## Performing Arts Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Sales taxes	\$ 8,804,923	\$ 8,823,434	\$ 18,511
Charges for services	1,034,000	1,043,251	9,251
Miscellaneous	240,000	16,211	(223,789)
Total revenues	<u>10,078,923</u>	<u>9,882,896</u>	<u>(196,027)</u>
<b>Expenditures:</b>			
Current:			
Community services	4,919,709	4,979,040	(59,331)
Debt service:			
Principal	3,145,000	3,145,000	-
Interest and fiscal fees	286,500	323,460	(36,960)
Total expenditures	<u>8,351,209</u>	<u>8,447,500</u>	<u>(96,291)</u>
Excess (deficiency) of revenues over expenditures	1,727,714	1,435,396	(292,318)
<b>Other financing sources (uses):</b>			
Transfers out	(4,028,173)	(4,028,173)	-
Proceeds on sale of assets	-	1,299	1,299
Total other financing sources (uses)	<u>(4,028,173)</u>	<u>(4,026,874)</u>	<u>1,299</u>
Net change in fund balance	<u>\$ (2,300,459)</u>	<u>\$ (2,591,478)</u>	<u>\$ (291,019)</u>

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

### Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental revenue	\$ 450,000	\$ -	\$ (450,000)
State sales tax	11,465,615	12,658,768	1,193,153
Charges for services	82,500	381,242	298,742
Miscellaneous	3,000	1,151	(1,849)
Total revenues	<u>12,001,115</u>	<u>13,041,161</u>	<u>1,040,046</u>
Expenditures:			
Current:			
Public works	10,781,165	9,738,414	1,042,751
Total expenditures	<u>10,781,165</u>	<u>9,738,414</u>	<u>1,042,751</u>
Excess (deficiency) of revenues over expenditures	1,219,950	3,302,747	2,082,797
Other financing sources (uses):			
Transfers out	(7,842,411)	(7,842,377)	34
Proceeds from sale of capital assets	-	6,686	6,686
Total other financing sources (uses)	<u>(7,842,411)</u>	<u>(7,835,691)</u>	<u>6,720</u>
Net change in fund balance	<u>\$ (6,622,461)</u>	<u>\$ (4,532,944)</u>	<u>\$ 2,089,517</u>

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

### Community Development Fund For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Federal grants	\$ 7,884,696	\$ 4,472,875	\$ (3,411,821)
Investment income	-	914	914
Miscellaneous	647,348	459,236	(188,112)
Total revenues	<u>8,532,044</u>	<u>4,933,025</u>	<u>(3,599,019)</u>
<b>Expenditures:</b>			
Current:			
Community development	9,026,154	4,910,378	4,115,776
Debt service:			
Principal	423,000	423,000	-
Interest and fiscal fees	74,348	72,004	2,344
Total expenditures	<u>9,523,502</u>	<u>5,405,382</u>	<u>4,118,120</u>
Deficiency of revenues and other financing sources over expenditures	(991,458)	(472,357)	519,101
<b>Other financing sources:</b>			
Transfers in	-	734,177	734,177
Total other financing sources	<u>-</u>	<u>734,177</u>	<u>734,177</u>
Net change in fund balance	<u>\$ (991,458)</u>	<u>\$ 261,820</u>	<u>\$ 1,253,278</u>

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

## Housing Assistance Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 10,556,799	\$ 10,060,275	\$ (496,524)
Investment income	-	19,506	19,506
Miscellaneous	25,000	27,607	2,607
Total revenues	<u>10,581,799</u>	<u>10,107,388</u>	<u>(474,411)</u>
Expenditures:			
Current:			
Human services	11,178,333	9,683,561	1,494,772
Total expenditures	<u>11,178,333</u>	<u>9,683,561</u>	<u>1,494,772</u>
Net change in fund balance	<u>\$ (596,534)</u>	<u>\$ 423,827</u>	<u>\$ 1,020,361</u>



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

## Housing Affordability Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 974	\$ 974
Total revenues	<u>-</u>	<u>974</u>	<u>974</u>
Expenditures:			
Current:			
Human services	51,000	24,995	26,005
Total expenditures	<u>51,000</u>	<u>24,995</u>	<u>26,005</u>
Net change in fund balance	<u>\$ (51,000)</u>	<u>\$ (24,021)</u>	<u>\$ 26,979</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, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Intergovernmental other	\$ 34,366	\$ 58,365	\$ 23,999
Investment income	-	22,501	22,501
Charges for services	401,239	261,805	(139,434)
Fines and forfeitures	460,247	431,985	(28,262)
Miscellaneous	628,642	455,920	(172,722)
Total revenues	<u>1,524,494</u>	<u>1,230,576</u>	<u>(293,918)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Fire medical rescue	92,870	-	92,870
Community services	966,788	15,686	951,102
Public works	113,880	279,334	(165,454)
Community development	662,641	107,296	555,345
Human services	507,141	130,789	376,352
Municipal court	1,367,581	186,969	1,180,612
City manager	371,070	496,834	(125,764)
Office of strategic management and diversity	2,000	165,994	(163,994)
Contingency	1,129,075	-	1,129,075
Total expenditures	<u>5,213,046</u>	<u>1,382,902</u>	<u>3,830,144</u>
Excess (deficiency) of revenues over expenditures	(3,688,552)	(152,326)	3,536,226
<b>Other financing sources:</b>			
Transfers in	-	499,843	499,843
Total other financing sources	<u>-</u>	<u>499,843</u>	<u>499,843</u>
Net change in fund balance	<u>\$ (3,688,552)</u>	<u>\$ 347,517</u>	<u>\$ 4,036,069</u>

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

## Grants Fund

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Federal grants	\$ 2,286,817	\$ 1,857,304	\$ (429,513)
State grants	733,642	569,060	(164,582)
Intergovernmental other	5,669,844	3,668,040	(2,001,804)
Investment income	-	441	441
Charges for services	9,000	4,669	(4,331)
Fines and forfeitures	350,000	325,731	(24,269)
Miscellaneous	3,393,806	38,070	(3,355,736)
Total revenues	<u>12,443,109</u>	<u>6,463,315</u>	<u>(5,979,794)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Police	4,776,723	3,209,156	1,567,567
Fire medical rescue	955,303	313,045	642,258
Community services	1,344,351	522,884	821,467
Public works	409,088	118,731	290,357
Community development	190,568	26,231	164,337
Human services	2,196,279	1,456,561	739,718
Municipal court	103,804	36,599	67,205
City manager	3,407,684	637,318	2,770,366
City attorney	85,000	18,432	66,568
Office of strategic management and diversity	162,309	90,573	71,736
Contingency	5,225,051	-	5,225,051
Total expenditures	<u>18,856,160</u>	<u>6,429,530</u>	<u>12,426,630</u>
Excess (deficiency) of revenues over expenditures	(6,413,051)	33,785	6,446,836
<b>Other financing uses:</b>			
Transfers in	29,786	29,786	-
Total other financing uses	<u>29,786</u>	<u>29,786</u>	<u>-</u>
Net change in fund balance	<u>\$ (6,383,265)</u>	<u>\$ 63,571</u>	<u>\$ 6,446,836</u>

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

### Community Facilities District Fund For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,350,919	\$ 2,462,117	\$ 111,198
Miscellaneous	200,000	-	(200,000)
Total revenues	<u>2,550,919</u>	<u>2,462,117</u>	<u>(88,802)</u>
Expenditures:			
Current:			
Community development	2,920,350	2,727,543	192,807
Contingency	200,000	-	200,000
Debt service:			
Principal	2,575,000	2,575,000	-
Interest and fiscal fees	353,734	351,152	2,582
Total expenditures	<u>6,049,084</u>	<u>5,653,695</u>	<u>395,389</u>
Deficiency of revenues over expenditures	(3,498,165)	(3,191,578)	306,587
Other financing sources:			
Transfers in	2,923,934	2,923,934	-
Proceeds from sale of capital assets	-	11,365	11,365
Total other financing sources	<u>2,923,934</u>	<u>2,935,299</u>	<u>11,365</u>
Net change in fund balance	<u>\$ (574,231)</u>	<u>\$ (256,279)</u>	<u>\$ 317,952</u>

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

### Transit Capital Projects Fund

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 14,585,732	\$ 2,556,339	\$ (12,029,393)
Intergovernmental other	-	53,169	53,169
Investment income	-	15,736	15,736
Other entities' participation	127,014	439,638	312,624
Contingency	2,400,000	-	(2,400,000)
Total revenues	<u>17,112,746</u>	<u>3,064,882</u>	<u>(14,047,864)</u>
Expenditures:			
Current:			
Public works	39,940,080	15,437,782	24,502,298
Total expenditures	<u>39,940,080</u>	<u>15,437,782</u>	<u>24,502,298</u>
Deficiency of revenues over expenditures	(22,827,334)	(12,372,900)	10,454,434
Other financing sources (uses):			
Transfers in	9,316,576	9,316,576	-
Transfers out	-	(3,061,927)	(3,061,927)
Proceeds from sale of capital assets	-	759,990	759,990
Total other financing sources (uses)	<u>9,316,576</u>	<u>7,014,639</u>	<u>(2,301,937)</u>
Net change in fund balance	<u>\$ (13,510,758)</u>	<u>\$ (5,358,261)</u>	<u>\$ 8,152,497</u>

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

### Streets Capital Projects Fund

For the Fiscal Year Ended June 30, 2019

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Federal grants	\$ 2,844,493	\$ 358,072	\$ (2,486,421)
Intergovernmental other	-	3,736	3,736
Investment income	-	5,043	5,043
Charges for services	-	149,424	149,424
Other entities' participation	755,835	108,074	(647,761)
Contingency	1,000,000	-	(1,000,000)
Total revenues	<u>4,600,328</u>	<u>624,349</u>	<u>(3,975,979)</u>
<b>Expenditures:</b>			
Current:			
Public works	27,886,894	13,285,400	14,601,494
Total expenditures	<u>27,886,894</u>	<u>13,285,400</u>	<u>14,601,494</u>
Deficiency of revenues over expenditures	(23,286,566)	(12,661,051)	10,625,515
<b>Other financing sources (uses):</b>			
Transfers in	7,437,500	7,437,500	-
Transfers out	-	(46,705)	(46,705)
Issuance of debt	7,216,067	3,910,000	(3,306,067)
Premium on issuance of debt	-	700,000	700,000
Total other financing sources (uses)	<u>14,653,567</u>	<u>12,000,795</u>	<u>(2,652,772)</u>
Net change in fund balance	<u>\$ (8,632,999)</u>	<u>\$ (660,256)</u>	<u>\$ 7,972,743</u>

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

### Police Protection Capital Projects Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 50,191	\$ 50,191
Fines and forfeitures	141,500	-	(141,500)
Other entities' participation	-	856,886	856,886
Total revenues	<u>141,500</u>	<u>907,077</u>	<u>765,577</u>
Expenditures:			
Current:			
Police	6,533,617	3,099,233	3,434,384
Total expenditures	<u>6,533,617</u>	<u>3,099,233</u>	<u>3,434,384</u>
Deficiency of revenues over expenditures	(6,392,117)	(2,192,156)	4,199,961
Other financing sources (uses):			
Transfers out	-	(761)	(761)
Issuance of debt	5,667,173	3,587,000	(2,080,173)
Premium on issuance of debt	-	643,000	643,000
Total other financing sources (uses)	<u>5,667,173</u>	<u>4,229,239</u>	<u>(1,437,934)</u>
Net change in fund balance	<u>\$ (724,944)</u>	<u>\$ 2,037,083</u>	<u>\$ 2,762,027</u>

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

### Fire Protection Capital Projects Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 25,630	\$ 25,630
Other entities' participation	-	661,873	661,873
Total revenues	<u>-</u>	<u>687,503</u>	<u>687,503</u>
Expenditures:			
Current:			
Fire medical rescue	9,114,700	6,768,304	2,346,396
Total expenditures	<u>9,114,700</u>	<u>6,768,304</u>	<u>2,346,396</u>
Deficiency of revenues over expenditures	(9,114,700)	(6,080,801)	3,033,899
Other financing sources(uses):			
Transfers out	-	(7,653)	(7,653)
Issuance of debt	7,024,383	2,468,000	(4,556,383)
Premium on issuance of debt	-	442,000	442,000
Total other financing sources (uses)	<u>7,024,383</u>	<u>2,902,347</u>	<u>(4,122,036)</u>
Net change in fund balance	<u>\$ (2,090,317)</u>	<u>\$ (3,178,454)</u>	<u>\$ (1,088,137)</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, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 4,279	\$ 4,279
Investment income	-	343	343
Total revenues	<u>-</u>	<u>4,622</u>	<u>4,622</u>
Expenditures:			
Current:			
Public works	887,073	301,042	586,031
Total expenditures	<u>887,073</u>	<u>301,042</u>	<u>586,031</u>
Deficiency of revenues over expenditures	(887,073)	(296,420)	590,653
Other financing sources:			
Issuance of debt	915,863	271,000	(644,863)
Premium on issuance of debt	-	49,000	49,000
Total other financing sources	<u>915,863</u>	<u>320,000</u>	<u>(595,863)</u>
Net change in fund balance	<u>\$ 28,790</u>	<u>\$ 23,580</u>	<u>\$ (5,210)</u>

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

### Parks Capital Projects Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 18,650	\$ 18,650
Investment income	-	51,870	51,870
Other entities' participation	304,852	849,633	544,781
Miscellaneous	-	15,188	15,188
Contingency	606,586	-	(606,586)
Total revenues	<u>911,438</u>	<u>935,341</u>	<u>23,903</u>
Expenditures:			
Current:			
Community services	25,666,729	17,238,459	8,428,270
Total expenditures	<u>25,666,729</u>	<u>17,238,459</u>	<u>8,428,270</u>
Deficiency of revenues over expenditures	(24,755,291)	(16,303,118)	8,452,173
Other financing sources (uses):			
Transfers in	315,000	399,546	84,546
Transfers out	-	(33,536)	(33,536)
Issuance of debt	15,318,149	10,155,000	(5,163,149)
Premium on issuance of debt	-	1,825,000	1,825,000
Total other financing sources (uses)	<u>15,633,149</u>	<u>12,346,010</u>	<u>(3,287,139)</u>
Net change in fund balance	<u>\$ (9,122,142)</u>	<u>\$ (3,957,108)</u>	<u>\$ 5,165,034</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, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ -	\$ 276,796	\$276,796
Total revenues	<u>-</u>	<u>276,796</u>	<u>276,796</u>
Expenditures:			
Current:			
Community development	27,777	27,777	-
Total expenditures	<u>27,777</u>	<u>27,777</u>	<u>-</u>
Deficiency of revenues over expenditures	(27,777)	249,019	276,796
Other financing sources (uses):			
Transfers in	-	26,800	26,800
Transfers out	-	(84,546)	(84,546)
Total other financing sources (uses)	<u>-</u>	<u>(57,746)</u>	<u>(57,746)</u>
Net change in fund balance	<u>\$ (27,777)</u>	<u>\$ 191,273</u>	<u>\$ 219,050</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, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 12,000	\$ 12,000
Investment income	-	1,700	1,700
Charges for services	-	12,817	12,817
Miscellaneous	-	3,150	3,150
Total revenues	<u>-</u>	<u>29,667</u>	<u>29,667</u>
Expenditures:			
Current:			
Public works	18,420,773	10,169,285	8,251,488
Total expenditures	<u>18,420,773</u>	<u>10,169,285</u>	<u>8,251,488</u>
Deficiency of revenues over expenditures	(18,420,773)	(10,139,618)	8,281,155
Other financing sources (uses):			
Transfers in	4,863,776	6,713,776	1,850,000
Transfers out	-	(432)	(432)
Issuance of debt	8,910,264	5,705,000	(3,205,264)
Premium on issuance of debt	-	1,015,000	1,015,000
Total other financing sources (uses)	<u>13,774,040</u>	<u>13,433,344</u>	<u>(340,696)</u>
Net change in fund balance	<u>\$ (4,646,733)</u>	<u>\$ 3,293,726</u>	<u>\$ 7,940,459</u>

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

### Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 2,350,498	\$ 2,396,179	\$ 45,681
Investment income	-	637	637
Other entities' participation	-	50,588	50,588
Contingency	400,000	-	(400,000)
Total revenues	<u>2,750,498</u>	<u>2,447,404</u>	<u>(303,094)</u>
Expenditures:			
Current:			
Public works	8,842,377	5,223,514	3,618,863
Total expenditures	<u>8,842,377</u>	<u>5,223,514</u>	<u>3,618,863</u>
Deficiency of revenues over expenditures	(6,091,879)	(2,776,110)	3,315,769
Other financing sources (uses) :			
Transfers in	500,000	500,000	-
Transfers out	-	(128,815)	(128,815)
Issuance of debt	5,350,159	1,034,000	(4,316,159)
Premium on issuance of debt	-	186,000	-
Total other financing sources (uses)	<u>5,850,159</u>	<u>1,591,185</u>	<u>(4,444,974)</u>
Net change in fund balance	<u>\$ (241,720)</u>	<u>\$ (1,184,925)</u>	<u>\$ (943,205)</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, 2019

*City of Tempe, Arizona*

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Charges for services	\$ 575,000	\$ 516,305	\$ (58,695)
Total revenues	<u>575,000</u>	<u>516,305</u>	<u>(58,695)</u>
Expenditures:			
Current:			
Community development	1,773,860	327,588	1,446,272
Total expenditures	<u>1,773,860</u>	<u>327,588</u>	<u>1,446,272</u>
Net change in fund balance	<u>\$ (1,198,860)</u>	<u>\$ 188,717</u>	<u>\$ 1,387,577</u>

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

### Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Charges for services	\$ 85,347,226	\$ 85,540,917	\$ 193,691
Investment income	1,060,000	2,095,283	1,035,283
Fines and forfeitures	68,500	-	(68,500)
Miscellaneous	4,852,142	501,109	(4,351,033)
Total revenues	<u>91,327,868</u>	<u>88,137,309</u>	<u>(3,190,559)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Public works	131,167,273	98,803,547	32,363,726
Contingency	1,000,000	-	1,000,000
<b>Debt service:</b>			
Principal	30,853,588	30,717,281	136,307
Interest and fiscal fees	11,495,501	11,706,152	(210,651)
Total expenditures	<u>174,516,362</u>	<u>141,226,980</u>	<u>33,289,382</u>
Excess (deficiency) of revenues over expenditures	(83,188,494)	(53,089,671)	30,098,823
<b>Other financing sources (uses):</b>			
Transfers in	6,271,585	6,059,402	(212,183)
Transfers out	(8,125,496)	(7,168,178)	957,318
Issuance of debt	74,824,629	31,435,000	(43,389,629)
Premium on issuance of debt	-	6,235,463	6,235,463
Proceeds from sale of capital assets	65,000	35,390	(29,610)
Total other financing sources (uses)	<u>73,035,718</u>	<u>36,597,077</u>	<u>(36,438,641)</u>
Net change in fund balance	<u>\$ (10,152,776)</u>	<u>\$ (16,492,594)</u>	<u>\$ (6,339,818)</u>

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

### Solid Waste Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 17,071,000	\$ 17,306,244	\$ 235,244
Investment income	42,000	81,090	39,090
Miscellaneous	-	45,955	45,955
Total revenues	<u>17,113,000</u>	<u>17,433,289</u>	<u>320,289</u>
Expenditures:			
Current:			
Public works	19,196,906	18,325,524	871,382
Contingency	500,000	-	500,000
Total expenditures	<u>19,696,906</u>	<u>18,325,524</u>	<u>1,371,382</u>
Deficiency of revenues over expenditures	(2,583,906)	(892,235)	1,691,671
Other financing sources (uses):			
Transfers in	999,696	400,000	(599,696)
Transfers out	(604,607)	(4,877)	599,730
Proceeds from sale of capital assets	30,000	82,595	52,595
Total other financing sources (uses)	<u>425,089</u>	<u>477,718</u>	<u>52,629</u>
Net change in fund balance	<u>\$ (2,158,817)</u>	<u>\$ (414,517)</u>	<u>\$ 1,744,300</u>



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

**Emergency Medical Transportation Fund**  
For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Fines and forfeitures	\$ 2,122,500	\$ 2,486,643	\$ 364,143
Miscellaneous	255,000	296,858	41,858
Total revenues	<u>2,377,500</u>	<u>2,783,501</u>	<u>406,001</u>
Expenditures:			
Current:			
Fire medical rescue	3,469,913	1,767,873	1,702,040
Contingency	150,000	-	150,000
Total expenditures	<u>3,619,913</u>	<u>1,767,873</u>	<u>1,852,040</u>
Deficiency of revenues over expenditures	(1,242,413)	1,015,628	2,258,041
Other financing uses:			
Transfers out	(43,149)	-	43,149
Total other financing uses	<u>(43,149)</u>	<u>-</u>	<u>43,149</u>
Net change in fund balance	<u>\$ (1,285,562)</u>	<u>\$ 1,015,628</u>	<u>\$ 2,301,190</u>

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

### Golf Fund

For the Fiscal Year Ended June 30, 2019

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,964,766	\$ 2,626,308	\$ (338,458)
Miscellaneous	-	10,064	10,064
Total revenues	<u>2,964,766</u>	<u>2,636,372</u>	<u>(328,394)</u>
Expenditures:			
Current:			
Public works	3,858,109	3,800,234	57,875
Total expenditures	<u>3,858,109</u>	<u>3,800,234</u>	<u>57,875</u>
Deficiency of revenues over expenditures	(893,343)	(1,163,862)	(270,519)
Other financing sources:			
Transfers in	818,480	110,576	-
Proceeds from sale of capital assets	120,000	161,315	41,315
Total other financing sources	<u>938,480</u>	<u>271,891</u>	<u>(666,589)</u>
Net change in fund balance	<u>\$ 45,137</u>	<u>\$ (891,971)</u>	<u>\$ (937,108)</u>



## 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 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Governmental activities</b>										
Net investment in capital assets	\$ 491,949,237	\$ 483,438,668	\$ 519,530,983	\$ 564,120,959	\$ 519,040,090	\$ 537,940,057	\$ 548,739,169	\$ 560,427,507	\$ 571,925,061	\$ 562,958,494
Restricted (a)	79,370,511	102,808,694	117,866,229	102,095,778	141,565,366	148,338,902	119,845,935	124,800,334	114,643,888	142,947,736
Unrestricted	70,642,228	13,318,115	(22,136,687)	(26,820,571)	(18,763,531)	236,990,748	253,302,947	248,936,397	259,250,692	241,371,774
Total governmental activities net position	<u>\$ 641,961,976</u>	<u>\$ 599,565,477</u>	<u>\$ 615,260,525</u>	<u>\$ 639,396,166</u>	<u>\$ 641,841,925</u>	<u>\$ 923,269,707</u>	<u>\$ 921,888,051</u>	<u>\$ 934,164,238</u>	<u>\$ 945,819,641</u>	<u>\$ 947,278,004</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 124,836,951	\$ 111,354,858	\$ 104,387,674	\$ 69,467,178	\$ 142,208,059	\$ 137,971,614	\$ 149,782,240	\$ 162,774,388	\$ 175,625,967	\$ 144,245,429
Unrestricted	153,206,243	153,208,008	151,904,179	170,405,834	90,577,933	118,726,035	105,207,407	92,951,764	73,018,010	102,511,794
Total business-type activities net position	<u>\$ 278,043,194</u>	<u>\$ 264,562,866</u>	<u>\$ 256,291,853</u>	<u>\$ 239,873,012</u>	<u>\$ 232,785,992</u>	<u>\$ 256,697,649</u>	<u>\$ 254,989,647</u>	<u>\$ 255,726,152</u>	<u>\$ 248,643,977</u>	<u>\$ 246,757,223</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 616,786,188	\$ 594,793,526	\$ 623,918,657	\$ 633,588,137	\$ 661,248,149	\$ 675,911,671	\$ 698,521,409	\$ 723,201,895	\$ 747,551,028	\$ 707,203,923
Restricted (a)	79,370,511	102,808,694	117,866,229	102,095,778	141,565,367	148,338,902	119,845,935	124,800,334	114,643,888	142,947,736
Unrestricted	223,848,471	166,526,123	129,767,492	143,585,263	71,814,402	355,716,783	358,510,354	341,888,161	332,268,702	343,883,568
Total primary government net position	<u>\$ 920,005,170</u>	<u>\$ 864,128,343</u>	<u>\$ 871,552,378</u>	<u>\$ 879,269,178</u>	<u>\$ 874,627,918</u>	<u>\$1,179,967,356</u>	<u>\$1,176,877,698</u>	<u>\$1,189,890,390</u>	<u>\$1,194,463,618</u>	<u>\$1,194,035,227</u>

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

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

Last Ten Fiscal Years  
Accrual Basis of Accounting

	City of Tempe, Arizona									
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Expenses</b>										
Governmental activities:										
Police	\$ 101,620,981	\$ 107,357,688	\$ 111,570,351	\$ 93,057,663	\$ 92,214,451	\$ 78,658,426	\$ 76,585,163	\$ 76,799,591	\$ 72,492,475	\$ 78,283,021
Fire medical rescue	44,646,087	40,900,261	48,345,996	34,319,479	32,914,994	31,103,237	32,594,512	28,156,863	27,499,884	30,542,829
Community services (a)	28,463,648	29,739,525	27,956,647	27,402,656	29,239,583	29,363,339	28,592,571	31,069,618	27,031,973	26,891,886
Public works (a)	110,725,592	102,940,790	103,728,249	112,589,913	107,411,254	102,892,245	103,586,986	98,915,390	94,687,386	131,521,598
Community development (b)	17,550,896	17,270,124	16,521,932	18,372,515	18,832,177	30,234,017	26,757,509	25,113,273	30,778,689	30,601,684
Human services(h)	21,669,347	22,505,753	17,777,825	17,430,250	13,374,117	463,969	449,428	476,011	447,287	531,651
Municipal court	4,985,853	5,007,487	4,909,370	4,354,299	4,028,068	4,288,787	3,900,928	3,934,716	4,179,694	5,245,105
Mayor and council	491,026	405,716	473,324	337,046	330,042	408,196	223,472	356,468	316,531	387,723
City manager (g)(h)(i)	7,150,485	7,045,025	6,815,022	7,371,101	7,045,783	7,220,482	7,654,913	7,535,214	5,020,144	4,579,414
City attorney	3,137,658	3,283,818	3,160,056	2,961,497	3,712,245	2,844,965	2,963,058	2,854,168	2,659,312	3,101,845
Internal audit office	434,770	476,584	376,249	425,674	433,339	392,629	393,471	338,059	477,080	427,828
Municipal budget office (h)	172,182	288,182	261,313	259,133	415,774	-	-	-	-	-
Office of strategic management and diversity (i)	1,079,461	981,169	1,055,075	-	-	-	-	-	-	-
City clerk and elections	829,499	979,356	815,016	868,596	751,331	844,934	481,374	910,616	403,792	739,884
Internal services (c)(d)(f)(h)	15,650,001	16,749,283	18,821,669	8,252,013	6,403,407	7,343,357	6,454,535	7,890,835	10,826,877	9,516,509
Non-departmental	-	-	-	-	-	-	-	-	-	2,383,904
Unallocated depreciation	1,716,431	1,716,725	1,777,887	1,785,487	1,955,520	1,331,649	3,662,321	2,301,194	5,733,128	-
Interest on long-term debt	12,503,655	11,817,213	9,847,278	12,924,841	12,882,924	17,153,207	14,347,644	14,894,293	18,453,487	16,185,139
<b>Total governmental activities expenses</b>	<b>372,827,572</b>	<b>369,464,699</b>	<b>374,213,259</b>	<b>342,712,163</b>	<b>331,945,009</b>	<b>314,543,439</b>	<b>308,647,885</b>	<b>301,546,309</b>	<b>301,007,739</b>	<b>340,940,020</b>
Business-type activities:										
Water and wastewater	77,906,953	76,903,243	70,364,126	75,515,527	73,548,319	73,208,373	72,352,330	72,156,412	67,505,481	73,045,936
Solid waste	15,791,378	17,494,354	15,918,430	14,881,636	15,868,498	15,379,174	14,758,133	14,626,578	13,784,106	13,730,227
Emergency medical transportation (j)	2,966,379	3,026,686	-	-	-	-	-	-	-	-
Golf course	2,937,558	2,802,184	2,520,474	2,734,351	2,685,634	2,799,922	2,724,422	2,658,416	2,011,316	2,269,182
Cemetery (e)	-	-	-	-	-	-	-	129,849	176,553	312,525
<b>Total business-type activities expenses</b>	<b>99,602,268</b>	<b>100,226,467</b>	<b>88,803,030</b>	<b>93,131,514</b>	<b>92,102,451</b>	<b>91,387,469</b>	<b>89,834,885</b>	<b>89,571,255</b>	<b>83,477,456</b>	<b>89,357,870</b>
<b>Total primary government expenses</b>	<b>\$ 472,429,840</b>	<b>\$ 469,691,166</b>	<b>\$ 463,016,289</b>	<b>\$ 435,843,677</b>	<b>\$ 424,047,460</b>	<b>\$ 405,930,908</b>	<b>\$ 398,482,770</b>	<b>\$ 391,117,564</b>	<b>\$ 384,485,195</b>	<b>\$ 430,297,890</b>

Note: To assist with comparability, certain prior year expenses have been recategorized as listed below.

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

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

(c) In Fiscal Year 2011, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology. In Fiscal Year 2015, Finance and Technology was merged into the Internal Services department.

(d) In Fiscal Year 2011, Tempe Learning Center was disaggregated from Human Resources. In Fiscal Year 2015, Finance and Technology was merged into the Internal Services department.

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

(f) In Fiscal Year 2014, Tempe Learning Center was reincorporated into Human Resources. In Fiscal Year 2015, Human Resources was merged into the Internal Services department.

(g) In Fiscal Year 2015, Economic Development and Community Relations became part of the City Manager's Office.

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

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

(j) In Fiscal Year 2018, the Emergency Medical Transportation Fund was established.

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

### Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Police	\$ 1,298,812	\$ 977,914	\$ 1,021,670	\$ 1,444,986	\$ 1,712,306	\$ 1,320,177	\$ 1,506,807	\$ 1,649,775	\$ 1,657,335	\$ 1,052,723
Fire medical rescue	200,378	858,577	1,869,840	1,536,642	334,158	268,938	153,903	1,642,702	2,107,133	912,000
Community services (a)(d)	7,714,161	8,323,732	8,283,698	7,812,755	7,589,603	7,445,319	6,988,375	7,101,043	6,453,226	6,237,098
Public works (a)	17,797,231	16,011,590	16,585,374	17,740,856	19,786,216	19,681,176	18,536,983	18,136,860	19,582,397	19,659,838
Community development (b)	14,283,336	15,684,471	13,250,819	12,665,828	13,065,445	12,035,033	6,815,190	7,088,168	4,484,572	5,648,696
Human services (d)	10,031	9,501	7,820	13,926	80,237	-	-	-	-	-
Municipal court	4,457,922	3,559,861	5,852,849	6,372,719	8,302,032	6,747,891	6,426,389	7,826,823	8,413,798	5,868,369
City manager	-	-	7,597	-	-	-	-	-	-	-
City attorney	23,487	19,361	16,940	14,174	-	-	13,310	-	8,682	-
City clerk and elections	2,056	3,140	-	-	-	-	-	-	-	-
Internal services (c)	2,827,988	3,000,921	1,797,928	2,186,635	2,212,402	2,224,489	2,140,898	2,623,338	2,624,190	1,997,614
Operating grants and contributions	34,467,594	30,237,598	27,582,362	26,831,238	19,784,859	24,668,792	27,287,325	22,450,002	22,131,520	18,222,849
Capital grants and contributions	39,638,190	19,044,276	6,355,742	8,091,341	7,258,243	5,933,017	6,551,849	15,961,785	24,708,317	38,709,299
Total governmental activities program revenues	<u>122,721,186</u>	<u>97,730,942</u>	<u>82,632,639</u>	<u>84,711,100</u>	<u>80,125,501</u>	<u>80,324,832</u>	<u>76,421,029</u>	<u>84,480,496</u>	<u>92,171,170</u>	<u>98,308,486</u>
Business-type activities:										
Charges for services:										
Water and wastewater	85,339,513	87,807,953	86,273,324	81,265,973	78,043,384	80,989,551	74,979,069	73,392,328	70,094,034	62,511,102
Solid waste	17,306,244	16,706,706	16,274,287	15,319,833	14,216,743	14,400,476	14,341,827	14,866,281	15,326,780	15,242,801
Emergency medical transportation (e)	3,442,151	2,280,247	-	-	-	-	-	-	-	-
Golf course	2,626,308	2,387,362	2,322,777	2,575,908	2,755,966	2,661,519	2,480,815	2,344,355	1,562,489	1,574,081
Cemetery (c)	-	-	-	-	-	-	-	144,242	110,196	116,643
Capital grants and contributions	-	-	-	-	-	-	-	1,988,550	1,691,429	4,765,839
Total business-type activities program revenues	<u>108,714,216</u>	<u>109,182,268</u>	<u>104,870,388</u>	<u>99,161,714</u>	<u>95,016,093</u>	<u>98,051,546</u>	<u>91,801,711</u>	<u>92,735,756</u>	<u>88,784,928</u>	<u>84,210,466</u>
Total primary government program revenues	<u>\$ 231,435,402</u>	<u>\$ 206,913,210</u>	<u>\$ 187,503,027</u>	<u>\$ 183,872,814</u>	<u>\$ 175,141,594</u>	<u>\$ 178,376,378</u>	<u>\$ 168,222,740</u>	<u>\$ 177,216,252</u>	<u>\$ 180,956,098</u>	<u>\$ 182,518,952</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (250,106,386)	\$ (271,733,757)	\$ (291,580,620)	\$ (258,001,063)	\$ (251,819,508)	\$ (234,218,607)	\$ (232,226,856)	\$ (217,065,813)	\$ (208,836,569)	\$ (242,631,534)
Business-type activities	9,111,948	8,955,801	16,067,358	6,030,200	2,913,642	6,664,077	1,966,826	3,164,501	5,307,472	(5,147,404)
Total primary government net expense	<u>\$ (240,994,438)</u>	<u>\$ (262,777,956)</u>	<u>\$ (275,513,262)</u>	<u>\$ (251,970,863)</u>	<u>\$ (248,905,866)</u>	<u>\$ (227,554,530)</u>	<u>\$ (230,260,030)</u>	<u>\$ (213,901,312)</u>	<u>\$ (203,529,097)</u>	<u>\$ (247,778,938)</u>

Note: To assist with comparability, certain prior year expenses have been recategorized as listed below.

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

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

(c) In Fiscal Year 2011, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology. In Fiscal Year 2015, Finance and Technology was merged into the Internal Services department.

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

(d) In Fiscal Year 2015, a component of the Community Services department along with Diversity formed a new department called Human Services.

(e) In Fiscal Year 2018, the Emergency Medical Transportation Fund was established.

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

Last Ten Fiscal Years  
Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010 (a)
<b>General revenues and other changes in net position</b>										
Governmental activities:										
General revenues:										
Sales taxes	\$ 177,596,413	\$ 168,650,143	\$ 160,218,570	\$ 152,492,065	\$ 147,787,315	\$ 147,815,825	\$ 149,078,044	\$ 142,985,910	\$ 141,844,739	\$ 125,186,698
Intergovernmental revenue, unrestricted (b)	48,024,343	48,403,871	44,671,765	41,472,528	40,571,933	38,155,275	21,684,320	19,086,404	21,562,285	26,966,795
Property taxes	48,706,817	47,495,555	45,308,519	43,316,151	41,457,646	40,074,441	38,644,241	35,899,010	35,501,233	37,183,541
Franchise taxes	3,036,531	3,290,220	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125	3,821,436	3,559,615
Unrestricted investment earnings	7,936,949	1,489,603	662,115	1,683,445	889,594	725,099	278,102	822,900	1,229,447	97,660
Miscellaneous	5,924,186	5,506,328	5,435,113	7,419,129	5,042,875	4,114,557	2,987,769	3,199,954	2,991,971	3,429,435
Gain on sale of capital assets	674,569	1,667,264	7,538,846	5,298,681	2,170,917	657,224	261,764	496,911	133,677	17,160
Transfers	603,077	(1,454,082)	427,858	509,690	479,071	746,902	3,763,255	(508,805)	293,418	(115,657)
Total governmental activities	<u>292,502,885</u>	<u>275,048,902</u>	<u>267,444,979</u>	<u>255,555,304</u>	<u>241,332,590</u>	<u>235,600,263</u>	<u>219,950,670</u>	<u>205,410,409</u>	<u>207,378,206</u>	<u>196,325,247</u>
Business-type activities:										
Unrestricted investment earnings	3,614,531	697,388	351,831	841,726	488,477	436,821	115,362	335,297	459,759	10,698
Miscellaneous	1,124,986	651,500	299,116	152,428	142,914	1,643,570	923,413	3,032,990	1,976,132	332,955
Gain (loss) on sale of capital assets	199,388	33,015	128,394	572,356	247,296	52,947	21,149	40,582	(5,563,191)	96,986
Capital contributions	32,552	-	-	-	-	-	-	-	-	-
Transfers	(603,077)	(25,122)	(427,858)	(509,690)	(479,071)	(746,902)	(3,763,255)	508,805	(293,418)	115,657
Total business-type activities	<u>4,368,380</u>	<u>1,356,781</u>	<u>351,483</u>	<u>1,056,820</u>	<u>399,616</u>	<u>1,386,436</u>	<u>(2,703,331)</u>	<u>3,917,674</u>	<u>(3,420,718)</u>	<u>556,296</u>
Total primary government	<u>\$ 296,871,265</u>	<u>\$ 276,405,683</u>	<u>\$ 267,796,462</u>	<u>\$ 256,612,124</u>	<u>\$ 241,732,206</u>	<u>\$ 236,986,699</u>	<u>\$ 217,247,339</u>	<u>\$ 209,328,083</u>	<u>\$ 203,957,488</u>	<u>\$ 196,881,543</u>
<b>Changes in net position</b>										
Governmental activities	\$ 42,396,499	\$ 3,315,145	\$ (24,135,641)	\$ (2,445,759)	\$ (10,486,918)	\$ 1,381,656	\$ (12,276,186)	\$ (11,655,404)	\$ (1,458,363)	\$ (46,306,287)
Business-type activities	13,480,328	10,312,582	16,418,841	7,087,020	3,313,258	8,050,513	(736,505)	7,082,175	1,886,754	(4,591,108)
Total primary government	<u>\$ 55,876,827</u>	<u>\$ 13,627,727</u>	<u>\$ (7,716,800)</u>	<u>\$ 4,641,261</u>	<u>\$ (7,173,660)</u>	<u>\$ 9,432,169</u>	<u>\$ (13,012,691)</u>	<u>\$ (4,573,229)</u>	<u>\$ 428,391</u>	<u>\$ (50,897,395)</u>

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

(b) To assist with comparability, in Fiscal Year 2015, *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 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011 (b)	Fiscal Year 2010
<b>General fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981,529
Unreserved	-	-	-	-	-	-	-	-	-	42,832,205
Nonspendable	491,024	711,092	638,685	782,276	346,364	653,365	643,980	634,526	650,506	-
Restricted	106,684	154,667	100,000	100,000	-	-	-	-	-	-
Committed	480,675	-	475,531	147,036	520,770	338,193	-	-	-	-
Assigned	18,713,280	15,336,906	14,762,667	10,291,768	8,800,833	9,884,517	8,127,268	9,967,268	13,783,790	-
Unassigned	97,995,211	93,995,709	80,099,820	78,629,198	73,879,480	63,878,841	52,658,705	50,954,570	39,604,103	-
Total general fund	<u>\$ 117,786,874</u>	<u>\$ 110,198,374</u>	<u>\$ 96,076,703</u>	<u>\$ 89,950,278</u>	<u>\$ 83,547,447</u>	<u>\$ 74,754,916</u>	<u>\$ 61,429,953</u>	<u>\$ 61,556,364</u>	<u>\$ 54,038,399</u>	<u>\$ 43,813,734</u>
<b>All other governmental funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,324,494
Unreserved, reported in:										
Special revenues funds	-	-	-	-	-	-	-	-	-	32,742,748
Capital projects funds	-	-	-	-	-	-	-	-	-	63,078,330
Nonspendable	1,527,574	1,553,045	1,623,799	1,594,761	1,952,950	1,947,082	1,733,749	1,765,739	1,826,335	-
Restricted	65,121,669	80,434,422	88,581,119	82,863,821	80,049,732	77,724,151	75,566,724	76,139,830	75,275,738	-
Committed	46,353,146	39,232,880	26,744,884	20,404,290	21,925,153	14,295,999	19,054,131	67,195,597	75,446,158	-
Assigned	12,308,616	11,261,680	15,774,827	15,186,266	15,935,817	15,326,386	14,817,549	11,707,666	10,614,331	-
Unassigned (b)	(1,442,236)	(296,755)	-	(2,856,351)	(2,922,001)	(673,217)	(571,299)	(1,733,419)	(1,097,095)	-
Total all other governmental funds	<u>\$ 123,868,769</u>	<u>\$ 132,185,272</u>	<u>\$ 132,724,629</u>	<u>\$ 117,192,787</u>	<u>\$ 116,941,651</u>	<u>\$ 108,620,401</u>	<u>\$ 110,600,854</u>	<u>\$ 155,075,412</u>	<u>\$ 162,065,467</u>	<u>\$ 165,145,572</u>

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

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

### Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Revenues:</b>										
Taxes	\$ 216,680,985	\$ 207,580,582	\$ 197,341,071	\$ 188,672,865	\$ 182,323,977	\$ 182,032,821	\$ 168,974,511	\$ 162,157,488	\$ 158,749,333	\$ 145,038,639
Intergovernmental	99,111,729	90,577,368	89,383,867	85,856,572	78,988,805	74,692,323	76,651,736	72,701,235	87,180,913	111,505,248
Investment earnings	7,936,949	1,489,603	662,115	1,683,445	889,594	725,099	278,102	822,900	1,229,966	97,660
Charges for services	29,552,529	30,445,583	30,134,108	31,752,038	33,520,741	33,268,236	30,183,216	29,451,269	28,981,943	26,142,181
Fines and forfeitures	7,191,904	7,670,630	8,982,209	9,357,450	9,986,226	8,909,849	8,537,078	8,198,638	8,235,437	11,082,812
Other entities' participation	3,778,658	5,972,968	1,916,336	1,751,971	1,093,272	174,954	196,106	3,542,185	622,543	328,147
Special assessments	1,990,732	2,027,722	2,173,798	2,439,086	3,862,306	3,605,932	4,442,862	2,526,283	3,867,979	2,783,916
Licenses and permits	6,951,095	8,330,276	5,446,638	6,308,241	6,828,905	6,638,496	3,856,216	3,814,753	2,969,580	3,395,257
Miscellaneous	9,005,664	8,502,999	8,761,291	9,867,156	8,197,929	6,707,484	4,908,914	7,021,832	7,209,565	5,968,065
<b>Total revenues</b>	<b>382,200,245</b>	<b>362,597,731</b>	<b>344,801,433</b>	<b>337,688,824</b>	<b>325,691,755</b>	<b>316,755,194</b>	<b>298,028,741</b>	<b>290,236,583</b>	<b>299,047,259</b>	<b>306,341,925</b>
<b>Expenditures:</b>										
Police	93,078,088	87,341,647	82,429,673	81,154,550	78,102,044	75,135,489	72,709,534	67,325,484	65,289,995	74,747,734
Fire medical rescue	38,797,039	33,159,702	31,383,875	30,724,706	26,802,154	28,887,609	28,056,149	25,871,390	25,639,288	27,134,920
Community services (a)	25,228,594	25,507,377	23,770,512	22,516,873	22,240,413	25,579,134	24,551,075	23,473,722	22,010,148	22,254,109
Public works (a)	79,092,222	72,517,143	70,604,468	73,771,025	72,414,122	72,739,804	70,784,480	66,845,601	67,998,367	85,134,719
Community development (b)	16,624,962	16,408,645	15,336,696	16,321,778	17,432,661	29,460,993	25,253,707	23,572,565	22,946,249	26,399,830
Human services (g)	26,244,724	20,428,462	17,589,585	17,388,871	13,471,552	451,293	441,212	457,292	427,103	520,731
Municipal court	5,133,357	5,158,342	4,886,110	4,262,778	4,058,927	4,325,838	3,830,508	3,874,634	4,051,517	5,267,930
Mayor and council	495,829	403,658	417,734	342,645	345,501	368,846	244,837	440,161	318,282	388,486
City manager (f)(g)	7,397,648	7,182,164	6,800,149	7,292,703	6,583,633	7,549,687	8,124,262	7,697,656	5,299,616	4,548,022
City attorney	3,515,785	3,261,843	3,098,124	2,920,857	3,790,479	2,912,507	3,037,216	2,648,388	2,564,283	3,117,084
Internal audit office	459,746	490,396	408,867	403,108	432,384	426,006	388,263	393,958	379,752	514,069
Municipal budget office (g)	261,798	294,404	262,696	236,768	323,676	-	-	-	-	-
Office of strategic management and diversity (h)	1,088,773	987,828	932,200	-	-	-	-	-	-	-
City clerk and elections	910,335	995,339	752,876	850,235	751,978	885,350	511,960	899,917	395,778	799,975
Internal services (c)(d)(e)(g)	15,716,010	16,263,826	16,334,235	7,433,821	7,232,975	7,624,841	5,806,644	5,659,471	8,565,765	7,248,510
Debt service:										
Principal	38,768,000	42,880,000	39,547,000	29,686,000	41,065,000	26,105,000	122,595,000	25,756,000	26,062,231	22,212,157
Interest	13,526,198	12,791,480	11,688,331	13,356,740	13,619,726	13,853,239	14,442,661	13,853,998	17,728,802	15,489,383
Fiscal fees	344,231	331,593	569,367	437,027	544,868	231,060	872,574	1,640,155	1,260,876	1,166,712
Capital outlay	53,518,221	32,418,674	30,298,582	45,373,210	49,626,981	24,192,621	20,874,698	29,512,675	35,348,520	58,406,594
<b>Total expenditures</b>	<b>420,201,560</b>	<b>378,822,523</b>	<b>357,111,080</b>	<b>354,473,695</b>	<b>358,839,074</b>	<b>320,729,317</b>	<b>402,524,780</b>	<b>299,923,067</b>	<b>306,286,572</b>	<b>355,350,965</b>
Deficiency of revenues over expenditures before other financing sources (uses)	\$ (38,001,315)	\$ (16,224,792)	\$ (12,309,647)	\$ (16,784,871)	\$ (33,147,319)	\$ (3,974,123)	\$(104,496,039)	\$ (9,686,484)	\$ (7,239,313)	\$ (49,009,040)

Note: To assist with comparability, certain prior year expenses have been recategorized as listed below.

- (a) In Fiscal Year 2011, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.
- (b) In Fiscal Year 2011, the Development Services department was merged into Community Development.
- (c) In Fiscal Year 2011, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology. In Fiscal Year 2015, Finance and Technology was merged into the Internal Services department.
- (d) In Fiscal Year 2011, Tempe Learning Center was disaggregated from Human Resources. In Fiscal Year 2015, Finance and Technology was merged into the Internal Services department.
- (e) In Fiscal Year 2014, Tempe Learning Center was reincorporated into Human Resources. In Fiscal Year 2015, Human Resources was merged into the Internal Services department.
- (f) In Fiscal Year 2015, Economic Development and Community Relations became part of the City Manager's Office.
- (g) In Fiscal Year 2015, Finance & Technology and Human Resources were combined to form the Internal Services Department. A component of the Community Services Department along with Diversity formed a new department called Human Services. The budget office became a stand alone department now known as Municipal Office. Economic Development and Community Relations became a part of the City Manager Office.
- (h) In Fiscal Year 2017, the Office of Strategic Management and Diversity was created. The Diversity office which was under the City Manager's office was moved into the new office.

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

### Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Other financing sources (uses):</b>										
Transfers in	38,729,874	42,297,460	27,870,785	30,410,514	26,437,046	22,217,580	67,438,620	18,104,564	16,912,259	59,305,503
Transfers out	(38,126,797)	(43,372,403)	(27,442,927)	(29,900,824)	(25,957,975)	(21,470,678)	(68,806,307)	(18,613,369)	(16,618,841)	(59,421,161)
Issuance of debt	27,130,000	25,025,000	12,290,000	13,630,000	43,965,000	11,650,000	13,675,000	7,005,000	13,146,000	26,040,000
Premium on issuance of debt	5,655,061	4,083,395	1,754,028	5,413,632	1,269,813	880,967	6,392,968	6,668,536	2,401,827	755,553
Capital lease proceeds	-	87,798	-	-	111,827	-	-	-	110,617	27,986
Proceeds from sale of capital assets	1,220,174	1,685,856	4,483,481	5,350,923	2,189,572	663,658	270,346	534,963	328,593	362,900
Issuance of refunding bonds	2,665,000	-	34,095,000	34,422,798	6,780,000	5,645,000	53,910,000	45,181,900	26,040,000	-
Payment to refunded/defeased bond escrow agent	-	-	(19,082,453)	(35,888,204)	(4,534,184)	(4,267,894)	(12,985,558)	(48,667,199)	(27,936,582)	-
Total other financing sources	<u>37,273,312</u>	<u>29,807,106</u>	<u>33,967,914</u>	<u>23,438,839</u>	<u>50,261,099</u>	<u>15,318,633</u>	<u>59,895,069</u>	<u>10,214,395</u>	<u>14,383,873</u>	<u>27,070,781</u>
<b>Net change in fund balances</b>	<u>\$ (728,003)</u>	<u>\$ 13,582,314</u>	<u>\$ 21,658,267</u>	<u>\$ 6,653,968</u>	<u>\$ 17,113,780</u>	<u>\$ 11,344,510</u>	<u>\$ (44,600,970)</u>	<u>\$ 527,911</u>	<u>\$ 14,383,873</u>	<u>\$ (21,938,259)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	14.2%	16.5%	15.5%	13.8%	17.6%	13.4%	35.7% (a)	14.5%	16.0%	12.5%

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

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

### Last Ten Fiscal Years

Cash Basis

City of Tempe, Arizona

#### Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	City Direct Sales Tax Rate
2010	2,976,389,000	1,136,889,000	536,611,000	472,667,000	400,000,000	110,944,000	96,167,000	66,056,000	5,795,723,000	1.80
2011	3,117,950,000	1,133,200,000	515,000,000	479,150,000	298,450,000	112,600,000	89,850,000	68,550,000	5,814,750,000	2.00
2012	3,248,736,000	1,175,200,000	522,095,000	514,519,000	341,542,000	123,981,000	87,663,000	66,141,000	6,079,877,000	2.00
2013	3,387,223,000	1,200,932,000	533,915,000	524,813,000	340,870,000	123,629,000	78,580,000	80,020,000	6,269,982,000	2.00
2014	3,566,605,000	1,197,308,000	557,844,000	574,888,000	404,398,000	135,525,000	82,928,000	71,660,000	6,591,156,000	2.00
2015	3,898,027,000	1,277,164,000	583,788,000	628,169,000	701,314,000	159,255,000	82,680,000	74,754,000	7,405,151,000	1.80
2016	4,057,021,000	1,342,058,000	548,882,000	656,237,000	653,818,000	166,167,000	89,261,000	75,989,000	7,589,433,000	1.80
2017	4,323,045,000	1,391,183,000	539,476,000	679,897,000	654,944,000	184,412,000	96,055,000	75,694,000	7,944,706,000	1.80
2018	4,527,666,000	1,526,503,000	552,373,000	705,920,000	662,203,000	209,961,000	89,259,000	59,140,000	8,333,025,000	1.80
2019	4,649,114,000	1,755,549,000	554,618,000	736,240,000	675,955,000	228,785,000	94,108,000	74,142,000	8,768,511,000	1.80

#### Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2010	51.35	19.62	9.26	8.16	6.90	1.91	1.66	1.14	100
2011	53.62	19.49	8.86	8.24	5.13	1.94	1.55	1.17	100
2012	53.43	19.33	8.59	8.46	5.60	2.04	1.44	1.11	100
2013	54.04	19.15	8.52	8.37	5.40	1.97	1.25	1.30	100
2014	54.11	18.17	8.46	8.72	6.14	2.06	1.26	1.08	100
2015	52.64	17.25	7.88	8.48	9.47	2.15	1.12	1.01	100
2016	53.46	17.68	7.23	8.65	8.61	2.19	1.18	1.00	100
2017	54.42	17.51	6.79	8.56	8.24	2.32	1.21	0.95	100
2018	54.33	18.32	6.63	8.47	7.95	2.52	1.07	0.71	100
2019	53.02	20.02	6.33	8.40	7.71	2.61	1.07	0.85	100

Source: City of Tempe, Arizona Tax and License Division

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

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

### Last Ten Fiscal Years

*City of Tempe, Arizona*

<u>Fiscal Year</u>	<u>City Direct Sales Tax Rate</u>	<u>Maricopa County Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Total Sales Tax Rate</u>
2010 (a)	1.80 %	0.70 %	6.60 %	9.10 %
2011 (b)	2.00	0.70	6.60	9.30
2012	2.00	0.70	6.60	9.30
2013 (c)	2.00	0.70	5.60	8.30
2014	2.00	0.70	5.60	8.30
2015 (d)	1.80	0.70	5.60	8.10
2016	1.80	0.70	5.60	8.10
2017	1.80	0.70	5.60	8.10
2018	1.80	0.70	5.60	8.10
2019	1.80	0.70	5.60	8.10

Source: City of Tempe, Arizona Tax and License Division

- (a) In Fiscal Year 2010, State of Arizona voters approved a 1.0% increase in the State sales tax.
- (b) In Fiscal Year 2011, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) increase in the City sales tax.
- (c) In Fiscal Year 2013, State of Arizona decreased the State sales tax rate by 1.0%, effective June 1, 2013.
- (d) In Fiscal Year 2015, the City of Tempe, Arizona voters 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
2010	Primary	\$ 1,518,486,978	\$ 443,398,023	\$ 747,601,586	\$ 265,780,915	\$ 2,656,174	\$ 5,489,270	\$ 601,138,220	\$ 2,382,274,726	\$ 0.49	\$ 16,460,996,774	14.47 %
	Secondary	1,746,634,264	610,147,603	840,563,032	326,620,717	3,162,023	7,160,219	766,798,994	2,767,488,864	0.91	19,043,217,077	14.53
2011	Primary	1,516,407,070	491,365,479	714,116,748	297,885,542	2,487,354	6,031,888	664,036,520	2,364,257,561	0.52	16,647,684,537	14.20
	Secondary	1,634,522,147	598,845,876	718,136,239	321,946,932	2,984,727	8,869,602	772,654,291	2,512,651,232	0.88	17,474,298,161	14.38
2012	Primary	1,215,073,855	507,897,174	601,231,081	260,011,506	2,447,610	5,848,137	652,320,790	1,940,188,573	0.66	14,108,227,934	13.75
	Secondary	1,225,527,325	558,393,732	601,912,854	261,295,232	2,740,384	7,897,668	700,438,585	1,957,328,610	1.13	14,184,312,548	13.80
2013	Primary	1,134,332,461	474,229,052	499,166,936	222,440,746	2,784,852	5,609,483	650,548,735	1,688,014,795	0.79	12,115,273,950	13.93
	Secondary	1,140,686,523	492,511,871	499,439,182	222,488,879	2,839,643	7,054,535	667,783,593	1,697,237,040	1.35	12,149,064,435	13.97
2014	Primary	1,013,888,495	590,348,150	422,097,495	237,011,004	2,470,685	5,503,454	769,883,275	1,501,436,008	0.92	10,969,708,459	13.69
	Secondary	1,019,499,265	627,596,276	422,373,499	245,942,542	2,484,792	7,172,229	811,779,331	1,513,299,272	1.57	11,047,136,814	13.70
2015	Primary	1,018,312,716	582,528,256	445,788,470	279,658,188	2,626,349	5,660,031	786,460,357	1,548,113,653	0.92	11,632,254,953	13.31
	Secondary	1,030,441,480	605,931,213	472,413,709	317,364,940	2,652,015	7,102,655	812,188,311	1,623,717,701	1.51	12,317,499,077	13.18
2016	Primary	1,040,045,065	604,094,072	458,995,411	303,832,779	2,453,154	5,495,047	820,971,174	1,593,944,354	0.93	12,152,815,646	13.12
	Secondary	1,119,535,292	681,597,591	569,311,744	395,569,487	2,501,825	6,440,828	901,610,148	1,873,346,619	1.59	14,573,138,077	12.85
2017	Primary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	0.94	12,936,980,827	12.90
	Secondary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	1.59	16,688,127,422	10.00
2018	Primary	1,121,945,426	655,920,933	502,268,412	378,171,085	2,238,277	5,400,480	891,707,903	1,774,236,710	0.92	13,773,672,226	12.88
	Secondary	1,121,945,426	655,920,933	502,268,412	378,171,085	2,238,277	5,400,480	891,707,903	1,774,236,710	1.57	17,858,194,237	9.94
2019	Primary	1,130,477,624	701,270,049	528,812,064	404,759,028	2,063,797	3,229,286	907,642,388	1,862,969,460	0.92	14,500,815,905	12.85
	Secondary	1,130,477,624	701,270,049	528,812,064	404,759,028	2,063,797	3,229,286	907,642,388	1,862,969,460	1.50	19,292,541,580	9.66

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

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

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

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

### Last Ten Fiscal Years

Rate per \$100 of Assessed Value

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdiction								Total
		City of Tempe (a)	Tempe Union	Tempe Elementary (b)	East Valley Institute of Technology	Maricopa County	Community College	County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District	
2010	Primary	\$ 0.49	\$ 1.48	\$ 2.14	\$ -	\$ 0.99	\$ 0.72	\$ 0.33	\$ -	\$ -	\$ -	\$ -	\$ 0.09	\$ 6.24
	Secondary	0.91	0.74	1.14	0.05	-	0.16	-	0.14	0.10	0.01	0.04	-	3.29
	Total	1.40	2.22	3.28	0.05	0.99	0.88	-	0.14	0.10	0.01	0.04	0.09	9.53
2011	Primary	0.52	1.47	2.31	-	1.05	0.79	0.36	-	-	-	-	0.11	6.61
	Secondary	0.88	0.83	1.29	0.05	-	0.18	-	0.15	0.10	0.01	0.04	-	3.53
	Total	1.40	2.30	3.60	0.05	1.05	0.97	0.36	0.15	0.10	0.01	0.04	0.11	10.14
2012	Primary	0.66	1.61	2.65	-	1.24	1.01	0.43	-	-	-	-	0.15	7.75
	Secondary	1.13	0.96	1.34	0.05	-	0.20	-	0.18	0.10	0.01	0.05	-	4.02
	Total	1.79	2.57	3.99	0.05	1.24	1.21	0.43	0.18	0.10	0.01	0.05	0.15	11.77
2013	Primary	0.79	1.81	3.18	-	1.24	1.16	0.47	-	-	-	-	0.17	8.82
	Secondary	1.35	0.61	2.39	0.05	-	0.22	-	0.18	0.10	0.01	0.05	-	4.96
	Total	2.14	2.42	5.57	0.05	1.24	1.38	0.47	0.18	0.10	0.01	0.05	0.17	13.78
2014	Primary	0.92	2.01	3.22	-	1.28	1.29	0.51	-	-	-	-	0.19	9.42
	Secondary	1.57	0.64	2.94	0.05	-	0.24	-	0.14	0.14	0.01	0.04	-	5.77
	Total	2.49	2.65	6.16	0.05	1.28	1.53	0.51	0.14	0.14	0.01	0.04	0.19	15.19
2015	Primary	0.92	2.43	3.30	-	1.32	1.28	0.51	-	-	-	-	0.19	9.95
	Secondary	1.51	0.63	2.45	0.05	-	0.24	-	0.14	0.14	0.01	0.06	-	5.23
	Total	2.43	3.06	5.75	0.05	1.32	1.52	0.51	0.14	0.14	0.01	0.06	0.19	15.18
2016	Primary	0.93	2.22	3.22	-	1.36	1.26	0.51	-	-	-	-	0.19	9.69
	Secondary	1.59	0.66	2.25	0.05	-	0.23	-	0.16	0.14	0.01	0.06	0.11	5.26
	Total	2.52	2.88	5.47	0.05	1.36	1.49	0.51	0.16	0.14	0.01	0.06	0.30	14.95
2017	Primary	0.94	2.24	3.09	-	1.40	1.24	0.50	-	-	-	-	0.20	9.61
	Secondary	1.59	0.66	2.20	0.05	-	0.23	-	0.18	0.14	0.01	0.06	0.11	5.23
	Total	2.53	2.90	5.29	0.05	1.40	1.47	0.50	0.18	0.14	0.01	0.06	0.31	14.84
2018	Primary	0.92	2.06	2.96	-	1.40	1.20	0.49	-	-	-	-	0.20	9.23
	Secondary	1.57	0.60	2.09	0.05	-	0.21	-	0.18	0.14	0.01	0.06	0.09	5.00
	Total	2.49	2.66	5.05	0.05	1.40	1.41	0.49	0.18	0.14	0.01	0.06	0.29	14.23
2019	Primary	0.92	1.99	2.05	-	1.40	1.17	0.47	-	-	-	-	0.19	8.19
	Secondary	1.50	0.66	2.85	0.05	-	0.20	-	0.18	0.14	0.01	0.06	0.10	5.75
	Total	2.42	2.65	4.90	0.05	1.40	1.37	0.47	0.18	0.14	0.01	0.06	0.29	13.94

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

- (a) Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.
- (b) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$13.00, \$12.75 or \$16.26, 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
2010	Primary	\$ 11,665,890	\$ 65,733,950	\$ 41,787,151	\$ -	\$ 492,230,736	\$ 359,942,153	\$ -	\$ 164,225,937	\$ -	\$ -	\$ -	\$ 53,018,363	\$ 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	-	352,540,244
	Total	36,858,341	104,929,940	67,763,813	12,586,167	492,230,736	452,627,999	74,996,804	164,225,937	58,113,465	3,324,489	20,468,370	53,018,363	1,488,126,061
2011	Primary	12,238,972	64,028,512	44,984,350	-	492,224,342	371,276,183	-	166,947,807	-	-	-	55,722,300	1,207,422,466
	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	-	329,276,035
	Total	34,413,644	102,463,518	71,851,994	10,970,238	492,224,342	460,758,774	68,019,592	166,947,807	49,581,306	3,265,310	20,479,676	55,722,300	1,536,698,501
2012	Primary	12,751,029	58,076,820	41,459,414	-	477,571,468	389,655,514	-	163,937,848	-	-	-	57,895,470	1,201,347,563
	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	-	286,256,206
	Total	34,851,226	92,962,917	62,616,787	8,672,478	477,571,468	465,590,753	62,401,172	163,937,848	38,781,832	3,251,752	19,070,066	57,895,470	1,487,603,769
2013	Primary	13,271,172	56,711,827	42,911,003	-	425,111,491	396,192,808	-	161,622,544	-	-	-	57,895,470	1,153,716,315
	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	-	267,897,133
	Total	36,272,128	75,790,081	75,342,356	7,428,442	425,111,491	472,393,398	54,584,578	161,622,544	34,465,535	3,782,401	16,925,024	57,895,470	1,421,613,448
2014	Primary	13,778,678	56,857,111	38,477,473	-	409,775,397	412,623,059	-	163,916,558	-	-	-	62,499,144	1,157,927,420
	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	-	266,475,386
	Total	37,545,043	75,164,365	73,902,775	7,214,753	409,775,397	491,376,009	39,842,985	163,916,558	45,136,223	3,913,249	14,116,305	62,499,144	1,424,402,806
2015	Primary	14,324,634	71,480,977	40,508,811	-	442,762,977	429,857,856	-	170,582,239	-	-	-	65,124,108	1,234,641,602
	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	-	282,273,011
	Total	38,934,146	90,728,890	72,158,472	7,676,815	442,762,977	512,759,197	43,660,332	170,582,239	49,076,612	3,946,541	19,504,284	65,124,108	1,516,914,613
2016	Primary	14,877,877	67,301,586	40,281,153	-	471,193,529	437,227,709	-	174,988,030	-	-	-	67,273,204	1,273,143,088
	Secondary	25,281,551	19,895,071	28,161,726	7,614,014	-	80,036,848	49,512,136	-	48,660,147	4,013,398	19,250,761	37,341,000	319,766,652
	Total	40,159,428	87,196,657	68,442,879	7,614,014	471,193,529	517,264,557	49,512,136	174,988,030	48,660,147	4,013,398	19,250,761	104,614,204	1,592,909,740
2017	Primary	15,690,240	70,920,943	40,273,959	-	506,222,142	447,212,880	-	181,352,524	-	-	-	70,777,141	1,332,449,829
	Secondary	26,577,755	20,881,916	28,658,765	8,034,256	-	82,211,035	58,463,580	-	50,677,352	4,030,569	20,091,335	39,747,000	339,373,563
	Total	42,267,995	91,802,859	68,932,724	8,034,256	506,222,142	529,423,915	58,463,580	181,352,524	50,677,352	4,030,569	20,091,335	110,524,141	1,671,823,392
2018	Primary	16,404,593	68,659,932	40,876,811	-	535,870,745	457,339,611	-	186,400,980	-	-	-	73,820,558	1,379,373,230
	Secondary	27,834,226	19,909,974	28,971,774	8,489,725	-	81,872,034	62,198,813	-	53,530,745	3,893,879	21,268,052	35,191,536	343,160,758
	Total	44,238,819	88,569,906	69,848,585	8,489,725	535,870,745	539,211,645	62,198,813	186,400,980	53,530,745	3,893,879	21,268,052	109,012,094	1,722,533,988
2019	Primary	17,118,826	69,668,285	29,725,536	-	566,289,063	473,275,205	-	191,959,243	-	-	-	76,921,021	1,424,957,179
	Secondary	28,030,238	23,042,843	41,355,451	9,005,606	-	82,713,190	66,310,571	-	56,684,864	4,319,354	22,475,317	42,153,890	376,091,324
	Total	45,149,064	92,711,128	71,080,987	9,005,606	566,289,063	555,988,395	66,310,571	191,959,243	56,684,864	4,319,354	22,475,317	119,074,911	1,801,048,503

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

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

## Property Tax Levies and Collections (Exhibit S-11)

### Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy for Fiscal Year (a)	Adjustments	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Original Levy		Amount	% of Adjusted Levy
2010	\$ 37,081,738	\$ (689,600)	\$ 36,392,138	\$ 35,581,096	96.0 %	\$ 785,690	\$ 36,366,786	99.9 %
2011	34,455,730	(656,902)	33,798,828	33,299,312	96.6	485,595	33,784,907	100.0
2012	34,856,232	(438,929)	34,417,303	33,860,185	97.1	546,653	34,406,838	100.0
2013	36,402,794	(407,726)	35,995,068	35,627,136	97.9	353,203	35,980,339	100.0
2014	37,675,450	(301,527)	37,373,923	36,924,892	98.0	436,447	37,361,339	100.0
2015	38,916,826	(264,457)	38,652,369	38,310,425	98.4	328,433	38,638,858	100.0
2016	40,471,289	(334,210)	40,137,079	39,886,362	98.6	237,721	40,124,083	100.0
2017	42,580,125	(368,464)	42,211,661	41,757,608	98.1	433,863	42,191,471	100.0
2018	44,161,889	(197,972)	43,963,917	43,501,882	98.5	442,635	43,944,517	100.0
2019	45,529,984	(111,957)	45,418,027	44,892,921	98.6	-	44,892,921	98.8

Source: Maricopa County Treasurer

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

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

**Current Year and Nine Years Prior**

*City of Tempe, Arizona*

<i>Taxpayer:</i>	Fiscal Year 2019			Fiscal Year 2010		
	Net Assessed Limited Property Values	Rank	Percentage of Net Assessed Limited Property Values	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value
Verizon Wireless	\$ 31,626,714	1	1.70 %	\$ -		- %
Arizona Public Service Company	27,998,289	2	1.50	22,164,880	3	0.83
Arizona Mills Mall LLC	19,397,626	3	1.04	41,696,241	1	1.57
JP Morgan Chase Bank NA	16,444,834	4	0.88	-		-
Cousins Fund II Phoenix IV LLC	10,833,116	5	0.58	-		-
Qwest Corporation	10,733,492	6	0.58	25,618,715	2	0.96
JDM II Tempe OC LLC	8,598,137	7	0.46	-		-
Honeywell International Inc	8,573,232	8	0.46	14,012,511	7	0.53
San Sonoma Apartments LLC	8,183,300	9	0.44	-		-
Pky W Rio Salado LLC	7,341,667	10	0.39	-		-
Tempe Fountainhead Corporate LLC	-		-	18,047,439	4	0.68
Fly (CD) LLC / AWHQ LLC	-		-	17,987,113	5	0.68
State Farm Mutual Auto Insurance	-		-	16,145,044	6	0.61
SRPAI&PD	-		-	12,335,440	8	0.46
Breof BNK 2 Southwest LLC	-		-	12,004,262	9	0.45
Target	-		-	11,394,622	10	0.43
<b>Total</b>	<b>\$ 149,730,407</b>		<b>8.04 %</b>	<b>\$ 191,406,267</b>		<b>7.20 %</b>

Source 2019: RBC Capital Markets

Source 2010: RBC Capital Markets

Note: Beginning in Fiscal Year 2016, a voter-approved constitutional amendment and related enabling legislation changed the property valuation for assessing property taxes. Property taxes are now levied based on a revised "Limited Property Value" which is generally (a) the Full Cash Value of a property or (b) an amount of percent greater than the Limited Property Value as determined for the prior year.

**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 2019			Fiscal Year 2010		
		<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>
Taxpayer A	Service	\$ 5,379,577	1	3.03 %	\$ 4,410,442	1	3.52 %
Taxpayer B	Grocery Stores	3,765,710	2	2.12	2,675,505	2	2.14
Taxpayer C	Electronics/Software	2,627,783	3	1.48	1,621,537	6	1.30
Taxpayer D	Mixed Retail	2,449,825	4	1.38	1,917,101	3	1.53
Taxpayer E	Mixed Retail	2,429,576	5	1.37	1,780,858	4	1.42
Taxpayer F	Mixed Retail	1,908,665	6	1.07	1,739,863	5	1.39
Taxpayer G	Auto Sales	1,863,971	7	1.05	1,330,225	8	1.06
Taxpayer H	Auto Sales	1,739,783	8	0.98	-	-	-
Taxpayer I	Electronics/Software	1,392,174	9	0.78	1,424,093	7	0.96
Taxpayer J	Rental	1,316,901	10	0.74	-	-	-
Taxpayer K	Petroleum Products	-	-	-	1,202,017	9	0.96
Taxpayer L	Service	-	-	-	909,688	10	0.73
Taxpayer M	Electronics/Software	-	-	-	-	-	-
<b>Total</b>		<u><u>\$ 24,873,965</u></u>		<u><u>14.01 %</u></u>	<u><u>\$ 19,011,329</u></u>		<u><u>15.01 %</u></u>

Source: City of Tempe, Arizona Tax and License Division

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

## Excise Tax Collections (Exhibit S-14)

### Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
Privilege and use tax (a)	\$ 111,283,725	\$ 105,643,666	\$ 99,865,430	\$ 95,804,083	\$ 92,910,407	\$ 97,169,520	\$ 89,714,946	\$ 84,937,373	\$ 83,258,888	\$ 69,043,642
State shared sales tax	17,958,644	18,266,956	16,145,681	15,357,220	14,779,296	14,076,468	13,236,998	12,636,771	12,656,738	12,167,009
State shared income tax	22,408,078	22,604,114	21,511,044	19,470,946	19,577,085	18,025,635	16,519,248	13,649,203	16,137,383	21,406,004
Franchise tax	3,036,531	3,290,220	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125	3,821,436	3,559,615
Vehicle license tax	7,657,621	7,532,801	7,015,040	6,644,362	6,215,552	6,053,172	5,165,072	5,437,201	5,424,902	5,560,791
Permits and fees (b)	13,739,509	14,815,290	10,244,664	11,543,817	11,881,915	12,197,631	6,896,214	7,139,843	5,491,077	6,171,045
Fines and forfeitures	6,434,188	6,839,148	8,094,581	8,464,633	8,436,300	8,190,178	8,132,195	7,731,585	7,576,496	7,108,900
<b>Total</b>	<b>\$ 182,518,296</b>	<b>\$ 178,992,195</b>	<b>\$ 166,058,633</b>	<b>\$ 160,648,676</b>	<b>\$ 156,733,794</b>	<b>\$ 159,023,544</b>	<b>\$ 142,917,848</b>	<b>\$ 134,960,101</b>	<b>\$ 134,366,920</b>	<b>\$ 125,017,007</b>

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

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

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

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

### Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental General Obligation Debt	Enterprise General Obligation Debt and WIFA	General Obligation Premium	Less: Debt Service Reserves	Total	Secondary/Limited Assessed Valuation (a)	Percentage of Governmental Debt to Assessed Value (b)	Percentage of Total to Assessed Value of Property	Net Direct Debt Per Capita
2010	\$ 172,665,000	\$ 303,168,706	\$ -	\$ 38,126,393	\$ 437,707,313	\$ 2,767,488,864	4.9 %	15.8 %	\$ 2,504
2011	166,680,000	287,621,092	10,094,930	25,526,885	438,869,137	2,512,995,468	5.6	17.5	2,595
2012	162,200,000	270,715,646	9,793,498	32,062,939	410,646,205	1,957,328,610	6.6	21.0	2,424
2013	164,235,000	253,760,904	11,561,343	33,262,194	396,295,053	1,697,237,040	7.7	23.3	2,294
2014	163,205,000	236,046,554	11,610,013	33,699,262	377,162,305	1,513,299,272	8.6	24.9	2,140
2015	181,905,000	216,802,282	14,741,563	20,960,171	392,488,674	1,627,720,901	9.9	24.1	2,213
2016	180,750,000	196,122,761	26,115,095	20,693,070	382,294,786	1,593,944,354	10.0	22.3	2,053
2017	178,555,000	198,182,660	27,517,521	21,456,909	382,798,272	1,669,352,097	9.4	22.9	2,098
2018	180,435,000	201,216,644	32,224,134	13,114,979	400,760,799	1,774,236,710	9.4	22.6	2,166
2019	183,990,000	206,499,363	38,801,412	3,463,501	425,827,274	1,862,969,450	9.7	22.9	2,214

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

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

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

Last Ten Fiscal Years

City of Tempe, Arizona

### Governmental Activities

Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Excise Tax Revenue Bonds	Premium on Debt Payable	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases	Total Government-Type Debt
2010	\$ 172,665,000	\$ 33,025,000	\$ 230,470,000	\$ -	\$ 6,181,000	\$ 521,955	\$ 1,776,147	\$ 444,639,102
2011	166,580,000	29,875,000	228,746,000	9,234,152	5,883,000	-	96,735	440,414,887
2012	162,200,000	27,815,000	218,522,900	15,054,997	5,572,000	-	57,921	429,222,818
2013	164,235,000	25,675,000	154,081,000	20,176,543	5,247,000	1,009,612	29,645	370,453,800
2014	163,205,000	23,930,000	144,606,000	19,542,476	4,907,000	509,804	-	356,700,280
2015	181,905,000	21,175,000	134,746,000	18,668,237	4,552,000	-	87,082	361,133,319
2016	180,750,000	19,980,000	123,389,000	22,291,058	4,181,000	-	61,399	350,652,457
2017	178,555,000	18,730,000	116,009,000	20,515,300	3,794,000	-	34,743	337,638,043
2018	180,435,000	17,415,000	97,994,000	21,847,912	3,389,000	-	65,610	321,146,522
2019	183,990,000	16,035,000	87,269,000	25,046,197	2,966,000	-	40,972	315,347,169

### Business-Type Activities

Fiscal Year	General Obligation Bonds	Excise Tax Revenue Bonds	Premium on Debt Payable	WIFA Loans	Capital Leases	Total Business-Type Debt	Total Primary Government	Per Capita	Percentage of Personal Income
2010	\$ 289,895,000	\$ 18,050,000	\$ -	\$ 13,273,706	\$ 147,089	\$ 321,365,795	\$ 766,004,897	\$ 4,381	16.43 %
2011	273,000,000	48,827,424	8,932,839	14,621,092	97,439	345,478,794	785,893,681	4,860	15.31
2012	256,770,000	55,505,432	8,579,661	13,945,646	45,352	334,846,091	764,068,909	4,515	16.57
2013	240,505,000	79,034,000	11,487,656	13,255,904	711,466	344,994,026	715,447,826	4,132	16.27
2014	223,495,000	76,109,000	11,158,485	12,551,554	499,476	323,813,515	680,513,795	3,822	14.12
2015	204,970,000	84,839,000	13,905,912	11,832,282	283,594	315,830,788	676,964,107	3,816	14.23
2016	185,025,000	91,876,000	26,735,479	11,097,761	63,750	314,797,990	665,450,447	3,553	12.63
2017	187,835,000	80,466,000	26,648,171	10,347,660	318,834	305,615,665	643,253,707	3,525	12.53
2018	191,635,000	69,876,000	27,703,607	9,581,644	213,267	299,009,518	620,156,040	3,352	11.09
2019	197,700,000	57,886,000	30,951,583	8,799,363	736,327	296,073,273	611,420,442	3,178	10.23

## Direct and Overlapping Governmental Activities Debt (Exhibit S-17)

City of Tempe, Arizona

<b>Governmental Unit:</b>	2019 Net Limited Assessed Valuation	Debt Outstanding	Portion Applicable To City of Tempe		Combined Tax Rate per \$100 Assessed
			Percent	Amount	
<b>Debt repaid with property taxes:</b>					
Maricopa County Community College	\$ 40,423,232,423	\$ 380,740,000	4.52 %	\$ 17,207,935	\$ 1.41
Tempe Elementary School District No. 3	1,449,460,520	167,175,000	84.65	141,513,672	5.05
Maricopa Special Health Care District	40,423,232,423	497,125,000	4.52	22,468,074	0.29
Mesa Unified School District No. 4	3,030,255,065	231,900,000	0.69	1,589,918	7.33
Kyrene Elementary School District No. 28	2,056,567,610	202,635,000	29.99	60,764,415	3.98
Scottsdale Unified School District No. 48	5,306,326,867	241,937,500	0.26	636,707	3.73
Tempe Union High School District No. 213	3,506,028,130	87,580,000	52.59	46,054,674	2.65
State of Arizona	62,328,357,186	None	2.93	None	0.49
Maricopa County	40,423,232,423	None	4.52	None	1.79
East Valley Institute of Technology	18,011,211,783	None	10.14	None	0.05
Subtotal overlapping debt				<u>290,235,395</u>	
City direct debt (governmental activities)	\$ 1,862,969,450	\$ 315,347,169	100.00 %	<u>315,347,169</u>	
Total direct and overlapping debt				<u><u>\$ 605,582,564</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.



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

City of Tempe, Arizona

<b>Governmental Unit:</b>	<u>Debt Outstanding</u>	<i>Portion Applicable To</i> <i>City of Tempe</i>	
		<u>Percent</u>	<u>Amount</u>
<b>Debt repaid with property taxes:</b>			
Maricopa County Community College	\$ 380,740,000	4.52 %	\$ 17,207,935
Tempe Elementary School District No. 3	167,175,000	84.65	141,513,672
Maricopa Special Health Care District	497,125,000	4.52	22,468,074
Mesa Unified School District No. 4	231,900,000	0.69	1,589,918
Kyrene Elementary School District No. 28	202,635,000	29.99	60,764,415
Scottsdale Unified School District No. 48	241,937,500	0.26	636,707
Tempe Union High School District No. 213	87,580,000	52.59	46,054,674
State of Arizona	None	N/A	None
Maricopa County	None	N/A	None
East Valley Institute of Technology	None	N/A	None
Subtotal overlapping debt			<u>290,235,395</u>
City direct debt	\$ 315,347,169	100.00 %	<u>315,347,169</u>
Total direct and overlapping debt			<u><u>\$ 605,582,564</u></u>

Source: RBC Capital Markets and Maricopa County Assessor

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

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

**Legal Debt Margin Information (Exhibit S-19)**

City of Tempe, Arizona

**Last Ten Fiscal Years**

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Assessed Valuation</b>	<u>\$ 2,457,096,949</u>	<u>\$ 2,285,492,942</u>	<u>\$ 2,125,705,145</u>	<u>\$ 1,593,944,354</u>	<u>\$ 1,627,720,901</u>	<u>\$ 1,513,299,272</u>	<u>\$ 1,697,237,040</u>	<u>\$ 1,957,328,610</u>	<u>\$ 2,512,995,468</u>	<u>\$ 2,767,488,864</u>
<b>20% Limitation:</b>										
Debt limit equal to 20% of assessed valuation	\$ 491,419,390	\$ 457,098,588	\$ 425,141,029	\$ 318,788,871	\$ 325,554,180	\$ 302,659,854	\$ 339,447,408	\$ 391,465,722	\$ 502,599,094	\$ 553,497,773
Total net debt applicable to 20% limit	<u>369,823,502</u>	<u>353,760,024</u>	<u>337,734,652</u>	<u>330,432,281</u>	<u>361,721,555</u>	<u>390,600,904</u>	<u>418,225,647</u>	<u>446,276,092</u>	<u>474,887,545</u>	<u>492,153,706</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 121,595,888</u>	<u>\$ 103,338,564</u>	<u>\$ 87,406,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,711,549</u>	<u>\$ 61,344,067</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	75.26%	77.39%	79.44%	103.65%	111.11%	129.06%	123.21%	114.00%	94.49%	88.92%
<b>6% Limitation:</b>										
Debt limit equal to 6% of assessed valuation	\$ 147,425,817	\$ 137,129,577	\$ 127,542,309	\$ 95,636,661	\$ 97,663,254	\$ 90,797,956	\$ 101,834,222	\$ 117,439,717	\$ 150,779,728	\$ 166,049,332
Total net debt applicable to 6% limit	<u>77,915,351</u>	<u>77,206,874</u>	<u>80,243,108</u>	<u>81,905,000</u>	<u>81,495,000</u>	<u>39,045,000</u>	<u>28,365,000</u>	<u>15,030,000</u>	<u>8,330,000</u>	<u>8,285,000</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 69,510,466</u>	<u>\$ 59,922,703</u>	<u>\$ 47,299,201</u>	<u>\$ 13,731,661</u>	<u>\$ 16,168,254</u>	<u>\$ 51,752,956</u>	<u>\$ 73,469,222</u>	<u>\$ 102,409,717</u>	<u>\$ 142,449,728</u>	<u>\$ 157,764,332</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	52.85%	56.30%	62.91%	85.64%	83.44%	43.00%	27.85%	12.80%	5.52%	4.99%

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

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

## Remaining General Obligation Bond Authorizations (Exhibit S-20)

City of Tempe, Arizona

	<u>Authorization</u>	<u>WIFA Funding (a)</u>	<u>Prior Issues</u>	<u>Current Year Issue (b)</u>	<u>Remaining Authorization</u>
<b>2008 Program:</b>					
Water/Wastewater	\$ 113,300,000	\$ 18,130,302	\$ 85,305,000	\$ 9,864,698	\$ -
Streets/Transportation/Storm Drains	44,200,000	-	29,105,000	6,155,000	8,940,000
Public Safety - Police/Fire	32,010,000	-	32,010,000	-	-
Community Services/Park Improvement	51,800,000	-	51,800,000	-	-
Total 2008 Program	241,310,000	18,130,302	198,220,000	16,019,698	8,940,000
<b>2012 Program:</b>					
Public Safety - Police/Fire	6,400,000	-	4,115,000	2,285,000	-
Community Services/Park Improvement	10,500,000	-	10,500,000	-	-
Municipal Infrastructure Preservation	12,900,000	-	12,900,000	-	-
Total 2012 Program	29,800,000	-	27,515,000	2,285,000	-
<b>2016 Program:</b>					
Water/Wastewater	148,000,000	-	-	19,810,302	128,189,698
Streets/Transportation/Storm Drains	25,000,000	-	-	-	25,000,000
Public Safety - Police/Fire	20,000,000	-	-	4,860,000	15,140,000
Community Services/Park Improvement	34,000,000	-	10,570,000	11,990,000	11,440,000
Municipal Infrastructure Preservation	27,000,000	-	6,845,000	6,725,000	13,430,000
Total 2016 Program	254,000,000	-	17,415,000	43,385,302	193,199,698
Grand Total	<u>\$ 525,110,000</u>	<u>\$ 18,130,302</u>	<u>\$ 243,150,000</u>	<u>\$ 61,690,000</u>	<u>\$ 202,139,698</u>

Source: City of Tempe, Arizona Accounting Division

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

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

## Pledged-Revenue Coverage (Exhibit S-21)

### Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Special Assessment Bonds			Excise Tax Revenue Obligations		
	Special Assessment Collections	Debt Service (d)	Coverage	Excise Tax Revenue Collections (a)	Debt Service (d)	Coverage
2010	\$ 2,783,916	\$ 4,796,008	0.58	\$ 119,456,216	\$ 6,760,138	17.67
2011	3,867,979	4,697,441	0.82	128,942,018	6,761,359	19.07
2012	2,526,283	3,469,611	0.73	129,522,900	9,399,739	13.78
2013	4,442,862	3,448,085	1.29	142,917,848	9,931,262	14.39
2014	3,605,932	2,959,851	1.22	165,485,314	11,977,968	13.82
2015	3,862,306	3,884,758	0.99	156,733,794	12,055,250	13.00
2016	2,439,086	2,214,178	1.10	160,648,676	45,696,593	3.52
2017	2,173,798	2,209,650	0.98	166,058,633	36,355,425	4.57
2018	2,027,722	2,212,190	0.92	178,992,195	20,743,689	8.63
2019	1,990,732	2,211,570	0.90	182,518,296	20,739,629	8.80

Fiscal Year	Performing Arts Excise Tax Obligations			Transit Excise Tax Obligations		
	0.1% Privilege and Use Tax Collections (b)	Debt Service (d)	Coverage	0.5% Privilege and Use Tax Collections (c)	Debt Service (d)	Coverage
2010	\$ 5,749,649	\$ 6,005,626	0.96	\$ 27,891,084	\$ 4,356,904	6.40
2011	5,979,900	6,016,226	0.99	29,012,370	4,428,049	6.55
2012	6,236,500	5,377,764	1.16	30,172,338	4,410,547	6.84
2013	6,236,879	5,922,350	1.05	30,087,229	3,685,428	8.16
2014	6,921,904	5,918,250	1.17	33,539,177	4,655,713	7.20
2015	7,460,054	5,919,026	1.26	36,147,640	4,655,688	7.76
2016	7,656,210	5,921,676	1.29	37,288,527	4,658,463	8.00
2017	8,084,891	3,427,850	2.36	39,512,636	4,372,288	9.04
2018	8,436,503	3,428,850	2.46	41,074,434	4,311,491	9.53
2019	8,823,434	3,428,100	2.57	43,063,185	4,116,542	10.46

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		
	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)
2019	\$ 182,518,296	\$ 20,739,629	8.80	\$ 170,602,101	\$ 3,428,100	49.77
2020		12,637,348	14.44		3,433,850	49.68
2021		12,132,899	15.04			
2022		12,132,345	15.04			
2023		12,121,208	15.06			
2024		9,060,458	20.14			
2025		16,349,708	11.16			
2026		6,719,700	27.16			
2027		6,711,900	27.19			
2028		6,712,025	27.19			
2029		6,714,125	27.18			
2030		5,117,988	35.66			
2031		5,116,050	35.68			
2032		2,723,850	67.01			
2033		2,116,125	86.25			

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2019. See Excise Tax Collection schedule (Exhibit S-14).
- (b) Consists of the annual debt service requirements (not including fiscal fees) of the following Excise Tax Revenue/Refunding Obligations:

Series	Remaining Obligation
2011A+B	\$ 11,795,000
2012	20,125,000
2013	21,280,000
2016	20,715,000
2017R	8,565,000
2019R	9,110,000
	<u>\$ 91,590,000</u>

- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2018 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 2019.
- (e) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Refunding Obligations, Series 2011, currently outstanding in the principal amount of \$3,295,000. 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)
2019	\$ 43,063,185	\$ 4,116,542	10.46
2020		4,118,094	10.46
2021		4,115,229	10.46
2022		4,116,603	10.46
2023		4,113,866	10.47
2024		4,121,911	10.45
2025		4,120,202	10.45
2026		4,118,882	10.46
2027		4,117,595	10.46
2028		4,121,303	10.45
2029		4,114,506	10.47
2030		4,121,749	10.45
2031		4,122,318	10.45
2032		4,117,246	10.46
2033		4,119,056	10.45
2034		4,120,075	10.45
2035		4,120,427	10.45
2036		1,444,831	29.80
2037		994,800	43.29

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2019.
- (b) Includes annual remaining debt service requirements for the Series 2012 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount outstanding of \$31,270,000; the Series 2017R City of Tempe, Arizona Transit Excise Tax Refunding Obligations in the principal amount outstanding of \$19,000,000.
- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2019 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)
2010	174,833	\$ 4,661,747,112	\$ 26,664	\$ 67,971	31.8	25,857	68,064	6.70 %
2011	161,719	5,133,769,655	31,745	68,427	35.2	26,670	70,440	8.00
2012	163,989	4,469,848,173	27,257	63,881	31.3	28,136	72,254	8.20
2013	165,499	4,203,343,602	25,398	61,201	31.5	25,510	73,378	6.80
2014	170,027	4,601,100,647	27,061	64,714	28.1	25,264	73,378	7.50
2015	169,533	4,546,705,527	26,819	62,291	28.5	25,480	83,301	6.80
2016	173,510	4,881,183,320	28,132	65,814	28.7	25,656	74,293	5.90
2017	182,498	5,134,033,736	28,531	67,501	29.5	24,891	75,729	4.30
2018	185,038	5,594,253,854	30,233	71,916	30.0	25,527	54,456	3.90
2019	192,364	5,975,402,932	31,063	72,792	30.4	25,478	55,224	3.80

Source: (a) Estimate obtained from Sites USA through Fiscal Year 2015. From Fiscal Year 2016 and forward the estimate is obtained from State Shared Revenue Report published by the League of Arizona Cities & Towns.

(b) Amount is calculated using population times per capita personal income.

(c) Estimate is provided by Sites USA (June 2018).

(d) Arizona Department of Education (Azed.gov)

(e) ASU - Office of Institutional Analysis. Fiscal Year 2018 and going forward the amount is for the ASU Tempe campus only.

(f) <https://oeoapps.az.gov/laus-data-query-tool/laus.aspx> (Annual 2017)

## Principal Employers (Exhibit S-25)

### Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

	Fiscal Year 2019			Fiscal Year 2010		
	Employees (a)	Rank	Employment	Employees (b)	Rank	Employment
<i>Employers:</i>						
Arizona State University	7,150	1	23.59 %	10,089	1	28.63 %
State Farm Insurance	7,150	1	23.59	-	-	-
Freedom Financial Network	3,290	2	10.85	-	-	-
JPMorgan Chase Bank National Association	2,220	3	7.32	2,377	7	6.75
ABM Industries Inc	2,000	4	6.60	-	-	-
Wells Fargo	1,990	5	6.57	3,636	3	10.32
City of Tempe	1,932	6	6.37	1,565	10	4.44
SRP	1,760	7	5.81	3,331	4	9.45
Honeywell	1,600	8	5.28	3,000	5	8.51
Insight Direct Inc	1,220	9	4.02	-	-	-
Freescall Semiconductor (Motorola)	-	-	-	4,779	2	13.56
Kyrene School District	-	-	-	2,559	6	7.26
US Airways	-	-	-	1,898	9	5.39
Bank One Telephone Banking Division	-	-	-	2,000	8	5.68
<b>Total</b>	<b>30,312</b>		<b>100.00 %</b>	<b>35,234</b>		<b>100.00 %</b>

Source: (a) Maricopa Association of Governments; <https://geo.azmag.gov/maps/azemployment/>  
 (b) City of Tempe, Arizona Comprehensive Annual Financial Report, Fiscal Year 2010



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

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
Police	512	508	505	500	496	497	497	494	499	568
Fire medical rescue	214	174	155	156	156	156	182	182	182	185
Community services	305	304	297	286	286	314	288	287	289	308
Public works	429	431	430	470	467	486	484	485	489	535
Community development	79	85	83	88	90	90	82	83	88	106
Human services	54	50	46	49	40	-	-	-	-	-
Municipal court	43	43	43	42	42	42	42	42	42	42
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	32	31	33	32	31	11	4	4	4	3
City attorney	27	25	25	26	26	25	25	25	25	25
Internal audit office	4	4	4	4	4	4	3	3	3	4
Municipal budget office	4	4	4	4	4	-	-	-	-	-
City clerk and elections	5	5	5	4	4	5	5	5	5	5
Internal services	210	217	206	156	155	-	-	-	-	-
Community relations	-	-	-	-	-	-	24	25	25	27
Diversity program	-	-	-	-	-	3	3	3	3	4
Tempe learning center	-	-	-	-	-	-	3	3	3	-
Finance and technology	-	-	-	-	-	139	132	132	132	-
Financial services	-	-	-	-	-	-	-	-	-	139
Office of strategic management and diversity	7	6	6	6	-	-	-	-	-	-
Human resources	-	-	-	-	-	20	17	17	17	20
Total	1,932	1,894	1,849	1,824	1,808	1,799	1,798	1,797	1,813	1,977

Source: City of Tempe, Arizona Fiscal Year 2019 Annual Budget

Note: See Exhibit S-2a for changes in functions that have occurred in prior years.

**Operating Indicators by Function/Program (Exhibit S-27)**

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
<b>Function /Program</b>										
Police										
Crime rate (per 100,000 population)	4,752	4,478	5,063	4,900	5,110	5,343	5,288	5,800	5,898	5,500
Traffic accidents	5,857	5,621	5,638	5,376	5,103	4,755	4,825	4,834	4,693	4,595
Emergency service average response time (minimum)	6.66	6.6	6.36	6.83	5:13	5:02	5:00	6:35	5:30	5:17
Citizen calls for police service	90,055	91,012	88,515	86,229	85,502	84,092	86,996	87,730	85,673	86,074
Operating expenditures per citizen calls (a)	\$ 1,015	\$ 968	\$ 917	\$ 926	\$ 926	\$ 874	\$ 830	\$ 725	\$ 749	\$ 433
Fire										
Firefighters per capita (10,000)	9.33	8.86	11.6	8.82	9.45	9.47	9.44	9.45	8.95	9.13
Number of fire calls	1,980	2,212	2,565	1,944	2,022	1,958	2,002	2,167	2,208	2,144
Number of medical calls	22,209	22,093	26,633	20,021	19,630	18,119	17,411	17,156	15,264	15,413
Number of other assistance calls	2,324	1,916	2,637	1,963	1,853	1,976	2,033	1,336	1,275	1,253
Emergency service average response time (minimum)	4:31	4:15	3:36	4:16	4:10	4:08	4:07	4:10	4:20	4:20
Percent of emergency responses taking 6.0 minutes or less (d)	80%	75%	74%	73%	75%	76%	76%	76%	74%	74%
Transportation										
Percent of on-time bus performance	92%	92%	90%	90%	92%	91%	93%	95%	95%	94%
Annual bus boardings (e)	9,030,182	9,553,553	6,484,875	6,841,497	7,178,128	7,897,964	8,168,990	8,430,857	7,971,817	8,877,964
Number of square yards of asphalt repaired	1,225,309	736,076	731,425	402,900	302,000	397,605	412,739	569,600	64,665	74,471
Library										
Registered borrowers	93,689	100,155	97,443	140,000	143,000	143,018	140,523	145,948	140,600	147,914
Circulation	743,931	802,492	855,055	800,000	930,000	814,199	933,824	1,015,578	937,500	1,089,174
Community development										
Number of permits issued for commercial /industrial	541	503	644	775	678	30	18	18	8	18
Valuation of commercial/industrial permits	\$ 790,508,270	\$ 739,627,514	\$ 270,664,400	\$ 333,250,987	\$ 527,389,841	\$ 211,281,465	\$ 26,619,100	\$ 88,812,800	\$ 6,874,200	\$ 86,704,700
Number of permits issued for residential	573	532	122	474	646	451	271	297	314	425
Valuation of residential permits	\$ 32,849,626	\$ 35,888,436	\$ 157,887,839	\$ 274,402,813	\$ 173,004,137	\$ 235,037,289	\$ 96,518,351	\$ 68,954,800	\$ 18,260,624	\$ 27,741,900
Number of permits issued other	1053	1165	1	1	4	660	647	600	521	534
Valuation of other permits	\$ 35,278,125	\$ 40,037,341	\$ 60,000	\$ 150,000	\$ 8,758,218	\$ 156,702,779	\$ 54,339,500	\$ 99,407,953	\$ 77,951,841	\$ 68,502,500
Water/wastewater										
Number of customer accounts (annual average)	43,284	43,214	42,647	43,061	42,678	42,555	42,351	42,398	42,218	42,453
Total water gallons treated (million gallons - mg)	15,506	16,090	15,506	15,278	15,130	15,979	16,900	16,700	15,877 (b)	15,606 (b)
Operating and maintenance cost per customer account	\$ 995	\$ 979	\$ 953	\$ 941	\$ 878	\$ 309	\$ 278	\$ 249	\$ 217	\$ 181
Total wastewater gallons treated (million gallons per day)	19.1	19.1	19.4	19.4	19.4	19.4	18.5	18.6	18.6 (b)	18.7 (b)
Solid waste collection										
Residential container/recycling cost per ton	\$ 235	\$ 111	\$ 139	\$ 138	\$ 140	\$ 108	\$ 121	\$ 115	\$ 112	\$ 114
Number of residential accounts	33,263	32,869	33,160	33,001	33,397	33,440	33,405	33,759	33,927	32,886
Residential recycling diversion rate (c)	23%	28%	19%	21%	19%	15%	15%	15%	29%	28%
Number of commercial accounts	1,565	1,641	1,671	1,709	1,783	2,130	2,133	2,030	1,940	1,837
Commercial collection cost per ton	\$ 113	\$ 100	\$ 93	\$ 91	\$ 95	\$ 95	\$ 81	\$ 78	\$ 73	\$ 77

Source: City of Tempe, Arizona Municipal Budget Office and other applicable City departments.

- (a) For Fiscal Year 2010, the operating expenditures were based on *per capita*.
- (b) The numbers are revised by department to reflect change in methodology in tracking.
- (c) This calculation consists of the blue container program and green organics.
- (d) For Fiscal Year 2017 and prior, the percents measured were for 5.0 minutes or less.

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

### Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol units (squads)	21	21	21	24	24	24	21	20	20	22
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	11,414	12,048	12,026	11,969	11,904	11,849	11,797	11,778	11,778	12,428
Traffic signals	230	230	229	228	223	222	221	221	221	219
Buses	124	124	125	125	125	124	135	140	188	188
Parks and recreation										
Acreage	1875	1875	1,875	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Playgrounds	45	45	45	45	45	45	45	45	45	45
Sports fields	200	200	200	200	200	200	200	200	200	200
Community centers	5	5	5	5	5	5	5	5	5	4
Golf courses	2	2	2	2	2	2	2	2	2	2
Water/wastewater										
Water mains (miles)	850	850	850	833	833	833	833	839	839	839
Water production capacity (million gallons per day)	137	137	137	125	125	125	125	125	125	129
Water storage capacity (million gallons)	54	54	54	54	42	42	42	42	42	53
Sanitary sewers (miles)	495	495	495	495	549	549	496	498	498	498
Storm sewers (miles)	231	231	231	231	173	173	173	194	194	195
Wastewater treatment capacity (million gallons per day)	29	29	29	29	19	19	19	33	33	38
Solid waste collection										
Collection trucks	43	43	43	45	47	52	51	58	58	58

Source: City of Tempe, Arizona Municipal Budget Office and other applicable City departments.