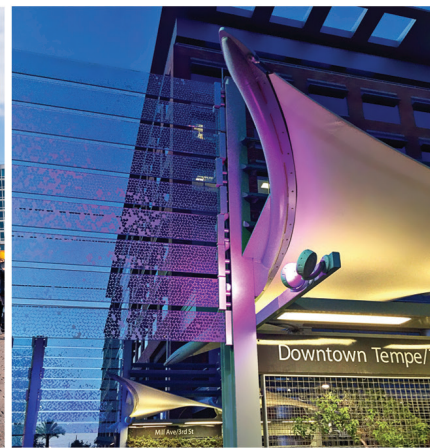




City of Tempe, Arizona
Annual Comprehensive Financial Report
for the fiscal year ended June 30, 2021



Photos by (left to right): Joan Wood; Lucille Rose; John Sypniewski; Jeff Luth; Alex Harris; Pete Fredlake

City of Tempe, Arizona
Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2021



City Council:

Corey Woods, Mayor
Randy Keating, Vice Mayor
Jennifer Adams
Robin Arredondo-Savage
Doreen Garlid
Lauren Kuby
Joel Navarro

Administrative Staff:

Andrew Ching, City Manager

Presented by:

Kenneth Jones, Deputy City Manager - Chief Financial Officer
Thomas F. Duensing, CPA, Deputy Internal Services Director - Finance
Sherry A. McGlade, CPA, Controller



Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

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City of Tempe, Arizona

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Introductory Section

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



December 17, 2021

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

The Annual Comprehensive Financial Report, including the Independent Auditor's Report, for the fiscal year ended June 30, 2021 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 Annual Comprehensive Financial Report (ACFR) 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/financial-services/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 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

In April 2020, at the beginning of the COVID pandemic, Arizona lost 295,000 jobs and the hospitality industry was mostly shut down, creating a dim economic outlook statewide. However, federal aid in the form of CARES act monies to local governments and unemployment assistance was made available to businesses and households, and by October 2020 the state had recovered 66% of its job loss. In addition, the state began collecting sales taxes on online sales in October 2019 as a direct result of the Wayfair case, helping to counteract the effect of increased online shopping during the pandemic which otherwise could have resulted in significantly reduced pass-through sales tax income to the City. Now, the latest release by the Bureau of Economic Analysis shows that Maricopa County experienced wage increases of 7.8% in 2020 over 2019 and the Office of the Governor reports that as of September 2021, Arizona has recovered 101% of COVID job losses. As a result of job recovery and wage growth, the City's overall financial condition continues to be strong and stable. The City's five-year *Long-Range Financial Forecast* includes measured spend-down of accumulated fund balances.

Commercial and residential development activity has provided a significant increase in construction sales tax revenues in recent years and is projected to decline slightly over the next several years, but development remains above the long-term historical performance. Increases in other local tax revenues will be the key to the City's revenue stream in the near term. Many economic experts are projecting economic growth in FY 2021/22 and subsequent years of the forecast.

During fiscal year ended June 30, 2021, the City experienced increases in three of the largest categories of revenue including sales taxes, state shared revenue and property taxes as indicated below. For the current year, these three revenue sources comprised 82.4% of total *General Fund* revenue.

Sales Tax

Overall, sales tax receipts dipped for a few months during the pandemic, but managed to remain strong. The City experienced growth in year-over-year local sales tax revenue in FY2020/21. Revenues from hotel/motel and amusements have continued to remain depressed from pre-pandemic levels with reductions of \$3.6 million from FY2019/20 alone, however, sales tax revenues from restaurants and bars managed to stay flat from prior year. With the results of the Wayfair lawsuit, the City received an additional \$4.8 million that would otherwise not have been received, an increase over prior year in the same category of \$3.0 million. Another new category of sales tax revenues to the City is that of Marijuana sales, generating \$0.4 million for the fiscal year. Overall, general fund sales tax revenues increased by \$5.1 million (or 4.4%) to \$119.9 million. Sales tax revenue represented 49.2% 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. However, a strong pre-pandemic economy coupled with expected state income tax increases resulted in increases in state sales tax, state income tax and auto lieu tax revenues during the year by \$4.9 million or 9.3% over the prior fiscal year. These state-shared revenues combined represented about 21.5% of General Fund revenue for the year.

Property Tax

The city continues to experience continued overall improvement in property valuations. Overall, property tax revenues increased by \$0.9 million (1.8%) over prior year, however there was a reallocation of taxes to the General Obligation Debt Service Fund. This resulted in a reduction of property tax revenues in the General Fund of \$0.9 million (or 0.4%) to \$20.5 million and with resulting increases in the General Obligation Debt Service of \$1.8 million (or 6.0%) over the prior year to \$31.7 million. General Fund property tax comprised approximately 8.4% of total General Fund revenues for the year.

Federal Grants

During fiscal year 2020, the City was awarded \$22.5 million in CRF to offset the economic impact of COVID-19. Of this amount, a total of \$11.9 million was recognized as revenue in the *General Fund* and funded public safety costs due to the pandemic for fiscal year 2020 with the remaining \$10.6 million in CRF federal grant revenue recognized in fiscal year 2021.

During fiscal year 2021, the City was awarded \$45.9 million from the American Rescue Plan Act. These funds have not been recognized as revenue as of June 30, 2021, and City staff is currently working to determine the best use of these funds as it relates to City needs and to eligible program uses as determined by the U.S Treasury Department.

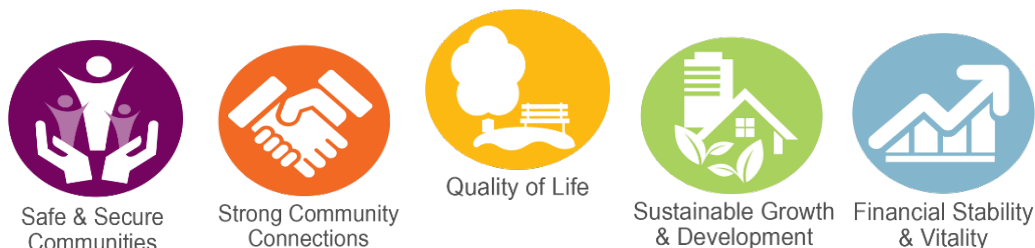
LONG-TERM FINANCIAL PLANNING

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 a modest growth in sales taxes and property taxes. This is offset by a forecasted reduction in state-shared revenues due to shrinking population ratios relative to other Arizona cities and towns.

Fortunately, 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 are projected to remain relatively stable; however, actual revenue typically outperforms projected revenues and modest increases are expected in the next five years.

CITY COUNCIL STRATEGIC PRIORITIES



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 align City operations and 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 continued to be the case during the development of both the fiscal year 2020/21 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. In February 2020, using the START Tool, the City Council identified 7 performance measures to accelerate during FY 2020/21. This was used as a guide in the budget development process and the areas of focus are summarized as follows:

- Achieving Adopted Standards for Pavement Quality Index
- Improving quality of landscape
- Reduce travel time on major streets during rush hour
- Focus on mental health and wellness
- Increase affordable housing
- Increasing tree and shade canopy
- Carbon neutrality in municipal operations

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 POLICIES

The City's financial policies provide a general framework of goals and objectives for the operating budget, debt management, financial reserves, financial reporting and the capital budget. Strong policies provide a standard against which current budgetary performance can be measured and proposals for future programs evaluated. Notable policies to ensure financial stability are summarized as follows:

- Revenue and expenditures will be projected for the next five years and will be updated biannually.
- Long-term debt will not be issued to finance current operations. Capital projects financed through the issuance of bonds will be financed for a period not to exceed the expected useful life of the project.
- The City will coordinate development of a five-year capital improvements budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
- Unassigned fund balance coverage for the *General Fund* will maintain a range of 20% to 30% of General Fund revenue.
- The City will maintain an unrestricted fund balance of no less than 25% of current revenue, plus 2% of the gross book value of tangible assets in the Water and Wastewater Fund, and a minimum of 15% of anticipated revenue in the *Solid Waste* and *Golf Funds*.
- The City will maintain total fund balance in the *Transit Special Revenue Fund* of at least 25% of current revenue operating revenues, 10% of current year operating revenues for the *Highway User Revenue Special Revenue Fund* and 10% for the *Arts and Culture Fund*.
- Annual property tax levy increase for existing property shall not exceed the lesser of inflation or 3.3%.

MAJOR INITIATIVES

COVID-19 Pandemic Measures

Beginning in FY 2020/21, the amount of cash funded capital improvement projects was limited, and a number of one-time spending reductions were implemented resulting in *General Fund*, *Performing Arts Fund* and *Highway User Revenue Fund* reductions of \$13.0 million, \$1.0 million and \$1.3 million, respectively.

In addition to the \$11.9 million in CRF revenue recognized in FY 2019/20, \$10.6 million revenue was recognized in FY 2020/21 in the City's General Fund. Additionally, Valley Metro, the regional public transportation agency providing coordinated transit services to Tempe and the Phoenix metropolitan area, received Federal CRF funding which offset Tempe's FY 2020/21 *Transit Fund* operating expenditures by \$21 million. This expenditure offset coupled with anticipated budget reductions beginning in FY 2021/22 is estimated to keep the *Transit Fund* within the established fund balance policy over the next several years.

ARPA funds have been awarded to the City in the amount of \$45.9 million, of which \$22.9 million have been received and are currently recorded as unearned revenue to be expended for future capital projects after spending eligibility has been determined in accordance with the US Treasury guidelines.

Emergency Medical Transportation - Update

The Fire Medical Rescue Department will continue to expand its emergency medical transportation (EMT) services during the fiscal year 2021/22, increasing from four active ambulances in service to six active ambulances. EMT 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.

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). 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. During FY 2019/20, the City issued \$13.2 million in Transit Excise Tax Revenue Obligation, Special Assessment debt to finance additional costs of the Tempe Streetcar project. The City has assessed and is responsible for the collection of assessments secured by a lien on the benefitting properties from the streetcar project.

The streetcar track has all been completed throughout the City streets, however the COVID pandemic has affected the streetcar vehicle manufacturer with factory closures and supply chain interruptions. So far, three of the six vehicles have been delivered and are in testing mode. The remaining three vehicles are currently expected in time for a launch date in spring 2022.

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 Annual Comprehensive financial report for the fiscal year ended June 30, 2020. 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 Annual Comprehensive 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-five consecutive years (fiscal years 1975/76 through 2019/20). 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 FY 2020/21 annual budget and the National Purchasing Institute's **Achievement of Excellence in Procurement Award** for FY 2020/21.

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

Thomas F. Duensing, CPA
Interim 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, 2020

Christopher P. Morill

Executive Director/CEO



For the Fiscal Year
Ended June 30, 2021

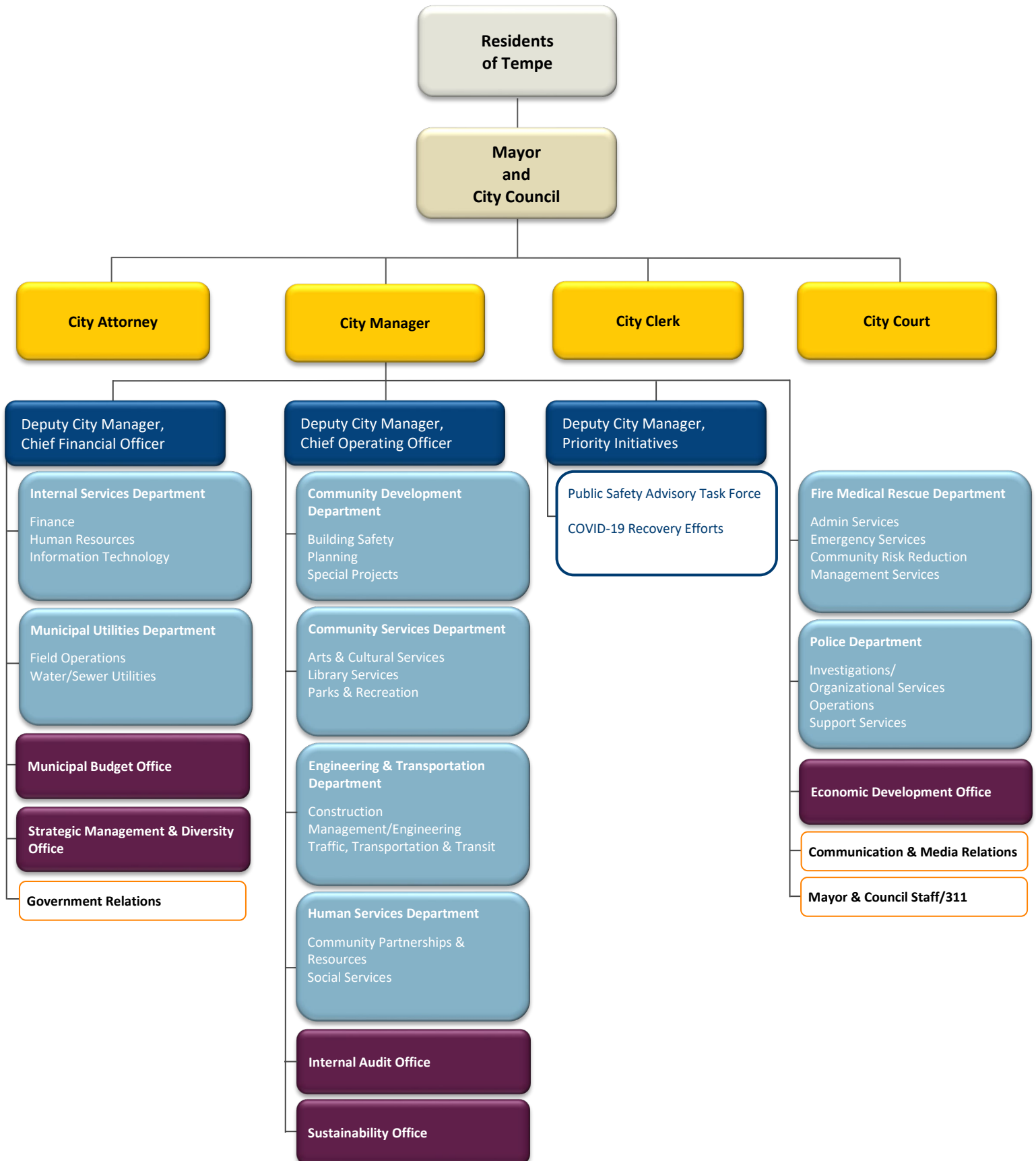
City of Tempe, Arizona List of Principal Officials

City Council

Corey Woods, Mayor
Randy Keating, Vice Mayor
Jennifer Adams
Robin Arredondo-Savage
Doreen Garlid
Lauren Kuby
Joel Navarro

Administrative Staff

Andrew Ching, City Manager
Ken Jones, Deputy City Manager-Chief Financial Officer
Steven Methvin, Deputy City Manager-Chief Operating Officer
Jeff Glover, Police
Gregory Ruiz, Fire
Keith Burke, Community Services
Marilyn DeRosa, Engineering and Transportation
Terry Piekarz, Municipal Utilities
Vacant, 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
Donna Kennedy, Economic Development Office
Braden Kay, Sustainability Office
Rosa Inchausti, Office of Strategic Management and Diversity
Carla Reece, City Clerk and Elections
Vacant, Internal Services





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

Financial Section

Independent Auditor's Report

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

Report on Audit of Financial Statements

Opinions

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 (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 the Transit Special Revenue Fund and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Tempe, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of City of Tempe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, Arizona'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 City of Tempe, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) *Annual Comprehensive Financial Report* presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. 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 \$1.05 billion (net position) which represents an increase of \$55.7 million from prior year primarily due to reduced spending on Transit, Streets, Parks and Community Development capital projects during FY2021. Of the City's net position, \$235.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The difference between the City's total net position increase of \$55.7 million during this fiscal year compared to an increase of \$77.7 million in the prior fiscal year. Of this, the governmental activities experienced an increase in net position of \$47.8 million compared to an increase of \$66.5 million in the prior year due to the City's prior year increase in equity in the VMRI joint venture for Tempe Streetcar, a change of \$23.6 million when compared to FY2021. The business-type activities experienced an increase of \$7.9 million compared to an increase of \$11.3 million in the prior year as investment income has decreased by \$3.3 million due to an unfavorable investment market with the advent of COVID.
- For the fiscal year ended June 30, 2021, the City's governmental revenues overall decreased by \$32.9 million. This was due to a combination of decreases of \$11.2 million in *charges for services*, \$39.9 million in *capital grants and contributions*, and \$7.1 million in *unrestricted investments earnings*, offset by increases of \$7.6 million in *intergovernmental revenue, unrestricted*, \$4.2 million in *operating grants and contributions*, and \$9.8 million in *sales taxes*. Expenses for *Police, Human Services and City Manager* increased by \$2.6 million, \$4.3 million and \$3.3 million, respectively; while expenses in *Fire, Engineering and Transportation, Community Development and Internal Services* decreased by \$3.8 million, \$14.9 million, \$3.7 million, and \$1.2 million respectively.
- At June 30, 2021, the City's governmental funds reported combined ending fund balances of \$298.0 million. Approximately 66.8% of this total amount (\$199.2 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2021, total fund balance for the General Fund was \$160.0 million, which represents an increase of \$25.8 million over the prior year's fund balance as actual revenues exceeded estimated revenues. Revenues decreased by \$1.9 million, while related expenditures increased by \$1.5 million. Net other financing sources increased by \$12.8 million.
- At June 30, 2021, the City's enterprise funds reported combined total net position of \$297.2 million, and total unrestricted net position of \$145.7 million. Of this total, \$148.4 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 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.

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, engineering and transportation, municipal utilities, community development, human services, municipal court, mayor and council, city manager, city attorney, internal audit office, municipal budget office, economic development office, sustainability 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 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 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, 2021			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 834,839,008	\$ 262,753,177	\$ 1,097,592,185
Capital assets, net	828,347,529	429,738,095	1,258,085,624
Total assets	1,663,186,537	692,491,272	2,355,677,809
Deferred outflows of resources			
Deferred charge on refunding	5,735,824	8,141,222	13,877,046
Deferred outflow from pensions	96,974,208	4,553,798	101,528,006
Deferred outflow from OPEB	11,949,994	1,597,151	13,547,145
Total deferred outflows of resources	114,660,026	14,292,171	128,952,197
Liabilities			
Long-term liabilities	921,212,250	357,895,616	1,279,107,866
Other liabilities	95,767,281	51,119,580	146,886,861
Total liabilities	1,016,979,531	409,015,196	1,425,994,727
Deferred inflows of resources			
Deferred inflow from pensions	773,314	109,537	882,851
Deferred inflow from OPEB	3,770,712	500,761	4,271,473
Total deferred inflows of resources	4,544,026	610,298	5,154,324
Net position			
Net investment in capital assets	529,205,694	151,450,264	680,655,958
Restricted	137,153,218	-	137,153,218
Unrestricted	89,964,094	145,707,685	235,671,779
Total net position	\$ 756,323,006	\$ 297,157,949	\$ 1,053,480,955

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 \$1.05 billion and \$997.7 million as of June 30, 2021 and 2020, respectively.

The largest portion of the City's net position reflects its investment in capital assets (i.e. 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 \$680.7 million and \$664.4 million at June 30, 2021 and 2020, respectively. These totals represent 64.7% and 66.6% of total net position at June 30, 2021 and 2020, 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, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 752,582,216	\$ 266,247,734	\$ 1,018,829,950
Capital assets, net	820,595,816	395,247,734	1,215,843,550
Total assets	<u>1,573,178,032</u>	<u>661,495,468</u>	<u>2,234,673,500</u>
Deferred outflows of resources			
Deferred charge on refunding	6,407,689	9,318,217	15,725,906
Deferred outflow from pensions	68,560,373	2,336,284	70,896,657
Deferred outflow from OPEB	1,648,513	223,497	1,872,010
Total deferred outflows of resources	<u>76,616,575</u>	<u>11,877,998</u>	<u>88,494,573</u>
Liabilities			
Long-term liabilities	857,038,325	335,908,022	1,192,946,347
Other liabilities	74,050,117	46,492,552	120,542,669
Total liabilities	<u>931,088,442</u>	<u>382,400,574</u>	<u>1,313,489,016</u>
Deferred inflows of resources			
Deferred inflow from pensions	8,760,442	1,535,488	10,295,930
Deferred inflow from OPEB	1,509,036	129,627	1,638,663
Total deferred inflows of resources	<u>10,269,478</u>	<u>1,665,115</u>	<u>11,934,593</u>
Net position			
Net investment in capital assets	523,422,276	140,978,804	664,401,080
Restricted	99,053,439	-	99,053,439
Unrestricted	85,960,972	148,328,973	234,289,945
Total net position	<u>\$ 708,436,687</u>	<u>\$ 289,307,777</u>	<u>\$ 997,744,464</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 \$137.2 million (13.0% of total net position) at June 30, 2021. At June 30, 2020 restricted net position was \$99.1 million (9.9% of total net position). The remaining balance of net position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The total balance of unrestricted net position was \$235.7 million (22.4% of total net position) and \$234.3 million (23.5% of total net position) at June 30, 2021 and 2020, respectively.

At the end of the current fiscal year, the City reported 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 \$55.7 million during the current fiscal year. These changes in net position are explained in the governmental and business-type activities discussion below.

Changes in Net Position- Fiscal Year Ended June 30, 2021

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 38,034,873	\$ 118,563,624	\$ 156,598,497
Operating grants and contributions	36,398,251	-	36,398,251
Capital grants and contributions	36,754,274	-	36,754,274
General revenues:			
Sales taxes	190,760,900	-	190,760,900
Intergovernmental revenue, unrestricted	60,503,495	-	60,503,495
Property taxes	52,210,522	-	52,210,522
Franchise taxes	2,846,569	-	2,846,569
Unrestricted investment earnings	829,560	200,724	1,030,284
Miscellaneous	4,770,561	888,141	5,658,702
Gain on sale of capital assets	1,692,302	266,964	1,959,266
Capital contributions	-	100,000	100,000
Total revenues	<u>424,801,307</u>	<u>120,019,453</u>	<u>544,820,760</u>
Expenses			
Police	109,726,330	-	109,726,330
Fire medical rescue	46,147,306	-	46,147,306
Community services	35,561,466	-	35,561,466
Engineering and transportation	87,118,482	-	87,118,482
Municipal utilities	746,206	-	746,206
Community development	14,320,056	-	14,320,056
Human services	30,905,378	-	30,905,378
Municipal court	5,076,735	-	5,076,735
Mayor and council	434,128	-	434,128
City manager	10,706,914	-	10,706,914
City attorney	3,748,159	-	3,748,159
Internal audit office	619,052	-	619,052
Municipal budget office	106,517	-	106,517
Economic development office	787,640	-	787,640
Sustainability office	274,528	-	274,528
Office of strategic management and diversity	899,048	-	899,048
City clerk and elections	957,257	-	957,257
Internal services	18,568,233	-	18,568,233
Unallocated depreciation	1,502,243	-	1,502,243
Interest on long-term debt	9,529,375	-	9,529,375
Water and wastewater	-	86,542,908	86,542,908
Solid waste	-	17,319,217	17,319,217
Emergency medical transportation	-	4,150,475	4,150,475
Golf	-	3,336,616	3,336,616
Total expenses	<u>377,735,053</u>	<u>111,349,216</u>	<u>489,084,269</u>
Increase in net position before transfers	47,066,254	8,670,237	55,736,491
Transfers	820,065	(820,065)	-
Change in net position	<u>47,886,319</u>	<u>7,850,172</u>	<u>55,736,491</u>
Net position- beginning	<u>708,436,687</u>	<u>289,307,777</u>	<u>997,744,464</u>
Net position- ending	<u>\$ 756,323,006</u>	<u>\$ 297,157,949</u>	<u>\$ 1,053,480,955</u>

Changes in Net Position- Fiscal Year Ended June 30, 2020

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 49,211,291	\$ 110,607,269	\$ 159,818,560
Operating grants and contributions	32,178,593	-	32,178,593
Capital grants and contributions	76,680,266	-	76,680,266
General revenues:			
Sales taxes	180,941,410	-	180,941,410
Intergovernmental revenue, unrestricted	52,940,012	-	52,940,012
Property taxes	51,525,619	-	51,525,619
Franchise taxes	2,772,127	-	2,772,127
Unrestricted investment earnings	7,950,512	3,504,059	11,454,571
Miscellaneous	3,241,181	326,138	3,567,319
Gain on sale of capital assets	638,133	81,757	719,890
Total revenues	<u>458,079,144</u>	<u>114,519,223</u>	<u>572,598,367</u>
Expenses			
Police	107,096,572	-	107,096,572
Fire medical rescue	49,941,616	-	49,941,616
Community services	36,442,527	-	36,442,527
Engineering and transportation	102,020,829	-	102,020,829
Municipal utilities	506,510	-	506,510
Community development	18,005,337	-	18,005,337
Human services	26,614,653	-	26,614,653
Municipal court	5,257,225	-	5,257,225
Mayor and council	461,629	-	461,629
City manager	7,455,774	-	7,455,774
City attorney	3,724,210	-	3,724,210
Internal audit office	516,840	-	516,840
Municipal budget office	269,344	-	269,344
Economic development office	771,575	-	771,575
Sustainability office	174,109	-	174,109
Office of strategic management and diversity	1,186,219	-	1,186,219
City clerk and elections	1,036,845	-	1,036,845
Internal services	19,779,369	-	19,779,369
Unallocated depreciation	1,716,431	-	1,716,431
Interest on long-term debt	9,921,992	-	9,921,992
Water and wastewater	-	77,716,351	77,716,351
Solid waste	-	16,909,091	16,909,091
Emergency medical transportation	-	4,295,939	4,295,939
Golf	-	3,038,086	3,038,086
Total expenses	<u>392,899,606</u>	<u>101,959,467</u>	<u>494,859,073</u>
Increase in net position before transfers	65,179,538	12,559,756	77,739,294
Transfers	1,295,173	(1,295,173)	-
Change in net position	66,474,711	11,264,583	77,739,294
Net position- beginning	641,961,976	278,043,194	920,005,170
Net position- ending	<u>\$ 708,436,687</u>	<u>\$ 289,307,777</u>	<u>\$ 997,744,464</u>

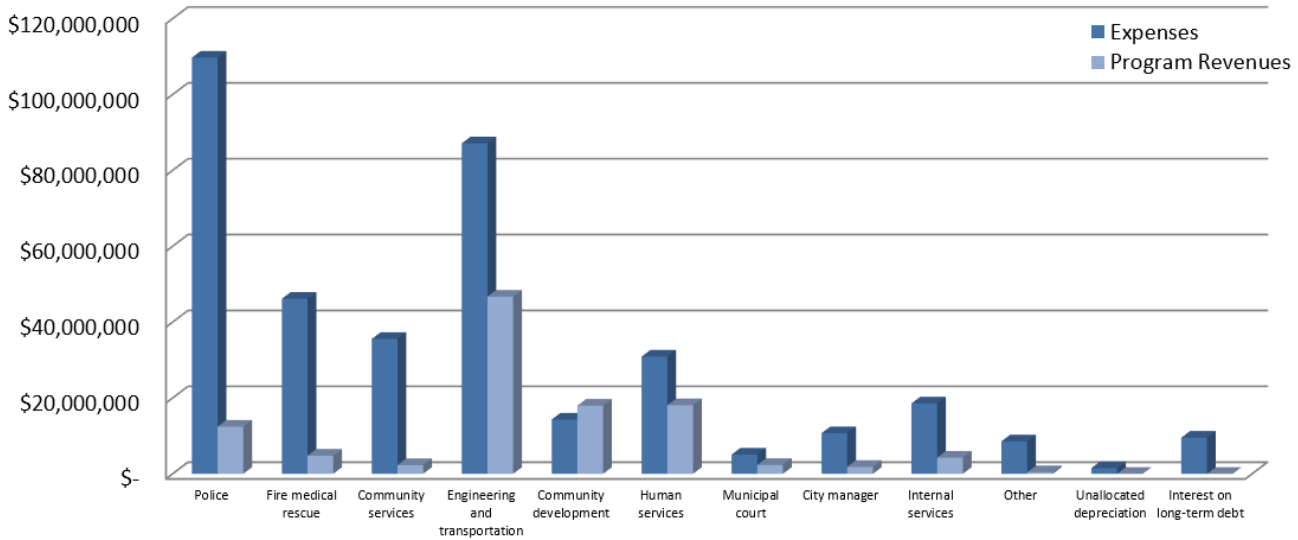
Governmental activities. The governmental net position increased by \$47.9 million for the fiscal year ended June 30, 2021 compared to a \$66.5 million increase in net position for the fiscal year ended June 30, 2020. Overall, revenues decreased by \$33.3 million (7.3%) and expenses decreased by \$15.2 million (3.9%) compared to the fiscal year ended June 30, 2020.

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

- *Charges for services* decreased by \$11.2 million due to a \$7.3 million reduction in transit revenues due to lower ridership during COVID, \$1.4 million reduction in engineering revenues and \$4.4 million reduction in community development fees due to a reduction in City projects.
- *Capital grants and contributions*, decreased in the amount of \$39.9 million (52.1%) due primarily to a reduction of Federal and regional funding to Valley Metro Rail, Inc. (VMRI) toward the City's Streetcar capital project. The City's equity interest in VMRI totals \$385.9 million, an increase of \$26.3 million from the prior year.
- *Intergovernmental, unrestricted revenue* is currently set at a distribution rate of 15% of state revenues to local municipalities. For FY2021, the City's share of these revenue increased over FY2020 including:
 - \$3.3 million (16.7%) increase in states shared sales tax due to the public's increased spending throughout the state which the Arizona Joint Legislative Budget Committee attributes to spending of pandemic-accumulated savings, increased personal income of 8.4% over prior year, and strong corporate profitability in the state.
 - \$3.1 million (12.5%) increase in state shared income tax due in part to increased personal income of 8.4% over the prior year and strong corporate profitability throughout the state resulting in an increase in corporate income tax of 65% in 2021 over 2020.
 - \$1.1 million (13.8%) increase in auto lieu tax attributable to increase in the value of new cars and increased population.
- *Operating grants and contributions* increased by \$4.2 million mainly due to \$2.1 million increases in human services grants and \$1.5 million increase in engineering grants.
- *Sales taxes* increased by \$9.8 million, due primarily to \$7.2 million increase in city sales tax and \$3.2 increase in transit special revenue tax.
- Total program expenses decreased by \$15.2 million due primarily to the reduction of *engineering and transportation* of \$13.4 million, *fire medical rescue* of \$3.8 million and *community development* of \$3.7 million respectively, offset by increases in program expenses for *human services* of \$4.3 million, *city manager* of \$3.3 million and *internal services* of \$1.2 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:

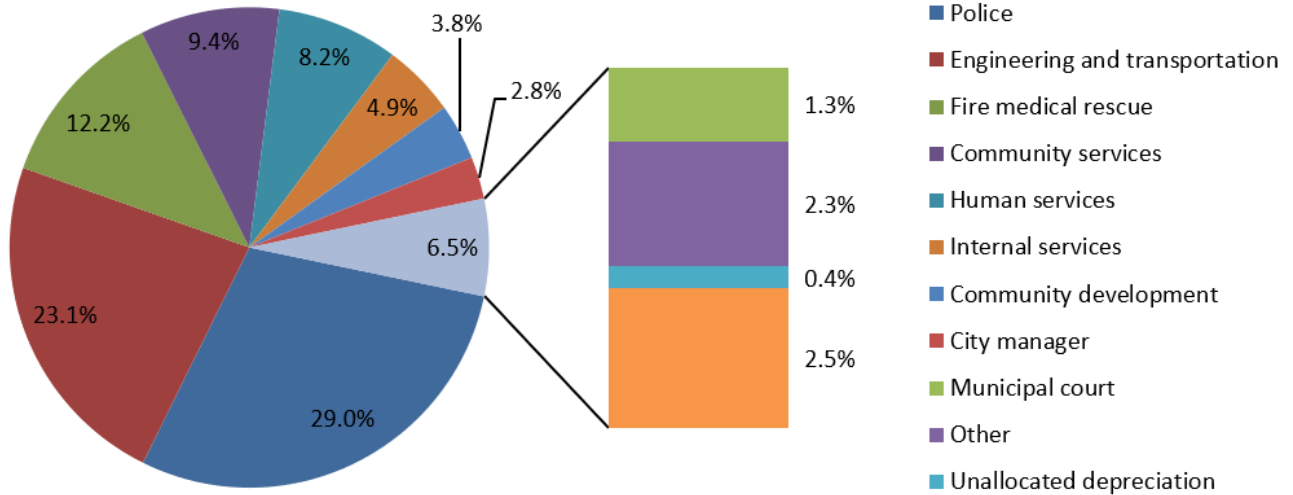
Fiscal Year 2021 Expenses and Program Revenues Governmental Activities



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 decreased from prior year by \$15.2 million (3.9%). The main function which experienced the decrease was *Engineering and Transportation* totaling \$14.9 million. *Fire Medical Rescue*, *Community Services*, *Internal Services* and *Community Development* also experienced reductions of \$3.8 million, \$.9 million, \$1.2 million and \$3.7 million respectively, offset by increases in *Police*, *Human Services* and *City Manager* of \$2.6 million, \$4.3 million and \$3.3 million respectively.

	Fiscal Year Ended			
	June 30, 2021		June 30, 2020	
Police	\$ 109,726,330	29.0%	\$ 107,096,572	27.3%
Engineering and transportation	87,118,482	23.1	102,020,829	26.0
Fire medical rescue	46,147,306	12.2	49,941,616	12.7
Community services	35,561,466	9.4	36,442,527	9.3
Human services	30,905,378	8.2	26,614,653	6.8
Internal services	18,568,233	4.9	19,779,369	5.0
Community development	14,320,056	3.8	18,005,337	4.6

Fiscal Year 2021 Expenses by Function- Governmental Activities

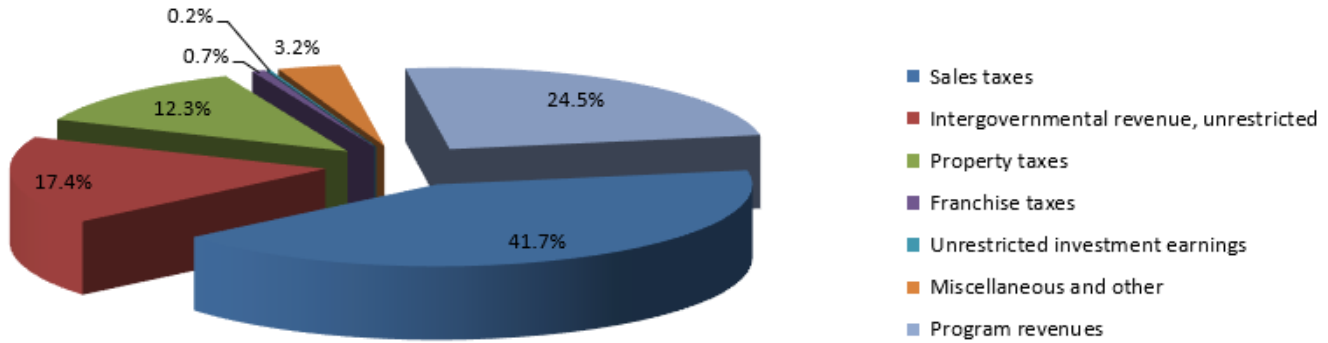


General revenues such as sales taxes, property taxes, unrestricted investment earnings, intergovernmental revenue- unrestricted, miscellaneous and other and franchise taxes are not shown by program but are effectively used to support program activities citywide.

	Fiscal Year Ended			
	June 30, 2021		June 30, 2020	
Sales taxes	\$190,760,900	44.9%	\$180,941,410	45.3%
Intergovernmental revenue- unrestricted	60,503,495	14.2	52,940,012	13.3
Property taxes	52,210,522	12.3	51,525,619	12.9
Miscellaneous and other	6,462,863	1.5	3,879,314	1.0
Franchise taxes	2,846,458	0.7	2,772,127	0.6
Unrestricted investment earnings	829,560	0.2	7,950,512	2.0

For governmental activities overall, without regard to program, a comparison of the largest general revenues and their percentage of total revenues (excluding transfers) is presented. As stated previously, sales taxes, intergovernmental revenue- unrestricted and property taxes each displayed growth. Miscellaneous and other revenues increased over prior year \$2.6 million primarily due to \$2.8 million in recovery of prior year expenditures related to refund of contributions to the VMRI joint venture.

Fiscal Year 2021 Revenues by Source- Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$7.9 million for the year ended June 30, 2021 compared to an increase of \$11.3 million for the year ended June 30, 2020. Rate increases were last implemented in January 2021 for the Water and Wastewater Fund and the Solid Waste Fund.

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

Fiscal Year Ended June 30, 2021					
	Water and Wastewater	Solid Waste	Emergency Medical Transport	Golf	Total
Charges for services Unrestricted	\$ 90,696,447	\$ 19,824,131	\$ 4,135,310	\$ 3,907,736	\$ 118,563,624
investment earnings/ other	1,065,658	107,166	172,856	110,149	1,455,829
Total	<u>\$ 91,762,105</u>	<u>\$ 19,931,297</u>	<u>\$ 4,308,166</u>	<u>\$ 4,017,885</u>	<u>\$ 120,019,453</u>

Fiscal Year Ended June 30, 2020					
	Water and Wastewater	Solid Waste	Emergency Medical Transport	Golf	Total
Charges for services Unrestricted	\$ 85,057,003	\$ 18,394,311	\$ 4,375,755	\$ 2,780,200	\$ 110,607,269
investment earnings/ other	3,517,316	223,198	149,007	22,433	3,911,954
Total	<u>\$ 88,574,319</u>	<u>\$ 18,617,509</u>	<u>\$ 4,524,762</u>	<u>\$ 2,802,633</u>	<u>\$ 114,519,223</u>

The largest of the City's business-type activities, Water and Wastewater, had expenses of \$86.5 million for the fiscal year, followed by Solid Waste with \$17.3 million, Emergency Medical Transportation with \$4.2 million, and Golf with \$3.3 million.

Expenses, both operating and nonoperating, for the Water and Wastewater Fund increased by a total of \$8.8 million (11.4%) due to increases in personnel expenses of \$2.3 million including a 20% increase in pension liability, \$1.5 million increase in *supplies and materials* primarily due to increased chemical and lab testing costs, \$2.6 million increase in *fees and services* due to software updates and new water meters and \$2.2 million increase in net loss in joint venture due to contributions to the Subregional Operational Group. *Charges for services* increased by \$5.6 million (6.6%), including rate increases of 5.5% during fiscal year 2021 and increased water usage over the prior

year. The *change in net position* was a \$4.4 million increase in fiscal year 2021 which is down from \$9.8 million increase in fiscal year 2020.

The Solid Waste Fund had increased expenses of \$0.4 million (2.4%) primarily due to increases in fees and services expenses of \$0.4 million (3.8%). *Charges for services* increased by \$1.4 million (7.8%) due rate increases in fiscal year 2020 and 2021 of 9% of 7% respectively. *Net position* increased by \$2.6 million in fiscal year 2021 while the prior year had an increase of \$2.1 million.

The Emergency Medical Transportation (EMT) fund had a reduction in expenses of \$0.1 million (3.4%) and experienced a reduction in *charges for services* in the amount of \$0.2 million (5.5%). The *change in net position* for the EMT fund for fiscal year 2021 was an increase of \$0.2 million compared to a decrease of \$0.5 million in fiscal year 2020.

In the Golf Fund, *charges for services* increased by \$1.1 million (40.6%) and were offset by an increase in expenditures of \$0.3 million (10.5%). The total net position of the fund increased by \$0.8 million, partially due to contributed capital of \$0.1 million, resulting in a net position of \$0.4 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 \$298.0 million, an increase of \$32.9 million from the prior year. Approximately \$199.2 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 \$4.7 million over the prior year's combined balance of \$194.4 million. The increase is due primarily to a combination of increases in *sales taxes*, *state sales tax*, *state income taxes* and *auto lieu tax*. These increases are offset by decreases in *investment income* and *charges for services*.

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, 2021, the non-spendable fund balance included amounts for *inventories* (\$1.1 million), *prepaid items* (\$0.7 million) and a *capital improvement note receivable* reserve (\$0.3 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (City Charter) that govern their use. The restricted portion of fund balance consists primarily of amounts for *debt service* (\$7.0 million), *engineering and transportation* (\$72.3 million), *police* (\$4.2 million), *human services* (\$3.3 million) and *community services* (\$5.1).

Revenues for governmental functions overall totaled \$391.6 million in the fiscal year ended June 30, 2021, which represents a net increase of \$1.6 million (.4%) from the fiscal year ended June 30, 2020. This change is primarily due to the increase in the following areas: \$8.8 million (5.2%) in *sales taxes*; \$8.6 million (13.1%) in *state sales tax*, *state income tax* and *auto lieu tax* (state-shared revenues); and \$2.6 million (26.9%) in *miscellaneous*. These increases were offset by decreases in *investment income* of \$7.1 million (89.6%) and *charges for services* of \$9.7 million (35.2%).

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$160.0 million, with \$0.4 million in non-spendable fund balance and \$0.2 million in *restricted* fund balance. The remaining \$159.4 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 \$25.8 million compared to a prior year net increase of \$16.5 million.

Arizona state shared revenues are collected by the state for statewide sales taxes, income taxes and auto lieu taxes (taxes levied on the value of a vehicle). These revenues are distributed to local municipalities based on population. Increased collections by the State of Arizona result in increased revenues for Intergovernmental revenues, unrestricted for the City. For fiscal year 2021, state shared income for *state sales taxes*, *state income taxes* and *auto lieu taxes* increased by \$7.6 million (14.3%) compared to revenues from fiscal year 2020.

Total revenues decreased by \$1.9 million (0.8%) from the prior year. This decrease in revenue was due primarily to decreases in *investment income*, *charges for services*, and *federal grants* of \$5.2 million (89.9%), \$4.8 million (36.1%) and \$1.3 million (11.0%) respectively offset by increases sales taxes of \$5.1 million (4.4%) and state shared revenues mentioned above. The federal grant revenue increase is due to the recognition of the remainder of the U.S. Department of the Treasury's Coronavirus Relief Funds (CRF) distributed through the State of Arizona Governor's Office. The City was awarded \$22.5 million in CRF for eligible public safety expenditures recognized from March 1, 2020 through December 30, 2020.

	Fiscal Year Ended			
	June 30, 2021		June 30, 2020	
Revenues	\$ 243,899,086		\$ 245,823,304	
Total fund balance	160,025,916	65.6 %	134,246,069	54.6 %
Unassigned fund balance	138,855,354	56.9	116,285,953	47.3

Expenditures increased by \$1.5 million (.7%) due primarily to an increase in *internal services* personnel costs of \$1.4M including personnel costs in information technology, accounting, tax and license, customer service and facilities maintenance.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues increased slightly by \$1.0 million due primarily to increases in *miscellaneous* revenues of \$2.7 million related to refund from the VMRI joint venture for prior year expenditures and an increase in *sales taxes* of \$3.1 million. These increases were offset by decreases in *charges for services* of \$3.0 million and *investment income* of \$1.7 million. Expenditures decreased by \$11.3 million (36.2%). The reduction in expenditures is due primarily to \$6.5 million reductions in contributions to the VMRI joint venture for Tempe streetcar, and \$4.3 million reduction to fixed route expenditures.

During fiscal year 2020, the City issued \$13.2 million in Transit Excise Tax Revenue Obligation, Special Assessment debt to finance the Tempe Streetcar project. The City has assessed and is responsible for the collection of assessments secured by a lien on the benefitting properties from the streetcar project. The special assessments due as of June 30, 2021 total \$11.6 million.

The fund balance totaled \$61.3 million at June 30, 2021, compared to a \$46.2 million fund balance at June 30, 2020. The fund balance increased \$15.1 million in the current year as compared to an increase of \$0.3 million in the prior year.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance increased \$2.7 million from \$4.2 million at June 30, 2020 to \$6.9 million at June 30, 2021. Of this fund balance, \$4.5 million 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 totals \$2.4 million.

There was an increase in *property tax* revenues of \$1.8 million. In addition, there was a decrease in expenditures of \$18.4 million due primarily to reduction on payment of refunding bonds from prior year totaling \$18.3 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 by \$0.1 million for fiscal year ended June 30, 2021. There is only one remaining improvement district 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, the Tempe Streetcar project and other transit improvements. Total fund balance had a \$0.4 million decrease from \$18.8 million at June 30, 2020 to \$18.4 million at June 30, 2021. Decreases in expenditures of \$15.4 million were due primarily to the reduction in project expenditures for the Tempe Streetcar project (\$13.0 million decrease) and the Rio Salado S. Bank at McClintock Dr Underpass project (\$1.5 million). 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, 2021	June 30, 2020
Water and wastewater fund	\$ 286,730,507	\$ 282,373,483
Solid waste fund	9,156,718	6,587,887
Emergency Medical		
Transportation	843,505	685,814
Golf fund	427,219	(339,407)
Internal service funds	12,619,674	6,945,292

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund experienced an increase in total net position of \$4.4 million for the fiscal year ended June 30, 2021 versus an increase in net position of \$9.8 million for the fiscal year ended June 30, 2020. *Charges for services* increased by \$5.6 million (6.6%) primarily due to a rate increase of 5.5% in January 2021. Total expenses also increased by \$8.8 million (1.4%) due to \$6.6 million increases in operating costs and a \$2.2 million increase in net loss from contributions made to joint venture. The fund also experienced a decrease in investment income of \$3.1 million.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Rate increases were implemented in January 2020 and January 2021. The total solid waste fund net position increased by \$2.6 million during the fiscal year ended June 30, 2021 compared to \$2.1 million during the fiscal year ended June 30, 2020. Total revenues increased by \$1.4 million during the current fiscal year offset by expenditure increases of \$0.4 million.

The **Emergency Medical Transportation Fund** accounts for the operation of the City's ambulance services. The fund experienced a decrease in the operating revenue from \$4.5 million in fiscal year 2020 to \$4.3 million in fiscal year 2021. The fund also realized a slight decrease in operating expenses from \$4.3 million during fiscal year 2020 to \$4.2 million during fiscal year 2021. Fiscal year operating income totaled \$0.1 million.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund net position increased by \$0.8 million compared to prior year's decrease in net position of \$0.2 million. Total revenue increased by \$1.1 million (40.6%) and there was a corresponding increase in total expenses of \$0.3 million. The net position at June 30, 2021 was \$0.4 million. Operations in the golf fund are monitored closely to ensure viability of operations.

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 \$5.7 million from \$6.9 million to \$12.6 million. The increase in net position is due primarily to a \$5.7 million increase in the City's self-insured employee health program.

FIDUCIARY FUND

The **Other Post-Employment Benefits, Fiduciary 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 \$4.2 million is due to investment earnings within the fund. All other benefit payments were made funded with City contributions. At June 30, 2021, the ending net position was \$19.1 million.

BUDGET HIGHLIGHTS

The City's final General Fund expenditure budget of \$232.0 million was reduced from the original budget of \$236.7 million in anticipation of declining revenues that began to occur at the start of the pandemic.

In spite of the pandemic, actual revenues were greater than budgetary estimates by \$32.7 million (15.4% of total budgeted revenue) in the General Fund. This is due primarily to the fact that the City continued to receive increased taxes of \$14.0 million and *intergovernmental* revenues received from the state of \$17.8 million over final estimates. Actual expenditures were under budget by \$3.9 million due to planned expenditure reductions resulting from the COVID-19 pandemic during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2021 were \$1.3 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 \$42.2 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2021 and 2020, respectively.

Capital Assets, Net of Depreciation - June 30, 2021			
	Governmental Activities	Business-type Activities	Total
Land	\$ 91,568,423	\$ 6,693,377	\$ 98,261,800
Buildings	139,307,211	19,036,245	158,343,456
Infrastructure	347,561,301	171,757,935	519,319,236
Improvements	124,521,588	98,989,218	223,510,806
Machinery and equipment	27,593,716	20,851,863	48,445,579
Construction in progress	97,795,290	112,409,457	210,204,747
Total	<u>\$ 828,347,529</u>	<u>\$ 429,738,095</u>	<u>\$ 1,258,085,624</u>

Capital Assets, Net of Depreciation - June 30, 2020

	Governmental Activities	Business-type Activities	Total
Land	\$ 91,314,323	\$ 6,693,377	\$ 98,007,700
Buildings	148,158,635	20,296,711	168,455,346
Infrastructure	360,735,333	158,392,031	519,127,364
Improvements	118,970,243	107,365,440	226,335,683
Machinery and equipment	30,234,153	16,684,112	46,918,265
Construction in progress	71,183,129	85,816,063	156,999,192
Total	<u>\$ 820,595,816</u>	<u>\$ 395,247,734</u>	<u>\$ 1,215,843,550</u>

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

Governmental Activities

- The City capitalized several improvement projects including the Highline Canal underpass for \$4.3 million, the Rio Salado underpass for \$2.0 million, the west canal to Kyrene path for \$1.2 million, and the Tempe Center for the Arts Restoration of \$1.2 million. The City also added several improvement projects including \$25.6 million in street, transit and streetlight improvements.

Business-type Activities

- The enterprise funds (predominately the Water and Wastewater Fund) capitalized \$29.4 million in improvement projects and incurred \$62.4 million in construction in progress (CIP) costs in the current year and capitalized a total of \$31.4 million in assets. The major CIP projects completed and capitalized in the Water and Wastewater Fund included \$7.5 million in storage tank improvements, \$5.1 million in automated water metering, \$2.4 million in wastewater collection systems rehab, and \$4.8 million in sewer improvements.

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 \$1,192.9 million, which is an increase of \$48.2 million over the prior fiscal year. In the current year, the City issued general obligation bonds, transit excise tax revenue obligations, and water and sewer revenue obligations for \$24.2 million, \$13.2 million and \$38.0 million, respectively. Additionally, the City refunded \$34.6 million in general obligation bonds. The total pension liability and OPEB liability increased by \$24.7 and \$5.4 million respectively.

Outstanding Long-term Obligations - June 30, 2021

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 191,865,000	\$ 156,105,000	\$ 347,970,000
Special assessment bonds	25,755,000	-	25,755,000
Excise tax obligations	69,582,000	50,543,000	120,125,000
Revenue obligations	-	72,100,000	72,100,000
Premium on debt payable	26,374,477	35,391,535	61,766,012
HUD Section 108 loan	2,062,000	-	2,062,000
WIFA loan	-	7,184,583	7,184,583
Capital Leases	979,231	327,068	1,306,299
Total debt payable	321,617,708	321,651,186	638,268,894
Compensated absences	36,783,727	-	36,783,727
Claims and judgments	9,298,295	-	9,298,295
OPEB	85,021,103	11,012,784	96,033,887
Pensions	468,491,417	25,231,646	493,723,063
Total long-term obligations	\$ 921,212,250	\$ 357,895,616	\$1,274,107,866

Outstanding Long-term Obligations - June 30, 2020

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 191,860,000	\$ 177,795,000	\$ 369,655,000
Special assessment bonds	27,750,000	-	27,750,000
Excise tax obligations	76,604,000	54,331,000	130,935,000
Revenue obligations	-	38,000,000	38,000,000
Premium on debt payable	21,731,892	27,176,457	48,908,349
HUD Section 108 loan	2,524,000	-	2,524,000
WIFA loan	-	8,000,463	8,000,463
Capital Leases	81,216	480,916	562,132
Total debt payable	320,551,108	305,783,836	626,334,944
Compensated absences	35,565,054	-	35,565,054
Claims and judgments	8,370,632	-	8,370,632
OPEB	75,203,766	9,729,235	84,933,001
Pensions	417,347,765	20,394,951	437,742,716
Total long-term obligations	\$ 857,038,325	\$ 335,908,022	\$1,192,946,347

The City issued \$22.5 million in general obligation debt with an issuance premium of \$6.5 million during the current fiscal year. The funding was for public safety, parks, municipal infrastructure preservation, and street improvements in the amounts of \$3.8 million, \$4.4 million, \$6.6 million, and \$7.7 million, respectively, with an amount of \$75K general obligation debt and the related \$25K in premium transferred to the Golf Fund as a capital contribution.

For the water and sewer capital program, the City issued \$35.5 million in water and sewer revenue obligations with an issuance premium of \$10.9 million to finance a variety of projects including water system, wells and SCADA technology (\$28.2 million), building and plant upgrades (\$5.8 million), and wastewater collection and conveyance upgrades (\$11.2 million).

The City has assessed and is responsible for the collection of assessments secured by a lien on the assessed properties related to transit excise tax revenue obligations issued in the amount of \$13.2 million, for which the

primary source of repayment is the assessments levied against the benefiting properties for the additional streetcar capital improvement project costs. At June 30, 2021, the Transit Fund special assessments receivable, related to the obligations, on the assessed properties totaled \$11.6. As development occurs, additional benefiting properties will be assessed in an amount not to exceed \$13.0 million for all assessed properties.

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 decreased by \$16.9 million from the fiscal year ended June 30, 2020 to the fiscal year ended June 30, 2021. 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 is located in the *Statistical Section* (Exhibit S-15). A comparison of these indicators follows:

	Fiscal Year Ended	
	June 30, 2021	June 30, 2020
Net general bonded debt	\$ 390,093,110	\$ 406,955,458
Net general bonded debt per capita	2,160	2,078
Ratio of net general bonded debt to total assessed value	18.3%	20.2%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.50	\$ 1.50

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, 2021 is \$253.1 million under the 20% capacity and \$95.1 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-18) of this report.

During the year, the City maintained ratings on its outstanding general obligation bonds of AAA from S&P Global Ratings 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*.

ECONOMIC FACTORS

On June 10, 2021, the City Council approved a \$1.25 billion budget, which is an increase of \$472.1 million compared to prior year’s budget. The fiscal year 2022 budget includes \$913.8 for operations, of which is \$343 million one time pay down of the City’s Public Safety Retirement System (PSPRS) unfunded obligation, and \$335.9 million for capital improvements. Over the past few years, the City has seen growth in sales and use tax, even despite uncertainty in the economy created by COVID-19 during FY 2020/21. For FY 2021/22, the projections have been increased compared to the prior year due to higher than expected sales tax growth, specifically in retail due to additional federal government stimulus support and an increase in online sales activity. State shared income tax distributions lag by two years, so any effect from COVID will not be expected until FY 2022/23.

The adopted fiscal year 2022 budget strategically implements a measured spend down of accumulated fund balances and reinforces the City’s commitment to invest in safe communities, economic development, sustainable growth, enhanced quality of life for the City’s residents, and development and maintenance of a strong community connection.

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
 Financial Services
 Accounting
 20 E. Sixth Street
 Tempe, AZ 85281
 480.350.8256



Statement of Net Position

June 30, 2021

	<i>City of Tempe, Arizona</i>		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 333,252,072	\$ 103,238,886	\$ 436,490,958
Receivables:			
Taxes	25,135,792	-	25,135,792
Accounts, net	6,348,776	16,952,664	23,301,440
Accrued interest	625,292	433,215	1,058,507
Due from other governments	3,209,960	-	3,209,960
Inventories	1,120,087	1,601,105	2,721,192
Prepaid items	692,605	-	692,605
Restricted cash and investments	44,015,519	32,101,861	76,117,380
Special assessment receivables	25,238,572	-	25,238,572
Capital improvement notes receivable	1,278,653	146,447	1,425,100
Total OPEB assets	599,003	104,547	703,550
Equity in joint venture	393,322,677	108,174,452	501,497,129
Capital assets not being depreciated:			
Land	91,568,423	6,693,377	98,261,800
Construction in progress	97,795,290	112,409,457	210,204,747
Capital assets (net of accumulated depreciation):			
Buildings	139,307,211	19,036,245	158,343,456
Infrastructure	347,561,301	171,757,935	519,319,236
Improvements	124,521,588	98,989,218	223,510,806
Machinery and equipment	27,593,716	20,851,863	48,445,579
Total assets	<u>1,663,186,537</u>	<u>692,491,272</u>	<u>2,355,677,809</u>
Deferred Outflows of Resources			
Deferred charge on refundings	5,735,824	8,141,222	13,877,046
Deferred outflows from pensions	96,974,208	4,553,798	101,528,006
Deferred outflows from OPEB	11,949,994	1,597,151	13,547,145
Total outflow of resources	<u>114,660,026</u>	<u>14,292,171</u>	<u>128,952,197</u>
Liabilities			
Accounts payable	18,245,757	14,052,419	32,298,176
Deposits	3,585,928	669,255	4,255,183
Accrued expenses	25,694,182	4,062,240	29,756,422
Unearned revenue	17,833,989	241,975	18,075,964
Liabilities payable from restricted assets	30,407,425	32,093,691	62,501,116
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,890,000	-	1,890,000
Due in more than one year	23,865,000	-	23,865,000
Other long-term liabilities:			
Due within one year	44,491,270	28,808,448	73,299,718
Due in more than one year	850,965,980	329,087,168	1,180,053,148
Total liabilities	<u>1,016,979,531</u>	<u>409,015,196</u>	<u>1,425,994,727</u>
Deferred Inflows of Resources			
Deferred inflows from pensions	773,314	109,537	882,851
Deferred inflows from OPEB	3,770,712	500,761	4,271,473
Total inflow of resources	<u>4,544,026</u>	<u>610,298</u>	<u>5,154,324</u>
Net Position			
Net investment in capital assets	529,205,694	151,450,264	680,655,958
Restricted for:			
Police	4,156,102	-	4,156,102
Fire medical rescue	693,685	-	693,685
Community services	8,596,879	-	8,596,879
Engineering and transportation	95,398,318	-	95,398,318
Community development	3,158,539	-	3,158,539
Human services	3,324,209	-	3,324,209
Municipal court	386,360	-	386,360
City manager	114,329	-	114,329
Office of strategic management and diversity	302,000	-	302,000
Debt service	21,022,797	-	21,022,797
Unrestricted	89,964,094	145,707,685	235,671,779
Total net position	<u>\$ 756,323,006</u>	<u>\$ 297,157,949</u>	<u>\$ 1,053,480,955</u>

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

Statement of Activities

For the fiscal year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 109,726,330	\$ 738,594	\$ 10,924,067	\$ 780,760
Fire medical rescue	46,147,306	297,548	3,925,454	575,914
Community services	35,561,466	1,909,685	395,341	-
Engineering and transportation	87,118,482	10,492,178	1,717,183	34,506,149
Municipal utilities	746,206	289	-	-
Community development	14,320,056	16,682,427	403,665	891,451
Human services	30,905,378	1,948,647	16,132,894	-
Municipal court	5,076,735	2,299,815	32,106	-
Mayor and council	434,128	-	-	-
City manager	10,706,914	-	1,843,146	-
City attorney	3,748,159	30,000	24,914	-
Internal audit office	619,052	-	-	-
Municipal budget office	106,517	-	-	-
Economic development office	787,640	196,462	-	-
Sustainability office	274,528	15,544	35,366	-
Office of strategic mgmt and diversity	899,048	-	118,783	-
City clerk and elections	957,257	-	-	-
Internal services	18,568,233	3,423,684	845,332	-
Unallocated depreciation	1,502,243	-	-	-
Interest on long-term debt	9,529,375	-	-	-
Total governmental activities	<u>377,735,053</u>	<u>38,034,873</u>	<u>36,398,251</u>	<u>36,754,274</u>
Business-type activities:				
Water and wastewater	86,542,908	90,696,447	-	-
Solid waste	17,319,217	19,824,131	-	-
Emergency medical transportation	4,150,475	4,135,310	-	-
Golf course	3,336,616	3,907,736	-	-
Total business-type activities	<u>111,349,216</u>	<u>118,563,624</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 489,084,269</u>	<u>\$ 156,598,497</u>	<u>\$ 36,398,251</u>	<u>\$ 36,754,274</u>

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

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

City of Tempe, Arizona

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

Governmental Activities	Business-type Activities	Total
\$ (97,282,909)	\$ -	\$ (97,282,909)
(41,348,390)	-	(41,348,390)
(33,256,440)	-	(33,256,440)
(40,402,972)	-	(40,402,972)
(745,917)	-	(745,917)
3,657,487	-	3,657,487
(12,823,837)	-	(12,823,837)
(2,744,814)	-	(2,744,814)
(434,128)	-	(434,128)
(8,863,768)	-	(8,863,768)
(3,693,245)	-	(3,693,245)
(619,052)	-	(619,052)
(106,517)	-	(106,517)
(591,178)	-	(591,178)
(223,618)	-	(223,618)
(780,265)	-	(780,265)
(957,257)	-	(957,257)
(14,299,217)	-	(14,299,217)
(1,502,243)	-	(1,502,243)
(9,529,375)	-	(9,529,375)
<u>(266,547,655)</u>	<u>-</u>	<u>(266,547,655)</u>
-	4,153,539	4,153,539
-	2,504,914	2,504,914
-	(15,165)	(15,165)
-	571,120	571,120
-	7,214,408	7,214,408
<u>(266,547,655)</u>	<u>7,214,408</u>	<u>(259,333,247)</u>
190,760,900	-	190,760,900
60,503,495	-	60,503,495
52,210,522	-	52,210,522
2,846,569	-	2,846,569
829,560	200,724	1,030,284
4,770,561	888,141	5,658,702
1,692,302	266,964	1,959,266
-	100,000	100,000
820,065	(820,065)	-
<u>314,433,974</u>	<u>635,764</u>	<u>315,069,738</u>
47,886,319	7,850,172	55,736,491
708,436,687	289,307,777	997,744,464
<u>\$ 756,323,006</u>	<u>\$ 297,157,949</u>	<u>\$ 1,053,480,955</u>

Balance Sheet

Governmental Funds

June 30, 2021

	General	Transit Special Revenue	General Obligation Debt Service
Assets			
Pooled cash and investments	\$ 150,004,384	\$ 57,234,349	\$ 2,082,094
Receivables:			
Taxes	16,275,116	5,536,090	987,434
Accounts	5,263,981	935,275	-
Accrued interest	394,312	53,564	-
Due from other funds	176,395	-	-
Due from other governments	-	971,847	-
Inventories	141,694	-	-
Prepaid items	-	-	-
Restricted cash and investments	7,604,590	3,855,274	27,903,538
Special assessments	-	11,551,123	-
Capital improvement notes receivable	250,000	1,028,653	-
Total assets	<u>\$ 180,110,472</u>	<u>\$ 81,166,175</u>	<u>\$ 30,973,066</u>
Liabilities			
Accounts payable	\$ 6,581,032	\$ 2,264,498	\$ 118,064
Deposits	2,446,504	-	-
Accrued expenditures	6,149,587	80,528	-
Due to other funds	-	-	-
Unearned revenue	125,632	267,529	-
Matured bonds payable	-	2,765,000	19,617,000
Matured interest payable	-	1,090,274	3,807,524
Total liabilities	<u>15,302,755</u>	<u>6,467,829</u>	<u>23,542,588</u>
Deferred Inflows of Resources			
Unavailable revenue- courts	3,622,364	-	-
Unavailable revenue- federal grants	-	-	-
Unavailable revenue- grants	-	-	-
Unavailable revenue- notes receivable	-	1,028,653	-
Unavailable revenue- other	843,082	842,601	-
Unavailable revenue- property tax	316,355	-	531,535
Unavailable revenue- special assessments	-	11,551,123	-
Total deferred inflows of resources	<u>4,781,801</u>	<u>13,422,377</u>	<u>531,535</u>
Fund Balances			
Fund balances:			
Non-spendable	391,694	-	-
Restricted	199,456	42,040,594	6,898,943
Committed	-	11,201,499	-
Assigned	20,579,412	8,033,876	-
Unassigned	138,855,354	-	-
Total fund balances	<u>160,025,916</u>	<u>61,275,969</u>	<u>6,898,943</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 180,110,472</u>	<u>\$ 81,166,175</u>	<u>\$ 30,973,066</u>

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

Special Assessment Debt Service	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 163,476	\$ 19,353,217	\$ 79,530,858	\$ 308,368,378
-	-	2,337,152	25,135,792
-	-	60,420	6,259,676
169,394	-	5,776	623,046
-	-	-	176,395
-	-	2,238,113	3,209,960
-	-	978,393	1,120,087
-	-	692,605	692,605
326,750	-	4,325,367	44,015,519
13,687,449	-	-	25,238,572
-	-	-	1,278,653
<u>\$ 14,347,069</u>	<u>\$ 19,353,217</u>	<u>\$ 90,168,684</u>	<u>\$ 416,118,683</u>
\$ -	\$ 930,413	\$ 7,959,644	\$ 17,853,651
-	-	1,139,424	3,585,928
-	-	393,515	6,623,630
-	-	176,395	176,395
68,000	-	25,233,021	25,694,182
-	-	2,655,000	25,037,000
326,750	-	145,877	5,370,425
<u>394,750</u>	<u>930,413</u>	<u>37,702,876</u>	<u>84,341,211</u>
-	-	-	3,622,364
-	-	1,007,930	1,007,930
-	-	199,149	199,149
-	-	-	1,028,653
-	-	27,296	1,712,979
-	-	-	847,890
13,856,843	-	-	25,407,966
<u>13,856,843</u>	<u>-</u>	<u>1,234,375</u>	<u>33,826,931</u>
-	-	1,670,998	2,062,692
95,476	18,422,804	29,078,452	96,735,725
-	-	17,724,121	28,925,620
-	-	3,846,879	32,460,167
-	-	(1,089,017)	137,766,337
<u>95,476</u>	<u>18,422,804</u>	<u>51,231,433</u>	<u>297,950,541</u>
<u>\$ 14,347,069</u>	<u>\$ 19,353,217</u>	<u>\$ 90,168,684</u>	<u>\$ 416,118,683</u>

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

City of Tempe, Arizona

Fund balances- total governmental funds	\$ 297,950,541
Amounts reported for the governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets	1,750,454,533
Accumulated depreciation	(922,107,004)
	<u>828,347,529</u>
The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.	
	393,322,677
Other assets are not available to pay current-period expenditures and, therefore, are offset by unavailable revenue.	
Unavailable special assessment revenue	25,407,966
Unavailable tax and other revenue	2,560,869
Unavailable notes receivable revenue	1,028,653
Unavailable court revenue	3,622,364
Grant monies not received within 60 days	1,207,079
	<u>33,826,931</u>
Bond premiums and the deferred charge on refundings are not financial resources and, therefore, are not reported in the funds.	
	(20,638,653)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(36,783,727)
Claims and judgments	(9,298,295)
Net pension liability (excluding internal service)	(371,627,810)
Other post employment benefits (excluding internal service)	(76,152,630)
Bonds, capital improvement notes and capital leases	(295,243,231)
	<u>(789,105,693)</u>
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.	
	<u>12,619,674</u>
Net position of governmental activities	<u>\$ 756,323,006</u>



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2021

	General	Transit Special Revenue	General Obligation Debt Service
Revenues:			
Taxes:			
Sales taxes	\$ 119,949,170	\$ 47,534,174	\$ -
Property taxes	20,551,065	-	31,710,944
Franchise taxes	2,846,569	-	-
Intergovernmental:			
Federal grants	10,582,869	-	-
State grants	32,106	-	-
State sales tax	23,228,957	-	-
State income tax	27,983,270	-	-
Auto lieu tax	9,291,268	-	-
Other	1,174,504	478,202	-
Investment income	581,535	198,064	22,440
Charges for services	8,593,966	6,462,329	-
Fines and forfeitures	4,404,217	-	-
Other entities' participation	360,815	-	-
Special assessments	-	397,833	-
Licenses and permits	6,888,387	-	-
Miscellaneous	7,430,388	3,052,771	-
Total revenues	<u>243,899,086</u>	<u>58,123,373</u>	<u>31,733,384</u>
Expenditures:			
Current:			
Police	92,802,832	-	-
Fire medical rescue	40,652,700	-	-
Community services	25,907,989	-	-
Engineering and transportation	2,496,195	29,759,596	-
Municipal utilities	78,310	-	-
Community development	13,633,099	-	-
Human services	12,577,342	-	-
Municipal court	4,456,606	-	-
Mayor and council	486,599	-	-
City manager	6,912,283	-	-
City attorney	3,375,254	-	-
Internal audit office	542,627	-	-
Municipal budget office	174,398	-	-
Economic development office	748,363	-	-
Sustainability office	274,437	-	-
Office of strategic management and diversity	1,143,640	-	-
City clerk and elections	869,904	-	-
Internal services	19,427,458	-	-
Debt service:			
Principal	-	2,765,000	19,617,000
Interest	-	2,233,016	7,201,269
Fiscal fees	-	-	297,036
Capital outlay	-	-	-
Total expenditures	<u>226,560,036</u>	<u>34,757,612</u>	<u>27,115,305</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>17,339,050</u>	<u>23,365,761</u>	<u>4,618,079</u>
Other financing sources (uses):			
Transfers in	12,520,750	-	6,157,267
Transfers out	(7,111,477)	(8,286,787)	(8,320,759)
Issuance of debt	1,392,732	-	-
Premium on issuance of debt	-	-	285,503
Proceeds from sale of capital assets	1,638,792	9,449	-
Total other financing sources (uses)	<u>8,440,797</u>	<u>(8,277,338)</u>	<u>(1,877,989)</u>
Net change in fund balance	25,779,847	15,088,423	2,740,090
Fund balance at beginning of year	134,246,069	46,187,546	4,158,853
Fund balance at end of year	<u>\$ 160,025,916</u>	<u>\$ 61,275,969</u>	<u>\$ 6,898,943</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
\$ -	\$ -	\$ 9,701,592	\$ 177,184,936
-	-	-	52,262,009
-	-	-	2,846,569
-	482,896	18,327,720	29,393,485
-	-	632,962	665,068
-	-	13,575,964	36,804,921
-	-	-	27,983,270
-	-	-	9,291,268
-	-	4,167,831	5,820,537
-	1,584	25,937	829,560
-	-	2,788,997	17,845,292
-	-	505,199	4,909,416
-	454,376	3,501,122	4,316,313
2,143,728	-	-	2,541,561
-	-	-	6,888,387
1,271	-	1,515,310	11,999,740
<u>2,144,999</u>	<u>938,856</u>	<u>54,742,634</u>	<u>391,582,332</u>
-	-	3,237,967	96,040,799
-	-	651,245	41,303,945
-	-	4,399,142	30,307,131
-	-	9,409,492	41,665,283
-	-	-	78,310
-	-	2,068,805	15,701,904
-	-	17,988,363	30,565,705
-	-	369,348	4,825,954
-	-	-	486,599
-	-	3,126,578	10,038,861
-	-	31,992	3,407,246
-	-	-	542,627
-	-	-	174,398
-	-	-	748,363
-	-	35,366	309,803
-	-	114,590	1,258,230
-	-	-	869,904
-	-	-	19,427,458
1,520,000	-	3,117,000	27,019,000
690,533	-	329,808	10,454,626
1,906	-	1,860	300,802
-	9,515,533	46,613,069	56,128,602
<u>2,212,439</u>	<u>9,515,533</u>	<u>91,494,625</u>	<u>391,655,550</u>
<u>(67,440)</u>	<u>(8,576,677)</u>	<u>(36,751,991)</u>	<u>(73,218)</u>
-	8,204,740	15,813,688	42,696,445
-	-	(18,157,357)	(41,876,380)
-	-	22,470,000	23,862,732
-	-	6,230,000	6,515,503
-	-	92,708	1,740,949
-	8,204,740	26,449,039	32,939,249
<u>(67,440)</u>	<u>(371,937)</u>	<u>(10,302,952)</u>	<u>32,866,031</u>
162,916	18,794,741	61,534,385	265,084,510
<u>\$ 95,476</u>	<u>\$ 18,422,804</u>	<u>\$ 51,231,433</u>	<u>\$ 297,950,541</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, 2021

City of Tempe, Arizona

Net change in fund balances- total governmental funds	\$ 32,866,031
Amounts reported for the governmental activities in the statement of activities are different because:	
Certain expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences and long-term claims and judgements	(2,146,336)
Other post employment benefits (excluding internal service)	(1,696,250)
	<u>(3,842,586)</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	92,816
Court revenue	175,695
Grants and contributions	32,702,409
Special assessments received/recognized	(1,444,247)
	<u>31,526,673</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	56,128,602
Miscellaneous net capital expenditures	(11,573,415)
Depreciation expense	(46,460,528)
	<u>(1,905,341)</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	38,702,816
Pension expense	(53,397,191)
	<u>(14,694,375)</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	494,717
Capital lease proceeds	(1,392,732)
	<u>(898,015)</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	(671,865)
Amortization of bond premium	1,897,918
	<u>1,226,053</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	(29,085,503)
Principal payments made	27,019,000
	<u>(2,066,503)</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>5,674,382</u>
Change in net position of governmental activities	<u>\$ 47,886,319</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

General Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 143,633,248	\$ 129,395,401	143,346,802	\$ 13,951,401
Intergovernmental	55,463,189	54,461,325	72,292,974	17,831,649
Investment income	2,055,000	2,055,000	2,187,400	132,400
Charges for services	10,397,098	7,041,050	8,277,545	1,236,495
Fines and forfeitures	5,047,225	4,924,665	4,414,211	(510,454)
Licenses and permits	5,244,674	5,548,395	7,241,620	1,693,225
Other entities' participation	359,315	359,315	360,815	1,500
Miscellaneous	8,683,570	9,014,406	7,405,045	(1,609,361)
Total revenues	<u>230,883,319</u>	<u>212,799,557</u>	<u>245,526,412</u>	<u>32,726,855</u>
Expenditures				
Police	96,874,112	93,386,835	92,995,230	391,605
Fire medical rescue	41,761,078	42,224,842	40,854,067	1,370,775
Community services	28,713,320	26,768,049	25,804,768	963,281
Engineering and transportation	2,789,571	2,508,510	2,421,505	87,005
Municipal utilities	449,484	421,593	1,690,007	(1,268,414)
Community development	15,310,268	14,742,394	13,617,136	1,125,258
Human services	12,563,063	15,127,151	13,372,172	1,754,979
Mayor and council	525,114	492,175	485,932	6,243
Municipal court	5,141,261	4,993,231	4,442,796	550,435
City manager	7,088,281	6,781,207	6,911,752	(130,545)
City attorney	3,418,524	3,393,274	3,369,728	23,546
Internal audit office	572,588	572,588	542,679	29,909
Municipal budget office	293,193	242,336	174,578	67,758
Economic development office	740,141	834,302	748,025	86,277
Sustainability office	166,549	251,383	273,735	(22,352)
Office of strategic management and diversity	1,073,804	1,076,304	1,142,927	(66,623)
City clerk and elections	1,316,647	1,271,362	869,297	402,065
Internal services	34,359,357	34,038,383	35,165,664	(1,127,281)
Contingency	1,500,000	870,838	-	870,838
Interdepartmental charges	(17,990,935)	(17,990,935)	(16,790,783)	(1,200,152)
	<u>236,665,420</u>	<u>232,005,822</u>	<u>228,091,215</u>	<u>3,914,607</u>
Other financing sources (uses)				
Transfers from other funds	147,750	147,750	12,520,750	12,373,000
Transfers to other funds	(2,661,746)	(1,161,746)	(7,111,476)	(5,949,730)
Proceeds from sale of capital assets	453,635	453,635	1,638,792	1,185,157
Total other financing sources (uses)	<u>(2,060,361)</u>	<u>(560,361)</u>	<u>7,048,066</u>	<u>7,608,427</u>
Net change in fund balance	<u>\$ (7,842,462)</u>	<u>\$ (19,766,626)</u>	<u>24,483,263</u>	<u>\$ 44,249,889</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	(1,605,864)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	59,469
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	2,773,954
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	69,025
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>25,779,847</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, 2021

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 45,164,915	\$ 41,670,960	47,534,174	\$ 5,863,214
Intergovernmental revenue	10,138,305	10,138,305	842,530	(9,295,775)
Investment income	650,000	650,000	686,698	36,698
Charges for services	11,089,071	11,089,071	6,098,000	(4,991,071)
Other entities' participation	932,891	932,891	397,833	(535,058)
Miscellaneous	500,875	500,875	3,052,771	2,551,896
Total revenues	<u>68,476,057</u>	<u>64,982,102</u>	<u>58,612,006</u>	<u>(6,370,096)</u>
Expenditures				
Current:				
Engineering and transportation	63,187,798	63,155,798	30,016,840	33,138,958
Contingency	188,000	188,000	-	188,000
Debt service:				
Principal retirement	2,765,000	2,765,000	2,765,000	-
Interest and fiscal fees	2,218,620	2,218,620	2,233,016	(14,396)
Total expenditures	<u>68,359,418</u>	<u>68,327,418</u>	<u>35,014,856</u>	<u>33,312,562</u>
Other financing sources (uses)				
Transfers to other funds	(8,286,787)	(8,286,787)	(8,286,787)	-
Proceeds from sale of capital assets	-	-	9,449	9,449
Total other financing sources (uses)	<u>(8,286,787)</u>	<u>(8,286,787)</u>	<u>(8,277,338)</u>	<u>9,449</u>
Net change in fund balance	<u>\$ (8,170,148)</u>	<u>\$ (11,632,103)</u>	15,319,812	<u>\$ 26,951,915</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	(488,634)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	7,192
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	252,456
The City recognizes certain other expenditures on a budget basis, rather than on a modified accrual basis	<u>(2,403)</u>
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>15,088,423</u>

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



Statement of Fund Net Position

Proprietary Funds

June 30, 2021

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	
Assets						
Current assets:						
Pooled cash and investments	\$ 94,357,477	\$ 8,411,920	\$ 469,489	\$ -	\$ 103,238,886	\$ 24,883,694
Restricted cash and investments	32,101,861	-	-	-	32,101,861	-
Accounts receivable, net	13,311,852	1,626,011	2,003,525	11,276	16,952,664	89,100
Accrued interest receivable	392,928	27,717	-	12,570	433,215	2,246
Due from other funds	125,821	-	-	-	125,821	-
Inventories	1,601,105	-	-	-	1,601,105	-
Total current assets	141,891,044	10,065,648	2,473,014	23,846	154,453,552	24,975,040
Noncurrent assets:						
Advance to other funds	2,621,354	-	-	-	2,621,354	-
Notes receivable	146,447	-	-	-	146,447	-
Total OPEB assets	68,835	23,177	10,191	2,344	104,547	3,333
Equity in joint venture	108,174,452	-	-	-	108,174,452	-
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	368,391,821	-	-	3,210,587	371,602,408	-
Improvements	207,808,698	-	-	1,368,293	209,176,991	-
Machinery and equipment	24,253,252	16,672,964	1,737,386	2,544,396	45,207,998	-
Construction in progress	111,380,740	851,442	-	177,275	112,409,457	-
Less accumulated depreciation	(348,586,423)	(11,260,230)	(572,213)	(4,735,937)	(365,154,803)	-
Total capital assets (net of accumulated depreciation)	416,293,138	7,529,959	1,165,173	4,749,825	429,738,095	-
Total noncurrent assets	527,304,226	7,553,136	1,175,364	4,752,169	540,784,895	3,333
Total assets	669,195,270	17,618,784	3,648,378	4,776,015	695,238,447	24,978,373
Deferred Outflows of Resources						
Deferred charge on refunding	8,141,222	-	-	-	8,141,222	-
Deferred outflows related to pensions	2,998,266	1,009,536	443,904	102,092	4,553,798	145,178
Deferred outflows related to OPEB	1,087,579	349,083	105,045	55,444	1,597,151	21,491
Total deferred outflows of resources	12,227,067	1,358,619	548,949	157,536	14,292,171	166,669

Business-type Activities - Enterprise Funds

	Water and Wastewater	Solid Waste	Emergency Medical Transportation	Golf Course	Total	Governmental Activities- Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	12,896,697	842,589	39,634	273,499	14,052,419	392,106
Deposits	669,255	-	-	-	669,255	-
Accrued expenses	2,892,244	850,474	155,383	164,139	4,062,240	11,210,359
Due to other funds	-	-	-	125,821	125,821	-
Unearned revenue	241,975	-	-	-	241,975	-
Accrued interest payable	5,235,691	-	-	-	5,235,691	-
General obligation bond - current	21,690,000	-	-	-	21,690,000	-
Excise tax revenue obligations- current	3,788,000	-	-	-	3,788,000	-
Water/sewer revenue obligations -current	1,380,000	-	-	-	1,380,000	-
WIFA loan payable	833,231	-	-	-	833,231	-
Capital leases payable	-	-	-	160,217	160,217	-
Total current liabilities	49,627,093	1,693,063	195,017	723,676	52,238,849	11,602,465
Noncurrent liabilities:						
Advance from other funds	-	-	-	2,621,354	2,621,354	-
General obligation bonds payable	172,369,898	-	-	-	172,369,898	-
Excise tax revenue obligations	58,734,064	-	-	-	58,734,064	-
Water/sewer revenue obligations	83,035,573	-	-	-	83,035,573	-
WIFA loan payable	6,351,352	-	-	-	6,351,352	-
Capital leases payable	-	-	-	166,851	166,851	-
Total OPEB liability	7,551,237	2,399,805	651,021	410,721	11,012,784	105,604
Pensions	16,612,764	5,593,632	2,459,577	565,673	25,231,646	804,399
Total noncurrent liabilities	344,654,888	7,993,437	3,110,598	3,764,599	359,523,522	910,003
Total liabilities	394,281,981	9,686,500	3,305,615	4,488,275	411,762,371	12,512,468
Deferred Inflows of Resources						
Deferred inflows related to pensions	72,120	24,283	10,678	2,456	109,537	3,492
Deferred inflows related to OPEB	337,729	109,902	37,529	15,601	500,761	9,408
Total deferred inflows of resources	409,849	134,185	48,207	18,057	610,298	12,900
Net Position						
Net investment in capital assets	138,332,375	7,529,959	1,165,173	4,422,757	151,450,264	-
Unrestricted	148,398,132	1,626,759	(321,668)	(3,995,538)	145,707,685	12,619,674
Total net position	\$ 286,730,507	\$ 9,156,718	\$ 843,505	\$ 427,219	\$ 297,157,949	\$ 12,619,674

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

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2021

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	\$ 90,696,447	\$ 19,824,131	\$ 4,135,310	\$ 3,907,736	\$ 118,563,624	\$ 42,993,016
Miscellaneous	723,004	-	165,040	97	888,141	-
Total operating revenues	<u>91,419,451</u>	<u>19,824,131</u>	<u>4,300,350</u>	<u>3,907,833</u>	<u>119,451,765</u>	<u>42,993,016</u>
Operating expenses:						
Personnel services	17,151,579	5,392,689	2,509,378	594,526	25,648,172	-
Supplies and materials	6,380,117	431,856	320,714	455,399	7,588,086	-
Fees and services	24,432,640	9,999,702	1,118,707	1,684,279	37,235,328	37,334,216
Depreciation	21,312,503	1,494,970	201,676	527,525	23,536,674	-
Total operating expenses	<u>69,276,839</u>	<u>17,319,217</u>	<u>4,150,475</u>	<u>3,261,729</u>	<u>94,008,260</u>	<u>37,334,216</u>
Operating income (loss)	<u>22,142,612</u>	<u>2,504,914</u>	<u>149,875</u>	<u>646,104</u>	<u>25,443,505</u>	<u>5,658,800</u>
Nonoperating revenues (expenses):						
Investment income (loss)	179,150	13,707	7,816	51	200,724	15,582
Interest and fiscal fees	(9,541,773)	-	-	(74,887)	(9,616,660)	-
Gain (loss) on sale of capital assets	163,504	93,459	-	10,001	266,964	-
Net loss from joint venture	(7,724,296)	-	-	-	(7,724,296)	-
Income (loss) before contributions and operating transfers	<u>5,219,197</u>	<u>2,612,080</u>	<u>157,691</u>	<u>581,269</u>	<u>8,570,237</u>	<u>5,674,382</u>
Capital contributions	-	-	-	100,000	100,000	-
Transfers in	5,419,069	-	-	85,357	5,504,426	-
Transfers out	(6,281,242)	(43,249)	-	-	(6,324,491)	-
Change in net position	<u>4,357,024</u>	<u>2,568,831</u>	<u>157,691</u>	<u>766,626</u>	<u>7,850,172</u>	<u>5,674,382</u>
Total net position- beginning	<u>282,373,483</u>	<u>6,587,887</u>	<u>685,814</u>	<u>(339,407)</u>	<u>289,307,777</u>	<u>6,945,292</u>
Total net position- ending	<u>\$ 286,730,507</u>	<u>\$ 9,156,718</u>	<u>\$ 843,505</u>	<u>\$ 427,219</u>	<u>\$ 297,157,949</u>	<u>\$ 12,619,674</u>

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2021

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	\$ 89,331,663	\$ 19,439,823	\$ 4,126,503	\$ 3,898,256	\$ 116,796,245	\$ -
Receipts from other funds	-	-	-	-	-	43,016,641
Payments to employees for services	(15,925,762)	(5,425,243)	(2,249,403)	(554,754)	(24,155,162)	-
Payments to suppliers for goods and services	(33,994,689)	(11,340,099)	(1,424,017)	(1,937,496)	(48,696,301)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(36,985,499)
Net cash provided (used) by operating activities	<u>39,411,212</u>	<u>2,674,481</u>	<u>453,083</u>	<u>1,406,006</u>	<u>43,944,782</u>	<u>6,031,142</u>
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	985,746	-	-	(985,746)	-	-
Transfers in	5,419,069	-	-	85,357	5,504,426	-
Transfers out	(6,281,242)	(43,249)	-	-	(6,324,491)	-
Net cash provided (used) by noncapital financing activities	<u>123,573</u>	<u>(43,249)</u>	<u>-</u>	<u>(900,389)</u>	<u>(820,065)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	35,480,000	-	-	-	35,480,000	-
Principal paid on advances	-	-	-	(127,474)	(127,474)	-
Principal paid on long-term debt	(16,585,802)	-	-	-	(16,585,802)	-
Principal paid on capital leases	-	-	-	(153,848)	(153,848)	-
Interest and fiscal fees	(8,246,898)	-	-	(74,887)	(8,321,785)	-
Change in capital assets	(57,567,020)	(153,022)	(47,813)	(259,180)	(58,027,035)	-
Unearned revenue	37,824	-	-	-	37,824	-
Cash received from capital contributions	-	-	-	100,000	100,000	-
Proceeds from the sale of capital assets	163,504	93,459	-	10,001	266,964	-
Net cash provided (used) by capital and related financing activities	<u>(46,718,392)</u>	<u>(59,563)</u>	<u>(47,813)</u>	<u>(505,388)</u>	<u>(47,331,156)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	208,498	15,811	7,862	(229)	231,942	16,750
Issuance of notes receivable	304,952	-	-	-	304,952	-
Net cash provided (used) by investing activities	<u>513,450</u>	<u>15,811</u>	<u>7,862</u>	<u>(229)</u>	<u>536,894</u>	<u>16,750</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,670,157)</u>	<u>2,587,480</u>	<u>413,132</u>	<u>-</u>	<u>(3,669,545)</u>	<u>6,047,892</u>
Cash and cash equivalents at beginning of year	133,129,495	5,824,440	56,357	-	139,010,292	18,835,802
Cash and cash equivalents at end of year	<u>\$ 126,459,338</u>	<u>\$ 8,411,920</u>	<u>\$ 469,489</u>	<u>\$ -</u>	<u>\$ 135,340,747</u>	<u>\$ 24,883,694</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 22,142,612	\$ 2,504,914	\$ 149,875	\$ 646,104	\$ 25,443,505	\$ 5,658,800
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	21,312,503	1,494,970	201,676	527,525	23,536,674	-
Change in assets and liabilities:						
(Increase) decrease in receivables	(2,087,788)	(384,308)	(173,847)	(9,577)	(2,655,520)	23,625
(Increase) decrease in inventories	(338,667)	-	-	-	(338,667)	-
(Increase) decrease in net OPEB asset	(43,505)	(13,765)	(6,557)	(1,431)	(65,258)	(2,101)
Increase (decrease) in deposits	(58,675)	(53,777)	-	-	(112,452)	-
Increase (decrease) in payables	2,263,945	(854,764)	15,404	202,182	1,626,767	170,525
Increase (decrease) in accrued expenses	23,468	5,220	34,689	20,632	84,009	128,435
(Increase) decrease in deferred outflows	(2,434,724)	(745,843)	(312,846)	(97,755)	(3,591,168)	(86,853)
Increase (decrease) in deferred inflows	(664,838)	(264,081)	(104,846)	(21,052)	(1,054,817)	(38,676)
Increase (decrease) in pension	3,464,221	707,838	572,958	91,678	4,836,695	164,890
Increase (decrease) in net OPEB liability	881,195	278,077	76,577	47,700	1,283,549	12,497
Net cash provided (used) by operating activities	<u>\$ 44,459,747</u>	<u>\$ 2,674,481</u>	<u>\$ 453,083</u>	<u>\$ 1,406,006</u>	<u>\$ 48,993,317</u>	<u>\$ 6,031,142</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	<u>\$ (7,724,296)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,724,296)</u>	<u>\$ -</u>
Total noncash investing, capital, and financing activities:	<u>\$ (7,724,296)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,724,296)</u>	<u>\$ -</u>

Statement of Fiduciary Net Position

Fiduciary Trust Fund

June 30, 2021

City of Tempe, Arizona

	<u>Other Employee Benefit Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 66,126
Investments at fair value:	
Equity	13,716,337
Mutual Funds	5,327,860
Total investments	<u>19,044,197</u>
Total assets	<u>19,110,323</u>
Net Position	
Restricted for other post employment benefits	19,110,323
Total net position	<u>\$ 19,110,323</u>

Statement of Changes In Fiduciary Net Position

Fiduciary Trust Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	<u>Other Employee Benefit Trust Fund</u>
Additions:	
Contributions:	
Employer contributions	\$ 8,869,788
Investment earnings:	
Net increase in fair value of investments	3,016,038
Interest, dividends and other	1,219,711
Investment costs	(74,301)
Net investment earnings	<u>4,161,448</u>
Total additions	<u>13,031,236</u>
Deductions:	
Benefits paid to participants or beneficiaries	7,617,021
Medical insurance for retirees	1,252,766
Total deductions	<u>8,869,787</u>
Net increase in fiduciary net position	4,161,449
Net position- beginning	<u>14,948,874</u>
Net position- ending	<u>\$ 19,110,323</u>

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

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.

A. Reporting Entity

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

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

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

B. Basic Financial Statements

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Debt Service (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

E. Budgetary Data

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data (Continued)

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.

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 2021 Expenditure Limitation is \$554,688,478.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$7.6 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Long-term Obligations (Continued)

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.

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.

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.

NOTE 4 - CASH AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$21,340,214 and the bank balance was \$21,912,224; \$21,352,224 of that amount was exposed to custodial risk because it was uninsured and is collateralized with securities held by the pledging financial institution. In addition, the City holds \$29,955 in petty cash.

Investments

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

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 510,378,447
Carrying amount of cash deposits	21,340,214
Total cash and investments	<u>\$ 531,718,661</u>
Pooled cash and investments – unrestricted	\$ 436,490,958
Restricted cash and investments	76,117,380
Investments in OPEB trust	19,110,323
Total cash and investments	<u>\$ 531,718,661</u>

The City had a net increase in the fair value of investments during Fiscal Year 2021 of \$56,833,967. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

At June 30, 2021, 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	49 - 60 Months
US government treasuries	Level 2	\$ 136,618,774	\$ 52,561,747	\$ 27,253,430	\$ 37,197,972	\$ 19,605,625	\$ -
US government treasuries	Level 2	207,672,446	71,647,578	86,572,861	44,589,820	4,302,749	559,438
Money market	Level 1	69,491,697	69,491,697	-	-	-	-
Principal cash	Level 1	51,304,888	51,304,888	-	-	-	-
Held with trustee							
State investment pool	N/A	26,246,445	26,246,445	-	-	-	-
Mutual funds	Level 1	19,044,197	19,044,197	-	-	-	-
		<u>\$ 510,378,447</u>	<u>\$290,296,552</u>	<u>\$113,826,291</u>	<u>\$ 81,787,792</u>	<u>\$ 23,908,374</u>	<u>\$ 559,438</u>

NOTE 4 CASH AND INVESTMENTS (Continued)

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.

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 S&P Global. 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, 2021, 26.78% of the City's investments are in US Treasuries, 8.34% of the City's investments are in Fannie Mae, 5.17% of the City's investments are in Federal Farm Credit Bank, 5.93% of the City's investments are in Federal Home Loan Bank, 21.23% of the City's investments are in Federal Home Loan Mortgage Corporation securities, and 13.61% 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, 2021:

	Due to	Due from
General fund	\$ -	\$ 176,395
Other governmental funds	176,395	-
Total governmental funds	\$ 176,395	\$ 176,395
	Due to	Due from
Water and wastewater fund	\$ -	\$ 125,821
Golf fund	125,821	-
Total enterprise funds	\$ 125,821	\$ 125,821

The interfund balances at June 30, 2021 are short-term transfers to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2021 are expected to be repaid within one year.

Transfers Out

	Transfers Out						Total
	General	Transit Special Revenue	General Obligation Debt Service	Non-major Governmental	Water and Wastewater	Solid Waste	
General	-	-	-	\$ 12,500,000	\$ 20,750	-	\$ 12,520,750
General Obligation Debt Service	644,355	-	-	4,836	5,503,240	4,836	6,157,267
Transit Capital Projects	-	8,204,740	-	-	-	-	8,204,740
Non-major Governmental	6,467,122	82,047	2,901,690	5,641,164	683,252	38,413	15,813,688
Water and Wastewater	-	-	5,419,069	-	-	-	5,419,069
Golf	-	-	-	11,357	74,000	-	85,357
Total	\$ 7,111,477	\$ 8,286,787	\$ 8,320,759	\$ 18,157,357	\$ 6,281,242	\$ 43,249	\$ 48,200,871

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 2.1% 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, 2021 was \$2,621,354.

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 and paid in full during the year ended June 30, 2021. Payments were received semi-annually, and any unpaid interest was capitalized.

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE (Continued)

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, 2021 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 a development agreement to add a light rail station at Washington and Center Parkway. The agreement has total contributions 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. At June 30, 2021, the note receivable balance in the Transit Special Revenue fund is \$1,028,653 and the corresponding revenue has been reported as a deferred inflow of resources.

In accordance with a development agreement, the City has deferred certain water and sewer development fees. Commencing in August 2011, the City receives \$12,324 monthly over a 10-year period with an interest rate of 4.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2021 was \$12,283 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, 2021 was \$134,164 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 the operating budget for the jointly used facilities.

As of June 30, 2020 (the latest information available), the City has a 15.94% 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.

NOTE 7 - JOINT VENTURE (Continued)

Subregional Operating Group (SROG) (Continued)

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2020 (the latest information available) is as follows (in thousands):

Total assets	\$ 680,581
Total liabilities	<u>(47,619)</u>
Total net position	<u>\$ 632,962</u>
Total revenues	\$ 64,963
Total expenses	(88,656)
Total non-operating revenues (expenses)	<u>521</u>
Net decrease in net position	<u>\$ (23,172)</u>

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture on June 30, 2021, was \$108,174,452. The City's net loss from joint venture was \$7,724,296 for the fiscal year ended June 30, 2021. 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, 2021, the City has a 19.58% (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, 2020 (the latest information available) is as follows (in thousands):

Total assets	\$ 1,809,952
Total liabilities	<u>(145,630)</u>
Total net position	<u>\$ 1,664,322</u>
Operating revenues	\$ 13,008
Operating expenses	(114,114)
Non-operating revenues	62,368
Non-operating expenses	(22,913)
Capital Contributions	<u>214,833</u>
Net increase in net position	<u>\$ 153,182</u>

NOTE 7 - JOINT VENTURE (Continued)

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

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 on June 30, 2021 was \$385,851,529. During the fiscal year ended June 30, 2021, the equity in joint venture increased by \$26,323,904. This is primarily due to the funding of the transit streetcar project through capital grants. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

Regional Wireless Cooperative (RWC)

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

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

The City records its share of contributions to the RWC and the equity in the joint venture in the government-wide financial statements. The City did not make current year contributions. As of June 30, 2021, the City’s net investment in RWC was \$7,471,148 (unaudited), or 11.81% 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, 2020 (the latest information available) is as follows (in thousands):

Total assets	\$ 70,813
Total liabilities	<u>(2,164)</u>
Total net position	<u>\$ 68,649</u>
Total revenues	\$ 13,019
Total expenses	<u>(15,268)</u>
Net decrease in net position	<u>\$ (2,249)</u>

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, for the RWC may be obtained from the Regional Wireless Cooperative, 200 West Washington Street, 7th Floor, Phoenix, Arizona, 85003-1611.

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2021 is as follows:

	Balances June 30, 2020	Additions	Retirements	Transfers in (out)	Balances June 30, 2021
Governmental activities:					
Non-depreciable assets:					
Land	\$ 91,314,323	\$ 254,100	\$ -	\$ -	\$ 91,568,423
Construction-in-progress	71,183,129	52,838,340	(3,512,600)	(22,713,579)	97,795,290
Total non-depreciable assets	<u>162,497,452</u>	<u>53,092,440</u>	<u>(3,512,600)</u>	<u>(22,713,579)</u>	<u>189,363,713</u>
Depreciable assets:					
Buildings	317,926,637	1,016,400	-	1,448,102	320,391,139
Infrastructure	822,565,301	-	-	5,402,775	827,968,076
Improvements	221,742,007	-	-	15,339,409	237,081,416
Machinery and equipment	<u>173,085,701</u>	<u>3,664,648</u>	<u>(1,602,930)</u>	<u>502,770</u>	<u>175,650,189</u>
Total depreciable assets	1,535,319,646	4,681,048	(1,602,930)	22,693,056	1,561,090,820
Less Accumulated depreciation for:					
Buildings	(169,768,002)	(11,315,926)	-	-	(181,083,928)
Infrastructure	(461,829,968)	(18,576,807)	-	-	(480,406,775)
Improvements	(102,771,764)	(9,788,064)	-	-	(112,559,828)
Machinery and equipment	<u>(142,851,548)</u>	<u>(6,779,731)</u>	<u>1,554,283</u>	<u>20,523</u>	<u>(148,056,473)</u>
Total accumulated depreciation	(877,221,282)	(46,460,528)	1,554,283	20,523	(922,107,004)
Total Depreciable Assets, net	<u>658,098,364</u>	<u>(41,779,480)</u>	<u>(48,647)</u>	<u>22,713,579</u>	<u>638,983,816</u>
Governmental activities capital assets, net	<u>\$ 820,595,816</u>	<u>\$ 11,312,960</u>	<u>\$ (3,561,247)</u>	<u>\$ -</u>	<u>\$ 828,347,529</u>

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

Police	\$ 4,916,438
Fire medical rescue	2,030,237
Community services	4,958,833
Engineering and transportation	30,507,683
Municipal utilities	20,798
Community development	1,301,212
Human services	211,367
Municipal court	362,028
City manager	31,888
City attorney	5,158
City clerk	2,295
Internal services	610,348
Unallocated depreciation	<u>1,502,243</u>
Total depreciation expense	<u>\$ 46,460,528</u>

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2020	Additions	Retirements	Transfers in (out)	Balances June 30, 2021
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	85,816,063	57,355,142	(1,349,463)	(29,412,285)	112,409,457
Total non-depreciable assets	92,509,440	57,355,142	(1,349,463)	(29,412,285)	119,102,834
Depreciable assets:					
Buildings	49,802,667	-	-	-	49,802,667
Infrastructure	347,255,505	-	-	24,346,903	371,602,408
Improvements	209,176,991	-	-	-	209,176,991
Machinery and equipment	40,452,122	2,026,646	(2,356,675)	5,085,905	45,207,998
Total depreciable assets	646,687,285	2,026,646	(2,356,675)	29,432,808	675,790,064
Less Accumulated depreciation for:					
Buildings	(29,505,956)	(1,260,466)	-	-	(30,766,422)
Infrastructure	(188,863,474)	(10,980,999)	-	-	(199,844,473)
Improvements	(101,811,551)	(8,376,222)	-	-	(110,187,773)
Machinery and equipment	(23,768,010)	(2,918,987)	2,351,385	(20,523)	(24,356,135)
Total accumulated depreciation	(343,948,991)	(23,536,674)	2,351,385	(20,523)	(365,154,803)
Total Depreciable Assets, net	302,738,294	(21,510,028)	(5,290)	29,412,285	310,635,261
Business-type activities capital assets, net	<u>\$ 395,247,734</u>	<u>\$ 35,845,114</u>	<u>\$ (1,354,753)</u>	<u>\$ -</u>	<u>\$ 429,738,095</u>

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

Water and wastewater	\$ 21,312,503
Solid waste	1,494,970
Emergency medical transportation	201,676
Golf course	527,525
Total depreciation expense	<u>\$ 23,536,674</u>

A summary of net investment in capital assets, for the government-wide financial statements, for the fiscal year ended June 30, 2021 is as follows:

	Governmental Activities	Business-Type Activities	Total
Total Capital Assets	\$ 1,750,454,533	\$ 794,892,898	\$ 2,545,347,431
Less: Accumulated Depreciation	(922,107,004)	(365,154,803)	(1,287,261,807)
Total Capital Assets, Net	828,347,529	429,738,095	1,258,085,624
Less: Outstanding Capital Asset Debt Principal	(295,243,231)	(286,259,651)	(581,502,882)
Plus: Outstanding Equity in Joint Venture Debt Principal	41,380,000	62,080,133	103,460,133
Less: Matured Debt Payable	(25,037,000)	(26,858,000)	(51,895,000)
Less: Premiums on Outstanding Debt	(26,374,477)	(35,391,535)	(61,766,012)
Plus: Deferred Charge on Refunding	5,735,824	8,141,222	13,877,046
Plus: Unspent Debt Proceeds	397,049	-	397,049
Net investment in capital assets	<u>\$ 529,205,694</u>	<u>\$ 151,450,264</u>	<u>\$ 680,655,958</u>

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, \$22,545,000 was issued to finance improvements for Street Improvements and Infrastructure Preservation, Community Services, Parks, Public Safety, with \$75,000 of the issuance and \$25K from the related premium transferred to the Golf Fund as a capital contribution. 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 on June 30, 2021, were as follows (the 7/1/2021 principal payment was deducted as the Fiscal Year 2021 resources were dedicated):

\$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%	\$ 765,000
\$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%	6,490,000
\$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%	9,220,000
\$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%	7,875,000
\$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%	31,180,000
\$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%	28,900,000
\$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%	10,820,000
\$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%	72,670,000
\$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%	24,340,000
\$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%	34,070,000
\$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%	48,040,000
\$24,165,000 2020A Capital Improvement Serial Bonds due in annual installments of \$750,000 to \$1,430,000 beginning July 1, 2021 through July 1, 2040; interest at 2.60%	23,415,000
\$34,580,000 2020B Capital Improvement Refunding Serial Bonds due in annual installments of \$2,355,000 beginning July 1, 2021 through July 1, 2030; interest at 1.30%	27,320,000
\$22,545,000 2021 Capital Improvement Serial Bonds due in annual installments of \$660,000 to \$2,240,000 beginning July 1, 2022 through July 1, 2041; interest at 5%	<u>22,545,000</u>
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 352,970,000</u>

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
2022	\$ 41,545,000	\$ 13,499,069	\$ 55,044,069
2023	38,420,000	12,087,978	50,507,978
2024	35,635,000	10,723,633	46,358,633
2025	31,175,000	9,419,168	40,594,168
2026	26,795,000	8,171,165	34,966,165
2027-2031	93,730,000	27,851,907	121,581,907
2032-2036	57,065,000	12,809,549	69,874,549
2037-2041	28,605,000	2,764,050	31,369,050
	<u>\$ 352,970,000</u>	<u>\$ 97,326,519</u>	<u>\$ 450,296,519</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
2022	\$ 20,235,000	\$ 7,294,104	\$ 27,529,104
2023	17,245,000	6,614,313	23,859,313
2024	15,530,000	6,008,768	21,538,768
2025	14,760,000	5,504,508	20,264,508
2026	13,485,000	4,910,005	18,395,005
2027-2031	61,340,000	17,256,617	78,596,617
2032-2036	35,895,000	7,341,386	43,236,386
2037-2041	18,375,000	1,971,450	20,346,450
	<u>\$ 196,865,000</u>	<u>\$ 56,901,151</u>	<u>\$ 253,766,151</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 21,310,000	\$ 6,204,965	\$ 27,514,965
2023	21,175,000	5,473,665	26,648,665
2024	20,105,000	4,714,865	24,819,865
2025	16,415,000	3,914,660	20,329,660
2026	13,310,000	3,261,160	16,571,160
2027-2031	32,390,000	10,595,290	42,985,290
2032-2036	21,170,000	5,468,163	26,638,163
2037-2039	10,230,000	792,600	11,022,600
	<u>\$ 156,105,000</u>	<u>\$ 40,425,368</u>	<u>\$ 196,530,368</u>

NOTE 9 - LONG-TERM DEBT (Continued)

Special Assessment Bonds Payable with Governmental Commitment

Improvement Districts. 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. On June 30, 2021, the special assessments receivable of \$13,687,449, 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, 2021, there is \$88,034 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 \$529,415 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 on June 30, 2021, were as follows:

\$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>\$ 13,070,000</u>
Total special assessment bonds outstanding	<u><u>\$ 13,070,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,585,000	398,125	1,983,125
2026	1,665,000	316,875	1,981,875
2027-2029	5,505,000	421,875	5,926,875
	<u>\$ 13,070,000</u>	<u>\$ 2,780,750</u>	<u>\$ 15,850,750</u>

Transit Excise Tax Revenue Obligations. On May 28, 2020, the City issued \$13,160,000 of direct placement, Excise Tax Revenue Obligations. The proceeds were used to fund the costs associated with a portion of the City’s streetcar project benefitting certain properties and to pay the costs incurred to execute and deliver the obligations.

The obligations are secured by a first lien upon the Transit Excise Taxes on a parity with the outstanding City of Tempe, Arizona Transit Excise Tax Revenue Refunding Obligations, Series 2012; the City of Tempe, Arizona Transit Excise Tax Revenue Refunding Obligations, Series 2017; and any other obligations hereafter executed and delivered on a parity therewith pursuant to the Trust Agreement and the Purchase Agreement. The City has assessed and is responsible for the collection of assessments secured by a lien on the assessed properties, for which the primary source of repayment is the assessments levied against the benefiting properties for the additional streetcar capital improvement project costs. At June 30, 2021, the Transit Fund special assessments receivable on the assessed properties totaled \$11,551,123. As development occurs, additional benefitting properties will be assessed in an amount not to exceed \$13.0 million for all assessed properties.

NOTE 9 - LONG-TERM DEBT (Continued)

Transit Excise Tax Revenue Obligations (Continued)

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.

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.

\$13,160,000 2020 Excise Tax Revenue Obligations due in annual installments of \$475,000 to \$840,000 through July 1, 2040; interest at 2.70% \$ 12,685,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 520,000	\$ 342,495	\$ 862,495
2023	535,000	328,455	863,455
2024	550,000	314,010	864,010
2025	560,000	299,160	859,160
2026	580,000	284,040	864,040
2027-2031	3,135,000	1,177,065	4,312,065
2032-2036	3,580,000	730,485	4,310,485
2037-2040	3,225,000	220,590	3,445,590
	<u>\$ 12,685,000</u>	<u>\$ 3,696,300</u>	<u>\$ 16,381,300</u>

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.

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 7/1/2021 principal payment was deducted as the fiscal year 2021 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%	\$ 1,570,000
\$7,300,000 2011B Excise Tax Revenue Obligations due in one installment of \$7,300,000 on July 1, 2025; interest due semi-annually at 4.87%, net of 72.38% federal credit	<u>7,300,000</u>
Total	<u>\$ 8,870,000</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
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>\$ 8,870,000</u>	<u>\$ 471,532</u>	<u>\$ 9,341,532</u>

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
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>\$ 7,340,000</u>	<u>\$ 395,032</u>	<u>\$ 7,735,032</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,530,000	\$ 76,500	\$ 1,606,500
	<u>\$ 1,530,000</u>	<u>\$ 76,500</u>	<u>\$ 1,606,500</u>

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 7/1/2021 principal payment was deducted as the fiscal year 2021 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% \$ 16,040,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,545,000	250,875	2,795,875
2026	485,000	123,625	608,625
2027-2031	2,675,000	378,838	3,053,838
2032	590,000	20,650	610,650
	<u>\$ 16,040,000</u>	<u>\$ 2,512,613</u>	<u>\$ 18,552,613</u>

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
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>\$ 10,565,000</u>	<u>\$ 1,274,000</u>	<u>\$ 11,839,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 400,000	\$ 209,875	\$ 609,875
2025	420,000	189,875	609,875
2024	440,000	168,875	608,875
2025	465,000	146,875	611,875
2026	485,000	123,625	608,625
2027-2031	2,675,000	378,838	3,053,838
2032	590,000	20,650	610,650
	<u>\$ 5,475,000</u>	<u>\$ 1,238,613</u>	<u>\$ 6,713,613</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.

In the following outstanding balance, the 7/1/2021 principal payment was deducted as the fiscal year 2021 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%	<u>\$ 28,695,000</u>
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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:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,595,000	1,024,694	2,619,694
2026	1,680,000	944,944	2,624,944
2027-2031	9,655,000	3,456,893	13,111,893
2032-2036	10,465,000	1,464,956	11,929,956
2037	960,000	34,800	994,800
	<u>\$ 28,695,000</u>	<u>\$ 10,441,619</u>	<u>\$ 39,136,619</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.

In the following outstanding balance, the 7/1/2021 principal payment was deducted as the fiscal year 2021 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%	<u>\$ 19,050,000</u>
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NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,390,000	725,325	2,115,325
2026	1,460,000	655,825	2,115,825
2027-2031	8,455,000	2,117,750	10,572,750
2032-2033	3,960,000	269,325	4,229,325
	<u>\$ 19,050,000</u>	<u>\$ 6,328,950</u>	<u>\$25,378,950</u>

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

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

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

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next 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 7/1/2021 principal payment was deducted as the fiscal year 2021 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%	<u>\$ 19,580,000</u>
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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:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,745,000	694,750	2,439,750
2026	1,785,000	607,500	2,392,500
2027-2031	10,365,000	1,605,250	11,970,250
	<u>\$ 19,580,000</u>	<u>\$ 5,584,000</u>	<u>\$ 25,164,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 827,000</u>	<u>\$ 71,700</u>	<u>\$ 898,700</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,702,000	692,600	2,394,600
2026	1,785,000	607,500	2,392,500
2027-2031	10,365,000	1,605,250	11,970,250
	<u>\$ 18,753,000</u>	<u>\$ 5,512,300</u>	<u>\$ 24,265,300</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 7/1/2021 principal payment was deducted as the fiscal year 2021 resources were dedicated.

NOTE 9 - LONG-TERM DEBT (Continued)

Transit Excise Tax Revenue and Refunding Obligations (Continued)

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% \$ 17,070,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,100,000	400,509	1,500,509
2026	1,125,000	368,939	1,493,939
2027-2031	6,145,000	1,340,576	7,485,576
2032-2035	5,585,000	406,679	5,991,679
	<u>\$ 17,070,000</u>	<u>\$ 3,898,752</u>	<u>\$ 20,968,752</u>

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 7/1/2021 principal payment was deducted as the fiscal year 2021 resources were dedicated.

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations (Continued)

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% \$ 2,710,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	<u>\$ 2,710,000</u>	<u>\$ 53,387</u>	<u>\$ 2,763,387</u>
	<u>\$ 2,710,000</u>	<u>\$ 53,387</u>	<u>\$ 2,763,387</u>

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.

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations (Continued)

In the following outstanding balance, the 7/1/2021 principal payment was deducted as the fiscal year 2021 resources were dedicated.

\$9,110,000 2019 Excise Tax Revenue Refunding Obligations due in annual installments of \$1,000,000 to \$1,515,000 through July 1, 2029; interest at 5.00% to 6.50% \$ 8,110,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ -	\$ 405,500	\$ 405,500
2023	-	405,500	405,500
2024	1,200,000	405,500	1,605,500
2025	1,255,000	345,500	1,600,500
2026	1,320,000	282,750	1,602,750
2027-2029	4,335,000	440,250	4,775,250
	<u>\$ 8,110,000</u>	<u>\$ 2,285,000</u>	<u>\$ 10,395,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ -	\$ 118,750	\$ 118,750
2023	-	118,750	118,750
2024	350,000	118,750	468,750
2025	365,000	101,250	466,250
2026	385,000	83,000	468,000
2027-2029	1,275,000	129,500	1,404,500
	<u>\$ 2,375,000</u>	<u>\$ 670,000</u>	<u>\$ 3,045,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ -	\$ 286,750	\$ 286,750
2023	-	286,750	286,750
2024	850,000	286,750	286,750
2025	890,000	244,250	1,136,750
2026	935,000	199,750	1,134,250
2027-2029	3,060,000	310,750	4,505,500
	<u>\$ 5,735,000</u>	<u>\$ 1,615,000</u>	<u>\$ 7,350,000</u>

Water and Sewer Revenue Obligations. On May 28, 2020, the City issued \$38,000,000 of direct placement, Water and Sewer Revenue Obligations. The proceeds were used to fund the costs associated with (i) the acquisition and construction of various improvements to the City's water and sewer systems and (ii) to pay the costs incurred to execute and deliver the obligations.

NOTE 9 - LONG-TERM DEBT (Continued)

Water and Sewer Revenue Obligations (Continued)

Water and sewer revenue bonds are issued to provide funds to acquire and construct certain improvements to the water and sewer systems of the City and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues from these systems, and do not constitute a general obligation of the City backed by the general taxing authority. The City has pledged future water and wastewater system revenues, net of operating expenses, to repay outstanding water and wastewater system revenue bonds. Proceeds of the bonds were used for improvements and expansions to the City’s water and wastewater systems. The bonds are payable solely from net water and wastewater system revenues and are payable through July 1, 2029.

Buyer covenants and agrees that it shall at all times establish, fix, maintain and collect rates, fees and other charges for all water and services furnished by the Water and Sewer Systems fully sufficient at all times to produce Net Revenues will equal at least 120% of the debt service coming due in the corresponding Bond Year on all Senior Obligations then Outstanding.

The net revenues of the system consist of revenues collected from customers including development impact fees and interest income less such necessary expenses of operation, maintenance, and repair of the system excluding depreciation, amortization and debt service.

\$38,000,000 2020 Water and Sewer Revenue Obligations due in annual installments of \$1,380,000 to \$2,415,000 through July 1, 2040; interest at 2.65% \$ 36,620,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,505,000	\$ 970,430	\$ 2,475,430
2023	1,545,000	930,548	2,475,548
2024	1,590,000	889,605	2,479,605
2025	1,630,000	847,470	2,477,470
2026	1,675,000	804,725	2,479,275
2027-2031	9,060,000	3,331,580	12,391,580
2032-2036	10,330,000	2,065,808	12,395,808
2037-2040	9,285,000	623,279	9,908,279
	<u>\$ 36,620,000</u>	<u>\$ 10,462,995</u>	<u>\$ 47,082,995</u>

On June 8, 2021, the City issued \$38,000,000 of direct placement, Water and Sewer Revenue Obligations. The proceeds were used to fund the costs associated with (i) the acquisition and construction of various improvements to the City’s water and sewer systems and (ii) to pay the costs incurred to execute and deliver the obligations.

Water and sewer revenue bonds are issued to provide funds to acquire and construct certain improvements to the water and sewer systems of the City and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues from these systems, and do not constitute a general obligation of the City backed by the general taxing authority. The City has pledged future water and wastewater system revenues, net of operating expenses, to repay outstanding water and wastewater system revenue bonds. Proceeds of the bonds were used for improvements and expansions to the City’s water and wastewater systems. The bonds are payable solely from net water and wastewater system revenues and are payable through July 1, 2041.

Buyer covenants and agrees that it shall at all times establish, fix, maintain and collect rates, fees and other charges for all water and services furnished by the Water and Sewer Systems fully sufficient at all times to produce Net Revenues will equal at least 120% of the debt service coming due in the corresponding Bond Year on all Senior Obligations then Outstanding.

NOTE 9 - LONG-TERM DEBT (Continued)

Water and Sewer Revenue Obligations (Continued)

The net revenues of the system consist of revenues collected from customers including development impact fees and interest income less such necessary expenses of operation, maintenance, and repair of the system excluding depreciation, amortization and debt service.

\$35,480,000 2021 Water and Sewer Revenue Obligations due in annual installments of \$1,025,000 to \$2,715,000 through July 1, 2041; interest at 5.00% \$ 35,480,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,025,000	\$ 1,818,350	\$ 2,843,350
2023	1,130,000	1,722,750	2,852,750
2024	1,185,000	1,666,250	2,851,250
2025	1,245,000	1,607,000	2,852,000
2026	1,305,000	1,544,750	2,849,750
2027-2031	7,575,000	6,677,000	14,252,000
2032-2036	9,670,000	4,583,500	14,253,500
2037-2041	12,345,000	1,911,750	14,256,750
	<u>\$ 35,480,000</u>	<u>\$ 21,531,350</u>	<u>\$ 57,011,350</u>

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

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 1.25% to 2.35% \$ 2,062,000

The following discloses debt service requirements as of June 30, 2021 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 2,062,000</u>	<u>\$ 115,837</u>	<u>\$ 2,177,837</u>

NOTE 9 - LONG-TERM DEBT (Continued)

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

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

\$1,884,503 Water Infrastructure Finance Authority Loan #92A174-10 due in annual installments of \$69,678 to \$123,631 through July 1, 2029; interest at 1.56% and administrative fee at 1.50% \$ 892,031

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2021 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
2022	\$ 100,087	\$ 27,332	\$ 127,419
2023	103,154	24,265	127,419
2024	106,314	21,105	127,419
2025	109,572	17,847	127,419
2026	112,929	14,490	127,419
2027-2029	<u>359,975</u>	<u>22,281</u>	<u>382,256</u>
	<u>\$ 892,031</u>	<u>\$ 127,320</u>	<u>\$ 1,019,351</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% \$ 6,292,552

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2021 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
2022	\$ 733,144	\$ 125,851	\$ 858,995
2023	747,807	111,188	858,995
2024	762,763	96,232	858,995
2025	778,018	80,977	858,995
2026	793,579	65,416	858,995
2027-2029	<u>2,477,241</u>	<u>99,744</u>	<u>2,576,985</u>
	<u>\$ 6,292,552</u>	<u>\$ 579,408</u>	<u>\$ 6,871,960</u>

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

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The governmental assets acquired through capital leases are for equipment with an original cost of \$1,523,328. Accumulated depreciation as of June 30, 2021 totaled \$242,671. 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, 2021. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2022	\$ 487,376
	2023	481,523
	2024	17,279
		986,178
Less: remaining interest at varying interest rate (0% to 19.57%)		(6,947)
Present value of future minimum lease payments		<u>\$ 979,231</u>

The proprietary assets acquired through capital leases are for equipment with an original cost of \$802,406. Accumulated depreciation as of June 30, 2021 totaled \$315,231. 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, 2021. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2022	\$ 173,758
	2023	173,758
Total minimum lease payments		347,516
Less: remaining interest at 1.24% to 2.90%		(20,448)
Present value of future minimum lease payments		<u>\$ 327,068</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, 2021, the 20 percent debt limitation was \$597,166,293 with \$344,099,415 of outstanding debt. This provided a 20 percent debt margin of \$253,066,878. The 6 percent debt limitation was \$179,149,888 with \$84,50,477 of outstanding debt. This provided a 6 percent debt margin of \$95,099,411. The voter authorized, unissued debt, which is also subject to the statutory limitations of 20 percent and 6 percent, at June 30, 2021, was \$498,131,298.

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, 2021.

NOTE 9 - LONG-TERM DEBT (Continued)

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 \$196,865,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2041. Annual principal and interest payments on the bonds were 93.51% of total fiscal year ended June 30, 2021 General Obligation Debt Service Fund ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$253,766,151. Principal and interest paid for the current year and total ad valorem tax revenues were \$24,235,039 and \$31,710,944, 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 \$156,105,000 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 25.52% of total fiscal year ended June 30, 2021 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$196,530,368. Principal and interest paid for the current year and water and wastewater system revenues were \$28,568,174 and \$90,696,447, respectively.

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$23,817,000 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 2.89% of total fiscal year ended June 30, 2021 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$27,311,295. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$5,980,499 and \$198,947,519, 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 \$50,543,000 in outstanding business-type activities excise tax obligations. Proceeds of the bonds were used for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2033. Annual principal and interest payments on the bonds are expected to require less than 3.22% of total fiscal year ended June 30, 2021 excise taxes. The total principal and interest remaining to be paid on the bonds is \$65,344,363. Principal and interest paid for the current year and total excise taxes were \$6,402,500 and \$198,947,519, respectively.

Debt Service Coverage for Transit Excise Tax Obligations. For the repayment of transit excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 0.50% transportation excise tax. Proceeds of the bonds were used for the construction of the City's portion of the light rail system. The current balance outstanding is \$58,450,000. The bonds are payable through July 1, 2040. Annual principal and interest payments on the bonds are expected to require less than 10.47% of total fiscal year ended June 30, 2021 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$76,386,671. Principal and interest paid for the current year and transit excise taxes were \$4,978,120 and \$47,534,174 respectively.

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, 2021 (the ending balance does not include 7/1/2021 “matured” payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$191,860,000	\$ 22,545,000	\$ (17,540,000)	\$196,865,000	\$20,235,000
Premium on general obligation bonds	15,447,694	6,540,503	(1,415,625)	20,572,572	-
Special assessments	14,590,000	-	(1,520,000)	13,070,000	1,370,000
Special assessment 2020 Excise tax obligations (direct placement)	13,160,000	-	(475,000)	12,685,000	520,000
Premium on special assessments	451,134	-	(49,529)	401,605	-
2011 Excise tax obligations	7,375,000	-	(35,000)	7,340,000	40,000
2012 Excise tax obligations	12,275,000	-	(1,710,000)	10,565,000	1,795,000
2012 Excise tax refunding obligations	30,005,000	-	(1,310,000)	28,695,000	1,375,000
2016 Excise tax refunding obligations	1,159,000	-	(332,000)	827,000	345,000
2017 Excise tax refunding obligations (direct placement)	18,050,000	-	(980,000)	17,070,000	1,010,000
2017 Excise tax refunding obligations (direct placement)	5,365,000	-	(2,655,000)	2,710,000	2,710,000
2019 Excise tax refunding obligations	2,375,000	-	-	2,375,000	-
Premium on excise tax obligations	5,833,064	-	(432,764)	5,400,300	-
2004 HUD Section 108 loan	2,524,000	-	(462,000)	2,062,000	482,000
Capital leases	81,216	1,392,732	(494,717)	979,231	483,985
Capital Asset Debt Principal	320,551,108	30,478,235	(29,411,635)	321,617,708	30,365,985
Compensated absences	35,565,054	13,858,259	(12,639,586)	36,783,727	12,989,364
Claims and judgments	8,370,632	4,778,671	(3,851,008)	9,298,295	3,025,921
OPEB	75,203,766	10,227,624	(410,287)	85,021,103	-
Net pension liability	417,347,765	89,905,562	(38,761,910)	468,491,417	-
Governmental activities long-term	<u>\$857,038,325</u>	<u>\$ 149,248,351</u>	<u>\$ (85,074,426)</u>	<u>\$921,212,250</u>	<u>\$46,381,270</u>
Business-type activities:					
General obligation bonds payable	\$177,795,000	\$ -	\$ (21,690,000)	\$156,105,000	\$21,310,000
Premium on general obligation bonds	18,011,155	-	(1,746,257)	16,264,898	-
2011 Excise tax obligations	2,995,000	-	(1,465,000)	1,530,000	1,530,000
2012 Excise tax obligations	5,855,000	-	(380,000)	5,475,000	400,000
2013 Excise tax obligations	20,190,000	-	(1,140,000)	19,050,000	1,200,000
2016 Excise tax obligations	19,556,000	-	(803,000)	18,753,000	845,000
2019 Excise tax refunding obligations	5,735,000	-	-	5,735,000	-
Premium on excise tax obligations	9,165,302	-	(974,238)	8,191,064	-
2020 Revenue obligations (direct placement)	38,000,000	-	(1,380,000)	36,620,000	1,505,000
2021 Revenue obligations (direct placement)	-	35,480,000	-	35,480,000	1,025,000
Premium on revenue obligations	-	10,935,573	-	10,935,573	-
2010 WIFA Loan	989,143	-	(97,112)	892,031	100,087
2010 WIFA Loan	7,011,320	-	(718,768)	6,292,552	733,144
Capital leases	480,916	-	(153,848)	327,068	160,217
Capital Asset Debt Principal	305,783,836	46,415,573	(30,548,223)	321,651,186	28,808,448
OPEB	9,729,235	1,312,188	(28,639)	11,012,784	-
Net pension liability	20,394,951	6,690,298	(1,853,603)	25,231,646	-
Business-type activities long-term	<u>\$335,908,022</u>	<u>\$ 54,418,059</u>	<u>\$ (32,430,465)</u>	<u>\$357,895,616</u>	<u>\$28,808,448</u>

The long-term liabilities at June 30, 2021 have been reduced by deposits made with the City’s fiscal agent for July 1, 2021 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2021 are as follows:

\$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
\$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)	<u>9,030,000</u>
Total bonds advance refunded	<u>\$ 38,030,000</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.

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

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

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

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

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

As of June 30, 2021, 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, 2021, the unassigned fund balance is 56.9% of General Fund revenues.

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
Fund balances:							
Non-spendable:							
Inventories	\$ 141,694	\$ -	\$ -	\$ -	\$ -	\$ 978,393	\$ 1,120,087
Prepaid items	-	-	-	-	-	692,605	692,605
Capital improvements notes receivable	250,000	-	-	-	-	-	250,000
	<u>391,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,670,998</u>	<u>2,062,692</u>
Restricted:							
Debt service reserve	-	-	6,898,943	95,476	-	-	6,994,419
Police	-	-	-	-	-	4,156,102	4,156,102
Fire	-	-	-	-	-	693,685	693,685
Community services	-	-	-	-	-	8,596,879	8,596,879
Engineering and transportation	-	42,040,594	-	-	18,422,804	8,346,349	68,809,747
Community development	199,456	-	-	-	-	3,158,539	3,357,995
Human services	-	-	-	-	-	3,324,209	3,324,209
Municipal court	-	-	-	-	-	386,360	386,360
City manager	-	-	-	-	-	114,329	114,329
Strategic management and diversity	-	-	-	-	-	302,000	302,000
	<u>199,456</u>	<u>42,040,594</u>	<u>6,898,943</u>	<u>95,476</u>	<u>18,422,804</u>	<u>29,078,452</u>	<u>96,735,725</u>
Committed to:							
Police	-	-	-	-	-	29,563	29,563
Fire	-	-	-	-	-	147,618	147,618
Community services	-	-	-	-	-	5,455,405	5,455,405
Engineering and transportation	-	11,201,499	-	-	-	4,116,659	15,318,158
Community development	-	-	-	-	-	4,904,068	4,904,068
Human services	-	-	-	-	-	2,681,223	2,681,223
Municipal court	-	-	-	-	-	389,585	389,585
	<u>-</u>	<u>11,201,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,724,121</u>	<u>28,925,620</u>
Assigned to:							
Self-insurance purposes	6,841,391	-	-	-	-	-	6,841,391
Capital projects	-	-	-	-	-	3,212,537	3,212,537
Other	-	-	-	-	-	-	-
Hometown for All	1,825,000	-	-	-	-	246,372	2,071,372
COVID Funded Econ Dev Projects	986,000	-	-	-	-	387,970	1,373,970
Transit	-	8,033,876	-	-	-	-	8,033,876
TSA - Assigned to Diablo Stadium Improvements	10,927,021	-	-	-	-	-	10,927,021
	<u>20,579,412</u>	<u>8,033,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,846,879</u>	<u>32,460,167</u>
Unassigned:	138,855,354	-	-	-	-	(1,089,017)	137,766,337
Total fund balances	<u>\$ 160,025,916</u>	<u>\$ 61,275,969</u>	<u>\$ 6,898,943</u>	<u>\$ 95,476</u>	<u>\$ 18,422,804</u>	<u>\$ 51,231,433</u>	<u>\$ 297,950,541</u>

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, 2021, the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
Governmental funds:		
Transit	\$ 2,916,699	\$ 2,916,699
Other governmental funds	17,973,726	325,458
	<u>\$ 20,890,425</u>	<u>\$ 71,183,129</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
Proprietary funds:		
Water/wastewater	\$ 19,517,823	\$ 85,005,951
Solid waste	-	761,467
Golf	-	48,645
	<u>\$ 19,517,823</u>	<u>\$ 85,816,063</u>

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

	<u>Commitment</u>
Governmental funds:	
General	\$ 2,773,954
Transit	252,456
Other governmental funds	325,458
	<u>\$ 3,099,412</u>
	<u>Commitment</u>
Proprietary funds:	
Water/wastewater	\$ 145,928
Solid waste	1,867,356
Golf	27,873
	<u>\$ 2,041,157</u>

NOTE 13 - 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 14 - OTHER POSTEMPLOYMENT BENEFITS).

Amounts reported at June 30, 2021 represent June 30, 2020 measurement dates for both the Arizona State Retirement System and the Public Safety Personnel Retirement System, which is the latest information available.

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Aggregate Amounts. At June 30, 2021, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Pension	OPEB
Net assets	\$ -	\$ 703,550
Net liabilities	493,723,063	96,033,887
Deferred outflows of resources	101,528,006	13,547,145
Deferred inflows of resources	882,851	4,271,473
Expense	56,551,432	2,695,849
Contributions	40,615,513	9,652,989

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

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.

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 year ended June 30, 2021, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 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 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 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, 2021 were as follows:

	<u>Contributions</u>
Pension	\$ 9,740,350
Health Insurance Premium	326,072
Long-Term Disability	150,495

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 10.21 percent (10.14 for retirement, 0.00 percent for health insurance premium benefit, and 0.07 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, 2020. 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, 2019, to the measurement date of June 30, 2020. The total liability as of June 30, 2020 reflects changes in actuarial assumptions 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 actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017 actuarial valuation. 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, 2020.

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

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, 2019	June 30, 2019
Actuarial roll forward date	June 30, 2020	June 30, 2020
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 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.

At June 30, 2021, the City reported the following amounts for its proportionate share of the ASRS plans net assets/liability. In addition, at June 30, 2020, the City's percentage proportion for each plan and the related change from its proportion measured as of June 30, 2019 was:

	Net (Assets) Liability	City % Proportion	Increase (Decrease)
Pension	\$ 132,587,729	0.765%	\$21,556,531
Health Insurance Premium	(549,377)	0.776%	335,485
Long-Term Disability	584,844	0.771%	83,648

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, 2021, the City recognized pension and OPEB expense as follows:

	Expense
Pension	\$ 12,302,668
Health Insurance Premium	173,345
Long-Term Disability	184,641

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

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	\$ 1,199,486	\$ -	\$ 50,896
Changes of assumptions and other inputs	-	304,571	63,013
Difference between expected and actual investment earnings	12,788,242	562,112	64,390
Changes in proportion and differences between the City contributions and proportionate share of contributions	201,306	320	4,032
Contributions subsequent to the measurement date	9,740,350	326,072	150,495
Total	\$ 23,929,384	\$ 1,193,075	\$ 332,826

	Deferred Inflows of Resources		
	Pensions	Health Insurance Premium	Long-Term Disability
Difference between expected and actual experience	\$ -	\$ 1,082,511	\$ 15,060
Changes in proportion and differences between the City contributions and proportionate share of contributions	575,596	1,154	2,722
Total	\$ 575,596	\$ 1,083,665	\$ 17,782

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, 2022. 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 for the following June 30 roll forward dates:

	Deferred Outflows (Inflows) of Resources		
	Pension	Health Insurance Premium	Long-Term Disability
2022	\$ 1,015,727	\$ (116,942)	\$ 27,087
2023	4,016,732	1,982	37,537
2024	4,625,643	27,949	39,453
2025	3,955,336	(30,194)	35,470
2026	-	(99,457)	18,795
Thereafter	-	-	6,207

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective beginning 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%	6.39%
Credit	20	5.44
Interest Rate Sensitive Bonds	10	0.22
Real estate	20	5.85
Total	100%	

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

Discount Rate. The discount rate used to measure the ASRS total pension and OPEB asset was 7.5 percent. 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 asset.

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:

	Sensitivity of Net OPEB (Asset) Liability to Changes in the Discount Rate		
	Current Discount Rate		
	1% Decrease	Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Pension	\$ 181,311,921	\$ 132,587,729	\$ 91,856,808
Health Insurance Premium	720,840	(549,377)	(1,630,377)
Long-Term Disability	638,554	584,844	532,711

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

B. Public Safety Personnel Retirement System

Plan Descriptions. City public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). Public safety employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PCPDCRP). 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and employees who became PSPRS members on or after July 1, 2017, participate in either agent plans or cost-sharing plans (PSPRS Tier 3 Risk Pool). The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information.

The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information. This report is available on the PSPRS website at www.psprs.com.

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

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (continued)

	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)
Retirement and Disability:			
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		
Catastrophic Disability:	90% of average monthly benefit compensation. After 60 months, member receives greater of 62.5% average monthly benefit compensation and accrued normal pension.		
Survivor benefit: Retired members	80%-100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on 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.

Employees Covered by Benefit Terms. At the June 30, 2021 measurement date, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS – Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
Inactive plan members or beneficiaries currently receiving benefits	275	275	146	146
Inactive, entitled plan members not yet receiving benefits	79	43	34	27
Active plan members	309	309	141	141
Total	663	627	321	314

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (continued)

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, 2021, are indicated below. Rates are a percentage of active members' annual covered payroll for both defined benefit (DB) plans and defined contribution (DC) plans.

	PSPRS – Police				PSPRS – Fire			
	Tier 1 - DB	Tier 2 - DB	Tier 3 - DB	Tier 3 - DC	Tier 1 - DB	Tier 2 - DB	Tier 3 - DB	Tier 3 - DC
Employee	7.65%	11.65%	9.60%	10.41%	7.65%	11.65%	10.67%	10.41%
Employer	71.30%	71.30%	65.45%	66.26%	76.05%	76.05%	70.34%	70.08%

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 for Tier 1 and Tier 2 members of 55.85% for police and 59.67% 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. ACR Contributions are included in employer contributions presented below.

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

	PSPRS Police	PSPRS Fire
Pension	\$ 19,873,495	\$ 11,001,668
Health insurance	288,431	17,387

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, 2021, the City reported the following assets and liabilities.

	Net (Assets) Liabilities	
	PSPRS - Police	PSPRS – Fire
Pension	\$ 230,821,321	\$ 130,314,013
Health insurance	2,670,436	(154,173)

The net pension and OPEB assets/liability were measured as of June 30, 2020. The total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The significant actuarial assumptions used to measure the total pension liability and OPEB asset for both police and fire are as follows:

	Pension	OPEB
Actuarial valuation date	June 30, 2020	June 30, 2020
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.3% - Tiers 1 & 2 7.0% - Tier 3	7.3% - Tiers 1 & 2 7.0% - Tier 3
Projected salary increases	3.5% - 7.5%	not applicable
Inflation	2.5%	2.5%
Cost-of-living adjustment	1.75%	1.75%
Mortality rates	PubS-2010 tables using MP-2019 improvement scale	PubS-2010 tables using MP-2019 improvement scale

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (continued)

Actuarial assumptions used in the June 30, 2020 valuation were based on a 2016 experience using actual plan experience, consisting of 3.5% for wage inflation with the remaining portion for merit/seniority increases.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.30 percent for Tiers 1 and 2 benefits and 7.00 percent for Tier 3 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. Public Equity	23%	4.93%
International Public Equity	15	6.09
Global Private Equity	18	8.42
Other Assets (Capital Appreciation)	7	5.61
Core Bonds	2	0.22
Private Credit	22	5.31
Diversifying Strategies	12	3.22
Cash	1	(0.60)
Total	100%	

Discount Rates. At the June 30, 2020 valuation date, the discount rate used to measure the total pension and OPEB asset was 7.3 percent for Tiers 1 and 2 benefits and 7.0 percent for Tier 3 benefits. 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 asset.

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (continued)

Changes in Net (Assets)/Liabilities

	PSPRS - Police		PSPRS - Fire	
	Pension	Health Insurance	Pension	Health Insurance
Beginning Balance (Assets) Liability	\$ 208,699,993	\$ 2,413,324	118,011,525	\$ (344,561)
Total Liability Factors:				
Service cost	6,276,242	126,116	3,424,059	52,953
Interest	25,248,428	483,652	14,737,251	245,917
Difference between expected and actual experience with regard to economic and demographic assumptions	13,853,754	(1,712)	7,181,069	(30,913)
Changes in assumptions about future economic or demographic factors and other inputs	-	-	-	-
Benefit payments	(17,537,352)	(431,587)	(12,284,937)	(231,273)
Net change	27,841,072	176,469	13,057,442	36,684
Plan Fiduciary Net Position:				
Contributions – employer	18,813,057	294,958	10,643,938	33,080
Contributions – employee	2,760,167	8,990	1,369,664	2,074
Projected net investment income	10,337,198	302,680	6,307,688	265,028
Difference between projected and actual earnings on plan investments	(8,529,431)	(251,524)	(5,214,427)	(218,858)
Benefit payments	(17,537,352)	(431,587)	(12,284,937)	(231,273)
Administrative expenses	(147,615)	(4,160)	(89,363)	(3,755)
Other	23,712	-	22,386	-
Net Change	5,719,736	(80,643)	754,949	(153,704)
Adjustment to Beginning of Year	8	-	5	-
Ending Balance (Asset) Liability	\$ 230,821,321	\$ 2,670,436	\$130,314,013	\$ (154,173)

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 (asset) liability calculated using the discount rates noted above, as well as what the net (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:

	Sensitivity of Net Pension and OPEB (Asset) Liability to Changes in the Discount Rate		
	Current Discount		
	1% Decrease	Rate	1% Increase
PSPRS - Police:			
Rate	6.3%	7.3%	8.3%
Net pension liability	\$ 282,960,966	\$ 230,821,321	\$ 188,460,691
Net OPEB liability	3,403,619	2,670,436	2,052,497
PSPRS - Fire:			
Rate	6.3%	7.3%	8.3%
Net pension liability	\$ 158,343,492	\$ 130,314,013	\$ 107,309,061
Net OPEB (assets) liability	187,651	(154,173)	(444,686)

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.

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (continued)

Expense. For the year ended June 30, 2021, the City recognized the following as pension and OPEB expense:

	Expense	
	PSPRS - Police	PSPRS – Fire
Pension	\$ 27,982,739	\$ 16,266,025
Health insurance	260,851	33,407

Deferred Outflows/Inflows of Resources. At June 30, 2021, 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
Differences between expected and actual experience	\$ 13,798,346	\$ 46,093	\$ 8,552,487	\$ 261,162
Changes of assumptions or other inputs	6,334,112	-	5,836,620	-
Net difference between projected and actual earnings on pension plan investments	7,533,491	-	4,668,403	-
Contributions subsequent to the measurement date	19,873,495	-	11,001,668	-
Total	\$ 47,539,444	\$ 46,093	\$ 30,059,178	\$ 261,162

	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	\$ 81,337	\$ 451,695	\$ 8,598	\$ 164,980
Changes of assumptions or other inputs	60,465	63,781	28,990	11,659
Net difference between projected and actual earnings on pension plan investments	220,692	-	193,894	-
Contributions subsequent to the measurement date	288,431	-	17,387	-
Total	\$ 650,925	\$ 515,476	\$ 248,869	\$ 176,639

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, 2022. 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:

NOTE 13 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (continued)

Fiscal Year Ended June 30	PSPRS - Police		PSPRS – Fire	
	Pension	Health Insurance	Pension	Health Insurance
2022	\$ 6,867,957	\$ (49,978)	\$ 5,020,033	\$ (959)
2023	6,480,829	(1,518)	4,727,264	28,186
2024	6,357,104	(16)	3,218,447	31,726
2025	5,605,007	(23,224)	2,923,811	22,039
2026	2,308,959	(78,246)	1,880,926	(21,733)
Thereafter	-	-	1,025,867	(4,416)

NOTE 14 - 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.

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 2019.75 of the City Council, to all retired, benefited 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, benefited employees hired after June 30, 1999 are not eligible to participate in the post-employment benefit plan.

As of June 30, 2021, 1,796 members met those eligibility requirements to receive post-employment healthcare benefits with 102 eligible retirees waiving coverage, leaving 1,694 members in the program as follows:

Active beneficiaries	962
Active employees eligible	<u>732</u>
Total	<u><u>1,694</u></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.

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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, 2021 were \$8,870,604.

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 a \$19.1 million balance as of June 30, 2021. 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of the net OPEB liability at June 30, 2021 were as follows:

Total OPEB liability	\$ 111,888,929
Plan fiduciary net position	<u>19,110,322</u>
Net OPEB liability	<u>\$ 92,778,607</u>
Plan fiduciary net position as a percentage of total OPEB liability	17.1%

Actuarial Assumptions. The total OPEB liability as of the July 1, 2019 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, 2021
Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	2.6%
Salary increases	3.0% per annum
Investment rate of return	6.5%
Discount rate	6.5%
Healthcare cost trend	ASRS/PSPRS Pre-Medicare, 5.0%; ASRS/ PSPRS Medicare Supplement, 2.5% to 3.0%; City Medicare Supplement, 2.5% to 3.0%
Mortality rates	General: PubG.H-2010 Employee, Retiree, Disabled Public Safety: PubS.H-2010 Employee, Retiree, Disabled Male/Female and Generational with Projection Scale MP-2019

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

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Net OPEB Liability (continued)

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 30,2021, the annual money-weighted rate of return on investments, net of investment expense, was 28.40%. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Cash & Equivalents	0%	0.00%
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, 2021 may be obtained from the City's Financial Services Department, 20 East 6th Street, Tempe, Arizona, 85281

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 6/30/2020	\$ 96,967,355	\$ 14,948,874	\$ 82,018,481
Changes for the year:			
Service cost	1,028,565	-	1,028,565
Interest	6,081,440	-	6,081,440
Differences between expected and actual experience	13,492,032	-	13,492,032
Changes in Assumptions/Inputs	3,190,142	-	3,190,142
Contributions for Benefits Due	-	8,870,605	(8,870,605)
Net Investment Income		4,161,448	(4,161,448)
Benefit payments	(8,870,605)	(8,870,605)	-
Net changes	14,921,574	4,161,448	10,760,126
Balance at 6/30/2021	\$ 111,888,929	\$ 19,110,322	\$ 92,778,607

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	\$ 102,316,509	\$ 92,778,607	\$ 84,497,342
Healthcare Cost Trend Rate	\$ 82,481,897	\$ 92,778,607	\$ 104,691,909

E. OPEB Expense and Deferred Outflows/Inflows of Resources related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$2,695,849 for all OPEB plans. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,994,689	\$ -
Changes of assumptions or other inputs	2,126,761	-
Difference between actual and expected investment earnings	-	2,477,911
Total	\$ 11,121,450	\$ 2,477,911

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

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. OPEB Expense and Deferred Outflows/Inflows of Resources related to OPEB (continued)

Fiscal Year Ended June 30,	Deferred Outflow (Inflows) of Resources
2022	\$ 4,917,508
2023	4,969,769
2024	(605,782)
2025	(637,956)
2026	-
Thereafter	-

NOTE 15 - 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 and 401(k) plan assets be held in trust for employees. As a result, the employee assets held in Section 457 plans are neither the property of the City nor subject to claims of the City’s general creditors. Therefore, the plan assets are not included in the City’s basic financial statements.

NOTE 16 - 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 \$40.0 million; for property coverage the City’s per occurrence deductible is \$100,000 with a policy limit of \$825.0 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 an aggregate stop loss of \$460,000. 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, 2021, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

NOTE 16 - RISK FINANCING ACTIVITIES (Continued)

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, 2020	Claims Incurred Net of Change in Estimates	Payments	June 30, 2021
General liability	\$1,187,500	\$ 1,384,883	\$ (1,183,838)	\$ 1,388,545
Automobile liability	992,120	396,237	(163,632)	1,224,725
Property liability	154,678	174,599	(201,687)	127,590
Workers' compensation	5,052,925	1,662,918	(2,301,851)	4,413,992
Health insurance	1,623,485	17,489,411	(17,361,692)	1,751,204
	<u>\$9,010,708</u>	<u>\$21,108,048</u>	<u>\$(21,212,700)</u>	<u>\$8,906,056</u>

	June 30, 2019	Claims Incurred Net of Change in Estimates	Payments	June 30, 2020
General liability	\$ 3,395,000	\$ 39,102	\$ (2,246,602)	\$ 1,187,500
Automobile liability	1,155,150	393,831	(556,861)	992,120
Property liability	228,115	265,130	(338,567)	154,678
Workers' compensation	3,475,780	4,446,774	(2,869,629)	5,052,925
Health insurance	1,567,394	18,867,272	(18,811,181)	1,623,485
	<u>\$ 9,821,439</u>	<u>\$24,012,109</u>	<u>\$(24,822,840)</u>	<u>\$9,010,708</u>

At June 30, 2021, the Risk Management Fund accrued expenses totaled \$2,761,161. This balance includes the general liability, automobile liability and property liability of \$2,740,860 and other accrued expenses of \$20,301. The Worker's Compensation Fund had accrued expenses totaling \$4,413,992. The Health Fund had accrued expenses totaling \$4,035,207; of this amount, \$1,751,204 is health insurance claims liability and \$2,284,003 represents the liability for employee Mediflex benefits. Additionally, at June 30, 2021, the City had \$6,841,391 of General Fund assigned fund balance for self-insurance purposes.

NOTE 17 - 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 18 - 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 19 – 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, 2021 is \$3,825,018. 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.

For the fiscal year ended June 30, 2021, the difference between property taxes assessed and the GPLET collected totaled \$2,843,407 under this program, including the following tax abatement agreements that each exceed 10% of the total amount:

- A 14% property tax GPLET to a retail development for constructing a retail complex in the City. The GPLET amounted to \$397,341.
- A 11.7% 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 \$332,020.

NOTE 20 - DEFICIT IN NET POSITION AND FUND BALANCE

The Grants Special Revenue Fund had a deficit fund balance of \$751,235. The deficit will be covered by future grant revenues. The Storm Sewers Capital Project Fund had a deficit fund balance of \$165,536. This deficit will be covered by future debt issuances.

NOTE 21 - SUBSEQUENT EVENTS

On July 21, 2021, the City issued \$343,000,000 in Certificates of Participation, Taxable Series 2021. The proceeds from the 2021 Certificates, net of amounts used to pay costs related to the execution and delivery of the 2021 Certificates, were to be used by the Trustee to acquire from the City a ground leasehold interest in the Leased Property and to deposit moneys in the City's pension plans with the Arizona Public Safety Personnel Retirement System to pay a significant portion of the City's unfunded pension liabilities in such plans.

On August 18, 2021, the City issued \$28,890,000 in Transit Excise Tax Refunding Obligations, Taxable Series 2021. The proceeds from the 2021 Obligations, net of amounts used to pay costs related to the execution and delivery of the 2021 Obligations, were used to refund \$27,320,000 in Transit Excise Tax Series 2012, Serial Bonds, callable 7/1/2022, and Transit Excise Tax Series 2012, Term Bond 2037, callable 7/1/2022. The refunding will decrease debt service payments by \$4,580,676 for an economic gain of \$3,998,597.

On August 19, 2021, the City issued \$14,695,000 in Excise Tax Refunding Obligations, Taxable Series 2021. The proceeds from the 2021 Obligations, net of amounts used to pay costs related to the execution and delivery of the 2021 Obligations, were used to refund \$13,845,000 in Excise Tax Revenue Obligations, Series 2012, callable 7/1/2022. The refunding will decrease debt service payments by \$993,638 over the next 11 years for an economic gain of \$956,140.

On August 19, 2021, the City issued \$6,170,000 in Arts and Culture Tax Revenue Obligations, Series 2021. The proceeds from the 2021 Obligations, net of amounts used to pay costs related to the execution and delivery of the 2021 Certificates, will be used to finance the repair of deficiencies in the roof of the Tempe Center for the Arts.





Required Supplementary Information

Schedule of Contributions

All Pension Plans

Last Seven Fiscal Years

City of Tempe, Arizona

	2021	2020	2019	2018	2017	2016	2015
Arizona State Retirement System:							
Actuarially determined contribution	\$ 9,740,350	\$ 9,474,813	\$ 8,950,287	\$ 8,163,494	\$ 7,887,785	\$ 7,731,482	\$ 7,738,771
Contributions in relation to the actuarially determined contribution	9,740,350	9,474,813	8,950,287	8,163,494	7,887,785	7,731,482	7,738,771
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 83,608,155	\$ 82,749,459	\$ 80,056,234	\$ 74,894,440	\$ 73,170,548	\$ 71,257,899	\$ 71,063,096
Contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.89%
Public Safety Personnel Retirement System- Police:							
Actuarially determined contribution	\$ 19,873,495	\$ 18,833,432	\$ 17,208,734	\$ 15,962,148	\$ 12,852,861	\$ 12,604,739	\$ 9,727,183
Contributions in relation to the actuarially determined contribution	19,873,495	18,833,432	17,208,734	15,962,148	12,852,861	12,604,739	9,727,183
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 28,277,597	\$ 28,907,800	\$ 28,519,612	\$ 28,672,800	\$ 28,606,412	\$ 28,627,615	\$ 28,889,762
Contributions as a percentage of covered payroll	70.28%	65.15%	60.34%	55.67%	44.93%	44.03%	33.67%
Public Safety Personnel Retirement System- Fire:							
Actuarially determined contribution	\$ 11,001,668	\$ 10,137,454	\$ 9,655,204	\$ 8,639,228	\$ 6,621,730	\$ 6,067,633	\$ 4,066,636
Contributions in relation to the actuarially determined contribution	11,001,668	10,137,454	9,655,204	8,639,228	6,621,730	6,067,633	4,066,636
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,489,224	\$ 13,881,219	\$ 13,477,393	\$ 13,373,418	\$ 12,337,861	\$ 12,215,891	\$ 10,958,329
Contributions as a percentage of covered payroll	75.93%	73.03%	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 Seven Fiscal Years

City of Tempe, Arizona

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.77%	0.76%	0.77%	0.76%	0.78%	0.77%	0.76%
City's proportion share of the net pension liability	\$ 132,587,729	\$ 111,031,198	\$ 108,146,590	\$ 118,500,674	\$ 126,045,105	\$ 119,185,001	\$ 112,524,308
Covered payroll	\$ 82,749,459	\$ 80,056,234	\$ 74,894,440	\$ 73,170,548	\$ 71,257,899	\$ 71,063,096	\$ 69,182,112
City's proportionate share of the net pension liability as a percentage of its covered payroll	160.23%	138.69%	144.40%	161.95%	176.89%	167.72%	162.65%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%
Actuarial roll forward date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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 Four Fiscal Years

City of Tempe, Arizona

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB health insurance premium liability (asset)	0.78%	0.77%	0.78%	0.77%
City's proportion share of the net OPEB health insurance premium liability (asset)	\$ (549,377)	\$ (213,892)	\$ (282,642)	\$ (418,219)
Covered payroll	\$ 82,749,459	\$ 80,056,234	\$ 74,894,440	\$ 73,170,548
City's proportionate share of the net OPEB health insurance premium liability (asset) as a percentage of its covered payroll	-0.66%	-0.27%	-0.38%	-0.57%
Plan fiduciary net position as a percentage of the total OPEB health insurance premium liability (asset)	104.33%	101.62%	102.20%	103.57%
Actuarial roll forward date	6/30/2020	6/30/2019	6/30/2018	6/30/2017

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 Four Fiscal Years

City of Tempe, Arizona

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB long-term disability liability	0.77%	0.77%	0.78%	0.76%
City's proportion share of the net OPEB long-term disability liability	\$ 584,844	\$ 501,196	\$ 406,033	\$ 276,226
Covered payroll	\$ 82,749,459	\$ 80,056,234	\$ 74,894,440	\$ 73,170,548
City's proportionate share of the net OPEB long-term disability liability as a percentage of its covered payroll	0.71%	0.63%	0.54%	0.38%
Plan fiduciary net position as a percentage of the total OPEB liability long-term disability liability	68.01%	72.85%	77.83%	84.44%
Actuarial roll forward date	6/30/2020	6/30/2019	6/30/2018	6/30/2017

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 Seven Fiscal Years

City of Tempe, Arizona

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 6,276,242	\$ 6,363,446	\$ 6,266,555	\$ 6,639,904	\$ 5,378,159	\$ 5,468,695	\$ 5,447,093
Interest	25,248,428	23,896,706	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 experience	13,853,754	2,252,812	1,492,630	(215,490)	(5,746,957)	(2,753,278)	(2,351,309)
Changes of assumptions	-	7,223,840	-	7,860,019	10,622,755	-	25,455,442
Benefit payments, including refunds	(17,537,352)	(15,881,006)	(15,663,112)	(13,775,904)	(15,820,570)	(14,604,348)	(13,685,124)
Net change in total pension liability	27,841,072	23,855,798	14,675,800	24,319,117	27,463,794	7,426,211	35,830,241
Total pension liability- beginning	348,361,316	324,505,518	309,829,718	285,510,601	258,046,807	250,620,596	214,790,355
Total pension liability- ending	\$ 376,202,388	\$ 348,361,316	\$ 324,505,518	\$ 309,829,718	\$ 285,510,601	\$ 258,046,807	\$ 250,620,596
Plan fiduciary net position							
Contributions- employer	\$ 18,813,057	\$ 17,153,330	\$ 11,403,472	\$ 12,486,872	\$ 12,552,708	\$ 9,804,542	\$ 9,132,346
Contributions- employee	2,760,167	2,187,943	2,811,219	3,579,664	3,597,316	3,641,788	3,253,980
Net investment income	1,807,767	7,119,271	8,386,647	13,507,120	653,674	3,769,779	12,456,186
Benefit payments, including refunds	(17,537,352)	(15,881,006)	(15,663,112)	(13,775,904)	(15,820,570)	(14,604,348)	(13,685,124)
Administrative expense	(147,615)	(124,419)	(128,344)	(119,915)	(94,459)	(92,360)	-
Other	23,720	2,498	12,433	54,461	(173,159)	(36,082)	(3,260,002)
Net change in plan fiduciary net position	5,719,744	10,457,617	6,822,315	15,732,298	715,510	2,483,319	7,897,386
Plan fiduciary net position- beginning	139,661,323	129,203,706	122,381,391	106,649,093	105,933,583	103,450,264	95,552,878
Plan fiduciary net position- ending	\$ 145,381,067	\$ 139,661,323	\$ 129,203,706	\$ 122,381,391	\$ 106,649,093	\$ 105,933,583	\$ 103,450,264
Net pension liability- ending	\$ 230,821,321	\$ 208,699,993	\$ 195,301,812	\$ 187,448,327	\$ 178,861,508	\$ 152,113,224	\$ 147,170,332
Plan fiduciary net position as a percentage of the total pension liability	38.64%	40.09%	39.82%	39.50%	37.35%	41.05%	41.28%
Covered payroll	\$ 28,741,103	\$ 27,841,299	\$ 28,672,800	\$ 28,606,412	\$ 28,627,615	\$ 28,889,762	\$ 28,717,534
Net pension liability as a percentage of covered payroll	803.11%	749.61%	681.14%	655.27%	624.79%	526.53%	512.48%
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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 Seven Fiscal Years

City of Tempe, Arizona

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 3,424,059	\$ 3,201,998	\$ 3,184,469	\$ 3,288,107	\$ 2,601,714	\$ 2,527,186	\$ 2,541,502
Interest	14,737,251	14,062,552	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 experience	7,181,069	2,213,604	(549,390)	2,381,447	177,366	(1,631,037)	(861,599)
Changes of assumptions	-	3,771,807	-	6,731,555	5,723,255	-	12,031,993
Benefit payments, including refunds	(12,284,937)	(10,967,777)	(9,489,726)	(8,942,533)	(10,767,917)	(8,554,561)	(9,805,679)
Net change in total pension liability	13,057,442	12,282,184	6,651,276	17,027,290	18,635,062	3,597,802	16,162,860
Total pension liability- beginning	204,598,563	192,316,379	185,665,103	168,637,813	150,002,751	146,404,949	130,242,089
Total pension liability- ending	<u>\$ 217,656,005</u>	<u>\$ 204,598,563</u>	<u>\$ 192,316,379</u>	<u>\$ 185,665,103</u>	<u>\$ 168,637,813</u>	<u>\$ 150,002,751</u>	<u>\$ 146,404,949</u>
Plan fiduciary net position							
Contributions- employer	\$ 10,643,938	\$ 9,657,636	\$ 7,471,162	\$ 7,629,875	\$ 6,665,926	\$ 4,553,293	\$ 4,587,619
Contributions- employee	1,369,664	1,045,992	1,274,574	1,711,846	1,620,334	1,627,959	1,461,331
Net investment income	1,093,261	4,459,035	5,290,034	8,517,929	420,827	2,537,356	8,786,886
Benefit payments, including refunds	(12,284,937)	(10,967,777)	(9,489,726)	(8,942,533)	(10,767,917)	(8,554,561)	(9,805,679)
Administrative expense	(89,363)	(78,221)	(81,213)	(75,769)	(60,954)	(62,287)	-
Other	22,391	-	11,590	930	64,490	(36,284)	(3,124,665)
Net change in plan fiduciary net position	754,954	4,116,665	4,476,421	8,842,278	(2,057,294)	65,476	1,905,492
Plan fiduciary net position- beginning	86,587,038	82,470,373	77,993,952	69,151,674	71,208,968	71,143,492	69,238,000
Plan fiduciary net position- ending	<u>\$ 87,341,992</u>	<u>\$ 86,587,038</u>	<u>\$ 82,470,373</u>	<u>\$ 77,993,952</u>	<u>\$ 69,151,674</u>	<u>\$ 71,208,968</u>	<u>\$ 71,143,492</u>
Net pension liability- ending	<u>\$ 130,314,013</u>	<u>\$ 118,011,525</u>	<u>\$ 109,846,006</u>	<u>\$ 107,671,151</u>	<u>\$ 99,486,139</u>	<u>\$ 78,793,783</u>	<u>\$ 75,261,457</u>
Plan fiduciary net position as a percentage of the total pension liability	40.13%	42.32%	42.88%	42.01%	41.01%	47.47%	48.59%
Covered payroll	\$ 14,413,470	\$ 14,442,254	\$ 13,373,418	\$ 12,337,861	\$ 12,215,891	\$ 12,133,956	\$ 12,719,039
Net pension liability as a percentage of covered payroll	904.11%	817.13%	821.38%	872.69%	814.40%	649.37%	591.72%
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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 Four Fiscal Years

City of Tempe, Arizona

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 126,116	\$ 84,051	\$ 83,184	\$ 87,521
Interest	483,652	509,152	489,304	491,831
Changes of benefit terms	-	-	-	11,390
Differences between expected and actual experience	(1,712)	(630,377)	80,581	164,972
Changes of assumptions	-	84,649	-	(271,985)
Benefit payments, including refunds	(431,587)	(436,662)	(417,982)	(436,179)
Net change in total OPEB liability	176,469	(389,187)	235,087	47,550
Total OPEB liability- beginning	6,625,519	7,014,706	6,779,619	6,732,069
Total OPEB liability- ending	<u>\$ 6,801,988</u>	<u>\$ 6,625,519</u>	<u>\$ 7,014,706</u>	<u>\$ 6,779,619</u>
Plan fiduciary net position				
Contributions- employer	\$ 294,958	\$ 254,335	\$ 258,367	\$ 216,193
Contributions- employee	8,990	2,808	182	-
Net investment income	51,156	212,423	272,884	443,606
Benefit payments, including refunds	(431,587)	(436,662)	(417,982)	(436,179)
Administrative expense	(4,160)	(3,667)	(4,153)	(3,925)
Net change in plan fiduciary net position	(80,643)	29,237	109,298	219,695
Plan fiduciary net position- beginning	4,212,195	4,182,958	4,073,660	3,853,965
Plan fiduciary net position- ending	<u>\$ 4,131,552</u>	<u>\$ 4,212,195</u>	<u>\$ 4,182,958</u>	<u>\$ 4,073,660</u>
Net OPEB liability- ending	<u>\$ 2,670,436</u>	<u>\$ 2,413,324</u>	<u>\$ 2,831,748</u>	<u>\$ 2,705,959</u>
Plan fiduciary net position as a percentage of the total OPEB liability	60.74%	63.58%	59.63%	60.09%
Covered payroll	\$ 28,741,103	\$ 27,841,299	\$ 28,672,800	\$ 28,606,412
Net OPEB liability as a percentage of covered payroll	9.29%	8.67%	9.88%	9.46%
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017

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 Four Fiscal Years

City of Tempe, Arizona

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 52,953	\$ 32,044	\$ 32,536	\$ 33,870
Interest	245,917	249,187	247,192	246,243
Changes of benefit terms	-	-	-	4,522
Differences between expected and actual	(30,913)	(161,802)	(50,860)	24,942
Changes of assumptions	-	40,588	-	(33,819)
Benefit payments, including refunds	(231,273)	(218,954)	(216,408)	(219,393)
Net change in total OPEB liability	<u>36,684</u>	<u>(58,937)</u>	<u>12,460</u>	<u>56,365</u>
Total OPEB liability- beginning	<u>3,385,890</u>	<u>3,444,827</u>	<u>3,432,367</u>	<u>3,376,002</u>
Total OPEB liability- ending	<u>\$ 3,422,574</u>	<u>\$ 3,385,890</u>	<u>\$ 3,444,827</u>	<u>\$ 3,432,367</u>
Plan fiduciary net position				
Contributions- employer	\$ 33,080	\$ 33,737	\$ 34,679	\$ -
Contributions- employee	2,074	563	105	-
Net investment income	46,170	196,028	248,942	398,603
Benefit payments, including refunds	(231,273)	(218,954)	(216,408)	(219,393)
Administrative expense	(3,755)	(3,384)	(3,789)	(3,526)
Net change in plan fiduciary net position	<u>(153,704)</u>	<u>7,990</u>	<u>63,529</u>	<u>175,684</u>
Plan fiduciary net position- beginning	<u>3,730,451</u>	<u>3,722,461</u>	<u>3,658,932</u>	<u>3,483,248</u>
Plan fiduciary net position- ending	<u>\$ 3,576,747</u>	<u>\$ 3,730,451</u>	<u>\$ 3,722,461</u>	<u>\$ 3,658,932</u>
Net OPEB liability (asset) - ending	<u>\$ (154,173)</u>	<u>\$ (344,561)</u>	<u>\$ (277,634)</u>	<u>\$ (226,565)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	104.50%	110.18%	108.06%	106.60%
Covered payroll	\$ 14,413,470	\$ 14,442,254	\$ 13,373,418	\$ 12,337,861
Net OPEB liability (asset) as a percentage of covered payroll	-1.07%	-2.39%	-2.08%	-1.84%
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017

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 Five Fiscal Years

City of Tempe, Arizona

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 7,028,000	\$ 7,081,000	\$ 7,134,000	\$ 6,984,000	\$ 7,171,851
Contributions in relation to the actuarially determined contribution	<u>8,870,605</u>	<u>7,918,331</u>	<u>8,461,506</u>	<u>6,983,551</u>	<u>6,759,218</u>
Contribution deficiency (excess)	<u>\$ (1,842,605)</u>	<u>\$ (837,331)</u>	<u>\$ (1,327,506)</u>	<u>\$ 449</u>	<u>\$ 412,633</u>
Covered-employee payroll	\$ 62,477,698	\$ 60,657,959	\$ 35,758,296	\$ 34,716,792	\$ 41,444,730
Contributions as a percentage of covered-employee payroll	14.20%	13.05%	23.66%	20.12%	16.31%
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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 Five Fiscal Years

City of Tempe, Arizona

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 1,028,565	\$ 329,347	\$ 319,754	\$ 321,229	\$ 300,495
Interest	6,081,440	5,630,520	5,930,814	5,689,881	5,742,386
Changes of benefit terms	-	7,651,741	-	-	-
Differences between expected and actual experience	13,492,032	267,000	(4,271,517)	4,915,943	-
Changes of assumptions	3,190,142	753,880	1,581,360	503,616	-
Benefit payments, including refunds	(8,870,605)	(7,918,332)	(8,461,506)	(6,983,551)	(6,759,218)
Net change in total OPEB liability	14,921,574	6,714,156	(4,901,095)	4,447,118	(716,337)
Total OPEB liability- beginning	96,967,355	90,253,199	95,154,294	90,707,176	91,423,513
Total OPEB liability- ending	<u>\$ 111,888,929</u>	<u>\$ 96,967,355</u>	<u>\$ 90,253,199</u>	<u>\$ 95,154,294</u>	<u>\$ 90,707,176</u>
Plan fiduciary net position					
Contributions for benefits due	\$ 8,870,605	\$ 7,918,331	\$ 8,461,506	\$ 6,983,551	\$ 6,759,218
Net investment income	4,161,448	762,338	796,286	1,062,670	1,211,093
Benefit payments, including refunds	(8,870,605)	(7,919,331)	(8,461,506)	(6,983,551)	(6,759,218)
Net change in plan fiduciary net position	4,161,448	761,338	796,286	1,062,670	1,211,093
Plan fiduciary net position- beginning	14,948,874	14,187,536	13,391,250	12,328,580	11,117,487
Plan fiduciary net position- ending	<u>\$ 19,110,322</u>	<u>\$ 14,948,874</u>	<u>\$ 14,187,536</u>	<u>\$ 13,391,250</u>	<u>\$ 12,328,580</u>
Net OPEB liability- ending	<u>\$ 92,778,607</u>	<u>\$ 82,018,481</u>	<u>\$ 76,065,663</u>	<u>\$ 81,763,044</u>	<u>\$ 78,378,596</u>
Plan fiduciary net position as a percentage of the total OPEB liability	17.08%	15.42%	15.72%	14.07%	13.59%
Covered-employee payroll	\$ 62,477,698	\$ 60,657,959	\$ 35,758,296	\$ 34,716,792	\$ 41,444,730
Net OPEB liability as a percentage of covered-employee payroll	148.50%	135.21%	212.72%	235.51%	189.12%
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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 Five Fiscal Years

City of Tempe, Arizona

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	28.40%	5.84%	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, 2021

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.

The actuarial assumptions used in the June 30, 2020 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, 2020, valuation for PSPRS were based on a 2016 experience study using actual plan experience. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. In accordance with the PSPRS actuarial funding policy, the actuary shall conduct an experience study every five years. The results of the study shall be the basis for the actuarial assumption changes recommended to the PSPRS Board.

Actuarial assumptions used to determine the ASRS and PSPRS sponsored pension and OPEB assets and the City of Tempe Post Employment Health Plan liabilities are contained in the Notes to the Financial Statements.

Factors that Affect Trends - Pensions.

For the June 30, 2019 ASRS actuarial valuation, the City's net pension liability increased by \$21.6 million to \$132.6 million, or 19.4% from the prior year. This difference is primarily due to the difference between projected and actual investment earnings, increased the liability by \$12.8 million and the proportionate share of pension expense of \$12.4 million.

For the PSPRS pension plans, the return on the market value of assets for the year ending June 30, 2020 was 1.2% for Tiers 1 and 2 and 1.7% for Tier 3. On a smoothed, actuarial value of assets basis, however, the average return was 5.4% for Tiers 1 and 2 and 6.1% for Tier 3. This fell short of the 2019 assumed earnings rate for Tiers 1 and 2 of 7.3% and for Tier 3 of 7.0%. For the pension liability, less than expected inactive mortality and turnover resulted in increased liability experience.

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, or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. 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. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plan's pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date and beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Factors that Affect Trends - OPEB.

The citywide OPEB liability totaled \$96,033,887 at June 30, 2021. Of this amount, the City of Tempe Post Employment Health Plan (City Sponsored Plan) liability totaled \$92,778,607 or 96.6% of the total liability.

Mortality Rates. For the City Sponsored Plan, established through an irrevocable trust, the mortality rates, Pub G.H-2010 for general employees and Pub S.H-2010 for public safety employees, remained the same. The mortality improvement was updated from Scale MP-2019 to MP-2020. This resulted in a decrease in the Total OPEB Liability of approximately \$265,000, for the June 30, 2021 actuarial valuation, which is a component of changes in assumptions or other inputs.

Claim Costs. For the June 30, 2021 valuation, a factor was applied to the 2021 claim costs to better reflect the actual experience. This resulted in an increase in the Total OPEB Liability of approximately \$3.46 million which is a component of changes in assumptions or other inputs.

City Sponsored Plan - City Contributions and Medicare Supplement Premiums. First year trends were updated to reflect actual increases in City-HRA contributions and Medicare Supplement premiums for 2021. This resulted in

Notes to Required Supplementary Information

June 30, 2021

City of Tempe, Arizona

an increase in the Total OPEB Liability of approximately \$11.7 million which is a component of the differences between actual and expected experience

City Sponsored Plan Schedule of Contributions - OPEB

Methods and assumptions used to determine actuarial contribution amounts are as follows:

Valuation Date: Actuarially determined contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial Cost Method: Entry Age
Amortization Method: Level percentage of payroll, closed
Amortization Period: 18 years
Asset Valuation Method: Market Value
Inflation: 2.60%
Salary Increases: 3.00% average, including inflation
Investment Rate of Return: 6.50%, net of plan investment expenses, including inflation

Retirement Rates: From the 2019 ASRS and PSPRS actuarial valuations
Mortality Rates: Mortality rates were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee, Retiree and Disabled Mortality Tables, with generational projection using Scale MP-2020



Combining Fund Financial Statements

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.
- **Arts and Culture Fund.** To account for the receipt and expenditure of the Arts and Culture Tax monies. These monies are restricted to supporting arts and cultural activities throughout the City.
- **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 Fund.** 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 Fund.** To account for the receipt and expenditure of miscellaneous grant monies.
- **Community Facilities District Fund.** 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.
- **Arts and Culture Fund.** Used for purchasing, developing or improving projects that allow for the support of the arts and cultural activities in the City.
- **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 Fund.** Used for the improving and constructing in the Rio Salado Community Facilities District.

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2021

	Special Revenue				
	Performing Arts	Arts and Culture	Highway User Revenue	Community Development	Housing Assistance
Assets					
Pooled cash and investments	\$ -	\$ 3,656,728	\$ 7,364,591	\$ 703	\$ 573,469
Receivables:					
Taxes	-	1,106,002	1,231,150	-	-
Accounts	-	-	-	-	33,124
Accrued interest	-	-	-	454	-
Due from other governments	-	-	-	160,795	-
Inventories	-	-	978,393	-	-
Prepaid items	-	-	-	12,570	680,035
Restricted cash and investments	-	-	-	1,523,871	-
Total assets	<u>\$ -</u>	<u>\$ 4,762,730</u>	<u>\$ 9,574,134</u>	<u>\$ 1,698,393</u>	<u>\$ 1,286,628</u>
Liabilities					
Accounts payable	\$ -	\$ 145,407	\$ 284,594	\$ 131,281	\$ 34,008
Deposits	-	9	-	966,888	-
Accrued expenditures	-	115,560	119,423	21,278	136,348
Due to other funds	-	6,514	-	169,881	-
Unearned revenue	-	-	-	-	103,278
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	22,532	-
Total liabilities	<u>-</u>	<u>267,490</u>	<u>404,017</u>	<u>1,311,860</u>	<u>273,634</u>
Deferred Inflows of Resources					
Unavailable revenue- federal grants	-	-	-	-	-
Unavailable revenue- grants	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Fund balance:					
Non-spendable	-	-	978,393	12,570	680,035
Restricted	-	4,495,240	8,191,724	373,963	332,959
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>4,495,240</u>	<u>9,170,117</u>	<u>386,533</u>	<u>1,012,994</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 4,762,730</u>	<u>\$ 9,574,134</u>	<u>\$ 1,698,393</u>	<u>\$ 1,286,628</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ 19,350	\$ 5,812,355	\$ 1,131,344	\$ 2,715,990	\$ 21,274,530
-	-	-	-	2,337,152
-	-	-	-	33,124
88	5,234	-	-	5,776
-	10,211	1,832,982	-	2,003,988
-	-	-	-	978,393
-	-	-	-	692,605
-	23,151	-	2,778,345	4,325,367
<u>\$ 19,438</u>	<u>\$ 5,850,951</u>	<u>\$ 2,964,326</u>	<u>\$ 5,494,335</u>	<u>\$ 31,650,935</u>
\$ -	\$ 105,992	\$ 145,388	\$ 16,085	\$ 862,755
-	4,708	167,819	-	1,139,424
-	85	188	-	392,882
-	-	-	-	176,395
-	-	2,195,087	-	2,298,365
-	-	-	2,655,000	2,655,000
-	-	-	123,345	145,877
-	110,785	2,508,482	2,794,430	7,670,698
-	-	1,007,930	-	1,007,930
-	-	199,149	-	199,149
-	-	-	-	-
-	-	1,207,079	-	1,207,079
-	-	-	-	1,670,998
19,438	4,089,744	172,246	2,699,905	20,375,219
-	1,016,080	-	-	1,016,080
-	634,342	-	-	634,342
-	-	(923,481)	-	(923,481)
19,438	5,740,166	(751,235)	2,699,905	22,773,158
<u>\$ 19,438</u>	<u>\$ 5,850,951</u>	<u>\$ 2,964,326</u>	<u>\$ 5,494,335</u>	<u>\$ 31,650,935</u>

(continued)

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2021

Capital Projects

	Streets	Police Protection	Fire Protection	Arts and Culture	Storm Sewers	Parks
Assets						
Pooled cash and investments	\$ 7,589,747	\$ 4,282,919	\$ 1,360,511	\$ 3,874,650	\$ 32,174	\$ 6,159,259
Receivables:						
Taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	27,296
Accrued interest	-	-	-	-	-	-
Due from other governments	227,735	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ 7,817,482</u>	<u>\$ 4,282,919</u>	<u>\$ 1,360,511</u>	<u>\$ 3,874,650</u>	<u>\$ 32,174</u>	<u>\$ 6,186,555</u>
Liabilities						
Accounts payable	\$ 3,700,823	\$ 68,002	\$ 115,527	\$ 19,308	\$ 197,710	\$ 1,083,912
Deposits	-	-	-	-	-	-
Accrued expenditures	-	-	-	92	-	541
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Matured bonds payable	-	-	-	-	-	-
Matured interest payable	-	-	-	-	-	-
Total liabilities	<u>3,700,823</u>	<u>68,002</u>	<u>115,527</u>	<u>19,400</u>	<u>197,710</u>	<u>1,084,453</u>
Deferred Inflows of Resources						
Unavailable revenue- federal grants	-	-	-	-	-	-
Unavailable revenue- grants	-	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	-	27,296
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,296</u>
Fund Balances						
Fund balance:						
Non-spendable	-	-	-	-	-	-
Restricted	-	4,052,227	556,806	-	-	3,474,651
Committed	4,116,659	29,563	147,618	3,855,250	-	1,600,155
Assigned	-	133,127	540,560	-	-	-
Unassigned	-	-	-	-	(165,536)	-
Total fund balances	<u>4,116,659</u>	<u>4,214,917</u>	<u>1,244,984</u>	<u>3,855,250</u>	<u>(165,536)</u>	<u>5,074,806</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,817,482</u>	<u>\$ 4,282,919</u>	<u>\$ 1,360,511</u>	<u>\$ 3,874,650</u>	<u>\$ 32,174</u>	<u>\$ 6,186,555</u>

Capital Projects

Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Non-major Governmental Funds
\$ 384,636	\$ 30,392,102	\$ 1,297,843	\$ 2,882,487	\$ 58,256,328	\$ 79,530,858
-	-	-	-	-	2,337,152
-	-	-	-	27,296	60,420
-	-	-	-	-	5,776
-	-	6,390	-	234,125	2,238,113
-	-	-	-	-	978,393
-	-	-	-	-	692,605
-	-	-	-	-	4,325,367
<u>\$ 384,636</u>	<u>\$ 30,392,102</u>	<u>\$ 1,304,233</u>	<u>\$ 2,882,487</u>	<u>\$ 58,517,749</u>	<u>\$ 90,168,684</u>
\$ -	\$ 1,340,784	\$ 544,302	\$ 26,521	\$ 7,096,889	\$ 7,959,644
-	-	-	-	-	1,139,424
-	-	-	-	633	393,515
-	-	-	-	-	176,395
-	22,934,656	-	-	22,934,656	25,233,021
-	-	-	-	-	2,655,000
-	-	-	-	-	145,877
-	<u>24,275,440</u>	<u>544,302</u>	<u>26,521</u>	<u>30,032,178</u>	<u>37,702,876</u>
-	-	-	-	-	1,007,930
-	-	-	-	-	199,149
-	-	-	-	27,296	27,296
-	-	-	-	<u>27,296</u>	<u>1,234,375</u>
-	-	-	-	-	1,670,998
-	397,049	222,500	-	8,703,233	29,078,452
-	4,287,788	537,431	2,133,577	16,708,041	17,724,121
384,636	1,431,825	-	722,389	3,212,537	3,846,879
-	-	-	-	(165,536)	(1,089,017)
<u>384,636</u>	<u>6,116,662</u>	<u>759,931</u>	<u>2,855,966</u>	<u>28,458,275</u>	<u>51,231,433</u>
<u>\$ 384,636</u>	<u>\$ 30,392,102</u>	<u>\$ 1,304,233</u>	<u>\$ 2,882,487</u>	<u>\$ 58,517,749</u>	<u>\$ 90,168,684</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2021

	Special Revenue				
	Performing Arts	Arts and Culture	Highway User Revenue	Community Development	Housing Assistance
Revenues:					
Sales taxes	\$ 4,805,783	\$ 4,895,809	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	-	-	-	4,620,693	9,867,670
State grants	-	-	-	-	-
State sales tax	-	-	13,575,964	-	-
Other	-	-	-	-	-
Investment income	12,497	-	-	-	2,228
Charges for services	-	58,826	256,617	-	-
Fines and forfeitures	-	-	-	-	31,645
Other entities' participation	-	-	-	-	-
Miscellaneous	-	4,583	18,948	516,840	-
Total revenues	<u>4,818,280</u>	<u>4,959,218</u>	<u>13,851,529</u>	<u>5,137,533</u>	<u>9,901,543</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire medical rescue	-	-	-	-	-
Community services	4,060,475	1,545	-	-	-
Engineering and transportation	-	-	9,326,117	-	-
Community development	-	-	-	-	-
Human services	-	-	-	4,853,124	10,842,398
Municipal court	-	-	-	-	-
City manager	-	-	-	-	-
City attorney	-	-	-	-	-
Sustainability office	-	-	-	-	-
Office of strategic management and diversity	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	462,000	-
Interest	-	12,661	-	70,456	-
Fiscal fees	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>4,060,475</u>	<u>14,206</u>	<u>9,326,117</u>	<u>5,385,580</u>	<u>10,842,398</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>757,805</u>	<u>4,945,012</u>	<u>4,525,412</u>	<u>(248,047)</u>	<u>(940,855)</u>
Other financing sources (uses):					
Transfers in:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Enterprise funds	-	-	-	-	-
Transfers out:					
General fund	-	-	-	-	-
Debt service funds	-	-	(4,836)	-	-
Capital projects funds	-	(456,464)	(1,524,230)	-	-
Enterprise funds	-	-	-	-	-
Issuance of debt	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-
Proceeds from sale of capital assets	-	6,692	86,016	-	-
Total other financing sources (uses)	<u>-</u>	<u>(449,772)</u>	<u>(1,443,050)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	757,805	4,495,240	3,082,362	(248,047)	(940,855)
Fund balance at beginning of year	(757,805)	-	6,087,755	634,580	1,953,849
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,495,240</u>	<u>\$ 9,170,117</u>	<u>\$ 386,533</u>	<u>\$ 1,012,994</u>

City of Tempe, Arizona

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ -	\$ 9,701,592
-	-	2,831,399	-	17,319,762
-	101,106	531,856	-	632,962
-	-	-	-	13,575,964
-	-	4,021,737	-	4,021,737
20	1,915	11	-	16,671
-	88,002	632	1,883,996	2,288,073
-	313,230	160,324	-	505,199
-	285,933	52,096	-	338,029
-	17,988	49,798	713,251	1,321,408
20	808,174	7,647,853	2,597,247	49,721,397
-	-	3,237,967	-	3,237,967
-	25,726	625,519	-	651,245
-	70,794	266,328	-	4,399,142
-	82,875	500	-	9,409,492
-	116,040	-	1,952,765	2,068,805
-	884,772	1,408,069	-	17,988,363
-	369,348	-	-	369,348
-	1,333,856	1,792,722	-	3,126,578
-	7,078	24,914	-	31,992
-	-	35,366	-	35,366
-	-	114,590	-	114,590
-	-	-	2,655,000	3,117,000
-	-	-	246,691	329,808
-	-	-	1,860	1,860
-	-	-	-	-
-	2,890,489	7,505,975	4,856,316	44,881,556
20	(2,082,315)	141,878	(2,259,069)	4,839,841
-	5,007,015	-	-	5,007,015
-	-	-	-	-
-	-	-	2,901,691	2,901,691
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(4,836)
-	-	-	-	(1,980,694)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	92,708
-	5,007,015	-	2,901,691	6,015,884
20	2,924,700	141,878	642,622	10,855,725
19,418	2,815,466	(893,113)	2,057,283	11,917,433
\$ 19,438	\$ 5,740,166	\$ (751,235)	\$ 2,699,905	\$ 22,773,158

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2021

	Capital Projects				
	Streets	Police Protection	Fire Protection	Arts and Culture	Storm Sewers
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	425,132	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	146,094	-	-	-
Investment income	5	4,426	695	-	-
Charges for services	32,497	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	1,013,342	634,666	575,914	-	-
Miscellaneous	600	-	14,989	-	-
Total revenues	1,471,576	785,186	591,598	-	-
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire medical rescue	-	-	-	-	-
Community services	-	-	-	-	-
Engineering and transportation	-	-	-	-	-
Community development	-	-	-	-	-
Human services	-	-	-	-	-
Municipal court	-	-	-	-	-
City manager	-	-	-	-	-
City attorney	-	-	-	-	-
Sustainability office	-	-	-	-	-
Office of strategic management and diversity	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Fiscal fees	-	-	-	-	-
Capital outlay	16,059,976	4,292,077	2,472,399	203,413	371,428
Total expenditures	16,059,976	4,292,077	2,472,399	203,413	371,428
	(14,588,400)	(3,506,891)	(1,880,801)	(203,413)	(371,428)
Other financing sources (uses):					
Transfers in:					
General fund	-	-	-	-	-
Special revenue funds	1,524,230	53,779	-	456,464	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	3,602,199	-
Enterprise funds	-	-	-	-	-
Transfers out:					
General fund	(6,000,000)	(200,000)	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	(19,423)	(19,423)	-	-
Enterprise funds	-	-	-	-	-
Issuance of debt	5,170,000	2,775,000	1,005,000	-	240,000
Premium on issuance of debt	1,430,000	925,000	195,000	-	60,000
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	2,124,230	3,534,356	1,180,577	4,058,663	300,000
Net change in fund balances	(12,464,170)	27,465	(700,224)	3,855,250	(71,428)
Fund balance at beginning of year	16,580,829	4,187,452	1,945,208	-	(94,108)
Fund balance at end of year	\$ 4,116,659	\$ 4,214,917	\$ 1,244,984	\$ 3,855,250	\$ (165,536)

Capital Projects

Parks		Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,701,592
-	-	-	582,826	-	-	1,007,958	18,327,720
-	-	-	-	-	-	-	632,962
-	-	-	-	-	-	-	13,575,964
-	-	-	-	-	-	146,094	4,167,831
3,753	-	59	328	-	-	9,266	25,937
-	-	5,568	35,000	427,859	-	500,924	2,788,997
-	-	-	-	-	-	-	505,199
711,962	-	179,489	47,720	-	-	3,163,093	3,501,122
3,635	-	-	-	174,678	-	193,902	1,515,310
719,350	-	185,116	665,874	602,537	-	5,021,237	54,742,634
-	-	-	-	-	-	-	3,237,967
-	-	-	-	-	-	-	651,245
-	-	-	-	-	-	-	4,399,142
-	-	-	-	-	-	-	9,409,492
-	-	-	-	-	-	-	2,068,805
-	-	-	-	-	-	-	17,988,363
-	-	-	-	-	-	-	369,348
-	-	-	-	-	-	-	3,126,578
-	-	-	-	-	-	-	31,992
-	-	-	-	-	-	-	35,366
-	-	-	-	-	-	-	114,590
-	-	-	-	-	-	-	3,117,000
-	-	-	-	-	-	-	329,808
-	-	-	-	-	-	-	1,860
9,211,622	-	9,592,052	4,167,986	242,116	-	46,613,069	46,613,069
9,211,622	-	9,592,052	4,167,986	242,116	-	46,613,069	91,494,625
(8,492,272)	-	(9,406,936)	(3,502,112)	360,421	-	(41,591,832)	(36,751,991)
-	-	1,460,106	-	-	-	1,460,106	6,467,121
40,000	-	82,047	-	-	-	2,156,520	2,156,520
-	-	-	-	-	-	-	2,901,691
-	-	58,269	-	-	-	3,660,468	3,660,468
-	-	627,888	-	-	-	627,888	627,888
(4,800,000)	-	(1,500,000)	-	-	-	(12,500,000)	(12,500,000)
-	-	-	-	-	-	-	(4,836)
(19,424)	-	(3,602,200)	-	-	-	(3,660,470)	(5,641,164)
(11,357)	-	-	-	-	-	(11,357)	(11,357)
4,325,000	-	6,635,000	2,320,000	-	-	22,470,000	22,470,000
1,275,000	-	1,765,000	580,000	-	-	6,230,000	6,230,000
-	-	-	-	-	-	-	92,708
809,219	-	5,526,110	2,900,000	-	-	20,433,155	26,449,039
(7,683,053)	-	(3,880,826)	(602,112)	360,421	-	(21,158,677)	(10,302,952)
12,757,859	384,636	9,997,488	1,362,043	2,495,545	-	49,616,952	61,534,385
\$ 5,074,806	\$ 384,636	\$ 6,116,662	\$ 759,931	\$ 2,855,966	\$ -	\$ 28,458,275	\$ 51,231,433

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 Fund Net Position

Internal Service Funds

June 30, 2021

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Assets				
Current assets:				
Pooled cash and investments	\$ 5,248,652	\$ 4,764,423	\$ 14,870,619	\$ 24,883,694
Accounts receivable	-	-	89,100	89,100
Accrued interest receivable	-	2,246	-	2,246
Net OPEB asset	3,333	-	-	3,333
Total assets	<u>5,251,985</u>	<u>4,766,669</u>	<u>14,959,719</u>	<u>24,978,373</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	145,178	-	-	145,178
Deferred outflows related to OPEB	21,491	-	-	21,491
Total deferred outflows of resources	<u>166,669</u>	<u>-</u>	<u>-</u>	<u>166,669</u>
Liabilities				
Current liabilities:				
Accounts payable	203,925	112,852	75,329	392,106
Accrued expenses and claims payable	2,761,160	4,413,992	4,035,207	11,210,359
Total current liabilities	<u>2,965,085</u>	<u>4,526,844</u>	<u>4,110,536</u>	<u>11,602,465</u>
Noncurrent liabilities:				
Net OPEB liability	105,604	-	-	105,604
Net pension liability	804,399	-	-	804,399
Total noncurrent liabilities	<u>910,003</u>	<u>-</u>	<u>-</u>	<u>910,003</u>
Total liabilities	<u>3,875,088</u>	<u>4,526,844</u>	<u>4,110,536</u>	<u>12,512,468</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	3,492	-	-	3,492
Deferred inflows related to OPEB	9,408	-	-	9,408
Total deferred inflows of resources	<u>12,900</u>	<u>-</u>	<u>-</u>	<u>12,900</u>
Net Position				
Unrestricted	<u>1,530,666</u>	<u>239,825</u>	<u>10,849,183</u>	<u>12,619,674</u>
Total net position	<u>\$ 1,530,666</u>	<u>\$ 239,825</u>	<u>\$ 10,849,183</u>	<u>\$ 12,619,674</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	<u>Risk Management</u>	<u>Worker's Compensation</u>	<u>Health</u>	<u>Total</u>
Operating revenues:				
Contributions	\$ 3,926,653	\$ 1,662,918	\$ 37,403,445	\$ 42,993,016
Miscellaneous	-	-	-	-
Total operating revenues	<u>3,926,653</u>	<u>1,662,918</u>	<u>37,403,445</u>	<u>42,993,016</u>
Operating expenses:				
Fees and services	<u>3,926,653</u>	<u>1,662,918</u>	<u>31,744,645</u>	<u>37,334,216</u>
Total operating expenses	<u>3,926,653</u>	<u>1,662,918</u>	<u>31,744,645</u>	<u>37,334,216</u>
Operating income (loss)	-	-	5,658,800	5,658,800
Nonoperating revenues				
Investment income	-	<u>15,582</u>	-	<u>15,582</u>
Total nonoperating revenues	<u>-</u>	<u>15,582</u>	<u>-</u>	<u>15,582</u>
Changes in net position	-	15,582	5,658,800	5,674,382
Total net position - beginning	1,530,666	224,243	5,190,383	6,945,292
Total net position - ending	<u>\$ 1,530,666</u>	<u>\$ 239,825</u>	<u>\$ 10,849,183</u>	<u>\$ 12,619,674</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Cash flows from operating activities:				
Receipts from other funds	\$ 3,926,653	\$ 1,662,918	\$ 37,427,070	\$ 43,016,641
Reduction in (payments for) settlement of claims	(3,277,879)	(2,283,598)	(31,424,022)	(36,985,499)
Net cash provided (used) by in operating activities	<u>648,774</u>	<u>(620,680)</u>	<u>6,003,048</u>	<u>6,031,142</u>
Cash flows from investing activities:				
Interest received	-	16,750	-	16,750
Net cash provided (used) by investing activities	<u>-</u>	<u>16,750</u>	<u>-</u>	<u>16,750</u>
Net increase (decrease) in cash and cash equivalents	648,774	(603,930)	6,003,048	6,047,892
Cash and cash equivalents, beginning of year	<u>4,599,878</u>	<u>5,368,353</u>	<u>8,867,571</u>	<u>18,835,802</u>
Cash and cash equivalents, end of year	<u>\$ 5,248,652</u>	<u>\$ 4,764,423</u>	<u>\$ 14,870,619</u>	<u>\$ 24,883,694</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ -	\$ -	\$ 5,658,800	\$ 5,658,800
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in receivables	-	-	23,625	23,625
(Increase) decrease in net OPEB asset	(2,101)	-	-	(2,101)
Increase (decrease) in accounts payable	188,716	18,254	(36,445)	170,525
Increase (decrease) in accrued expenses	410,301	(638,934)	357,068	128,435
(Increase) decrease in deferred outflows	(86,853)	-	-	(86,853)
Increase (decrease) in deferred inflows	(38,676)	-	-	(38,676)
Increase (decrease) in net pension liability	164,890	-	-	164,890
Increase (decrease) in net OPEB liability	12,497	-	-	12,497
Net cash provided (used) by operating activities	<u>\$ 648,774</u>	<u>\$ (620,680)</u>	<u>\$ 6,003,048</u>	<u>\$ 6,031,142</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 222,405,408	\$ 245,869,477	\$ 23,464,069
Intergovernmental	107,718,960	95,354,352	(12,364,608)
Investment income	4,257,689	4,064,240	(193,449)
Charges for services	139,266,717	138,826,850	(439,867)
Fines and forfeitures	6,563,159	4,893,879	(1,669,280)
Licenses and permits	5,560,963	7,241,620	1,680,657
Other entities' participation	2,311,904	2,104,853	(207,051)
Miscellaneous	33,288,626	18,655,504	(14,633,122)
Contingency	4,900,000	-	(4,900,000)
Total revenues	<u>526,273,426</u>	<u>517,010,775</u>	<u>(9,262,651)</u>
Expenditures			
Current:			
Police	105,469,086	100,658,707	4,810,379
Fire medical rescue	57,383,599	52,452,434	4,931,165
Community services	66,399,890	41,384,650	25,015,240
Engineering and transportation	172,207,607	99,175,853	73,031,754
Municipal utilities	165,619,875	148,829,575	16,790,300
Community development	21,764,573	15,930,180	5,834,393
Human services	56,063,526	31,413,012	24,650,514
Mayor and council	492,175	485,932	6,243
Municipal court	7,313,574	4,812,143	2,501,431
City manager	13,308,885	10,038,328	3,270,557
City attorney	3,509,076	3,401,720	107,356
Internal audit office	572,588	542,679	29,909
Municipal budget office	242,336	174,578	67,758
Economic development office	1,184,302	748,025	436,277
Sustainability office	325,002	309,101	15,901
Office of strategic management and diversity	1,504,396	1,257,517	246,879
City clerk and elections	1,271,362	869,297	402,065
Internal services	34,038,383	35,165,664	(1,127,281)
Contingency	11,669,634	-	11,669,634
Interdepartmental charges	(17,990,935)	(16,790,783)	(1,200,152)
Debt Service:			
Principal	54,654,985	54,692,880	(37,895)
Interest and fiscal fees	22,554,332	21,826,153	728,179
Total expenditures	<u>779,558,251</u>	<u>607,377,645</u>	<u>172,180,606</u>
Other financing sources (uses)			
Transfers from other funds	43,284,104	54,430,834	11,146,730
Transfers to other funds	(31,999,662)	(54,430,831)	(22,431,169)
Issuance of debt	61,105,832	58,025,000	(3,080,832)
Premium on issuance of debt	-	17,476,076	17,476,076
Proceeds (loss) from sale of capital assets	608,296	2,013,202	1,404,906
Total other financing sources (uses)	<u>72,998,570</u>	<u>77,514,281</u>	<u>4,515,711</u>
Net change in fund balance	<u>\$ (180,286,255)</u>	<u>\$ (12,852,589)</u>	<u>\$ 167,433,666</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 32,017,977	\$ 31,710,945	\$ (307,032)
Investment income	-	22,440	22,440
Total revenues	<u>32,017,977</u>	<u>31,733,385</u>	<u>(284,592)</u>
Expenditures:			
Debt service:			
Principal	19,809,105	19,617,000	192,105
Interest and fiscal fees	<u>7,977,843</u>	<u>7,498,305</u>	<u>479,538</u>
Total expenditures	<u>27,786,948</u>	<u>27,115,305</u>	<u>671,643</u>
Excess (deficiency) of revenues over expenditures	4,231,029	4,618,080	387,051
Other financing sources (uses):			
Transfers in	6,166,005	6,157,267	(8,738)
Transfers out	(8,323,261)	(8,320,759)	2,502
Premium on issuance of debt	-	285,503	285,503
Total other financing sources (uses)	<u>(2,157,256)</u>	<u>(1,877,989)</u>	<u>279,267</u>
Net change in fund balance	<u>\$ 2,073,773</u>	<u>\$ 2,740,091</u>	<u>\$ 666,318</u>

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

Special Assessment Debt Service Fund
For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 1,021	\$ 1,021
Special assessments	2,246,553	2,143,729	(102,824)
Miscellaneous	-	249	249
Total revenues	<u>2,246,553</u>	<u>2,144,999</u>	<u>(101,554)</u>
Expenditures:			
Debt service:			
Principal	1,520,000	1,520,000	-
Interest and fiscal fees	726,533	692,439	34,094
Total expenditures	<u>2,246,533</u>	<u>2,212,439</u>	<u>34,094</u>
Net change in fund balance	<u>\$ 20</u>	<u>\$ (67,440)</u>	<u>\$ (67,460)</u>

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 4,277,368	\$ 4,805,783	\$ 528,415
Charges for services	208,855	-	(208,855)
Miscellaneous	8,750	-	(8,750)
Total revenues	<u>4,494,973</u>	<u>4,805,783</u>	<u>310,810</u>
Expenditures:			
Current:			
Community services	<u>2,784,212</u>	<u>4,060,475</u>	<u>(1,276,263)</u>
Total expenditures	<u>2,784,212</u>	<u>4,060,475</u>	<u>(1,276,263)</u>
Net change in fund balance	<u>\$ 1,710,761</u>	<u>\$ 745,308</u>	<u>\$ (965,453)</u>

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

Arts and Culture Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 4,277,368	\$ 4,895,809	\$ 618,441
Charges for services	7,924	58,826	50,902
Miscellaneous	(4,185)	4,583	8,768
Total revenues	<u>4,281,107</u>	<u>4,959,218</u>	<u>678,111</u>
Expenditures:			
Current:			
Community services	<u>7,108,838</u>	<u>14,710</u>	<u>7,094,128</u>
Total expenditures	<u>7,108,838</u>	<u>14,710</u>	<u>7,094,128</u>
Excess (deficiency) of revenues over expenditures	(2,827,731)	4,944,508	7,772,239
Other financing sources (uses):			
Transfers in	250,000	-	(250,000)
Transfers out	(209,464)	(456,464)	(247,000)
Proceeds from sale of capital assets	-	6,692	6,692
Total other financing sources (uses)	<u>40,536</u>	<u>(449,772)</u>	<u>(490,308)</u>
Net change in fund balance	<u>\$ (2,787,195)</u>	<u>\$ 4,494,736</u>	<u>\$ 7,281,931</u>

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

Highway User Revenue Fund
For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
State sales tax	\$ 10,766,334	\$ 13,575,964	\$ 2,809,630
Charges for services	182,800	256,617	73,817
Miscellaneous	3,000	18,948	15,948
Total revenues	<u>10,952,134</u>	<u>13,851,529</u>	<u>2,899,395</u>
Expenditures:			
Current:			
Engineering and transportation	11,917,426	9,733,860	2,183,566
Total expenditures	<u>11,917,426</u>	<u>9,733,860</u>	<u>2,183,566</u>
Excess (deficiency) of revenues over expenditures	(965,292)	4,117,669	5,082,961
Other financing sources (uses):			
Transfers in	1,500,000	-	(1,500,000)
Transfers out	(1,335,571)	(1,529,066)	(193,495)
Proceeds from sale of capital assets	-	86,016	86,016
Total other financing sources (uses)	<u>164,429</u>	<u>(1,443,050)</u>	<u>(1,607,479)</u>
Net change in fund balance	<u>\$ (800,863)</u>	<u>\$ 2,674,619</u>	<u>\$ 3,475,482</u>

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

Community Development Fund
For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 9,272,128	\$ 4,620,692	\$ (4,651,436)
Investment income	3,472	-	(3,472)
Miscellaneous	3,845,651	516,840	(3,328,811)
Total revenues	<u>13,121,251</u>	<u>5,137,532</u>	<u>(7,983,719)</u>
Expenditures:			
Current:			
Human services	12,600,720	4,860,855	7,739,865
Debt service:			
Principal	462,000	462,000	-
Interest and fiscal fees	58,651	54,840	3,811
Total expenditures	<u>13,121,371</u>	<u>5,377,695</u>	<u>7,743,676</u>
Net change in fund balance	<u>\$ (120)</u>	<u>\$ (240,163)</u>	<u>\$ (240,043)</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 20,805,965	\$ 9,867,669	\$ (10,938,296)
Investment income	11,145	2,228	(8,917)
Fines and forfeitures	25,000	31,645	6,645
Miscellaneous	228,959	-	(228,959)
Total revenues	<u>21,071,069</u>	<u>9,901,542</u>	<u>(11,169,527)</u>
Expenditures:			
Current:			
Human services	21,071,631	10,874,703	10,196,928
Total expenditures	<u>21,071,631</u>	<u>10,874,703</u>	<u>10,196,928</u>
Net change in fund balance	<u>\$ (562)</u>	<u>\$ (973,161)</u>	<u>\$ (972,599)</u>

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

Housing Affordability Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 213	\$ 213
Miscellaneous	250,000	-	(250,000)
Total revenues	<u>250,000</u>	<u>213</u>	<u>(249,787)</u>
Expenditures:			
Current:			
Human services	265,000	-	265,000
Contingency	250,000	-	250,000
Total expenditures	<u>515,000</u>	<u>-</u>	<u>515,000</u>
Net change in fund balance	<u>\$ (265,000)</u>	<u>\$ 213</u>	<u>\$ 265,213</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 4,000	\$ -	\$ (4,000)
State grants	-	101,106	101,106
Intergovernmental other	62,000	-	(62,000)
Licenses and permits	12,568	-	(12,568)
Charges for services	731,832	98,002	(633,830)
Investment income	-	7,566	7,566
Fines and forfeitures	1,331,711	313,229	(1,018,482)
Other entities' participation	492,517	285,932	(206,585)
Miscellaneous	4,425,857	2,807,737	(1,618,120)
Total revenues	<u>7,060,485</u>	<u>3,613,572</u>	<u>(3,446,913)</u>
Expenditures:			
Current:			
Fire medical rescue	60,079	25,726	34,353
Community services	830,788	70,793	759,995
Economic development office	350,000	-	350,000
Engineering and transportation	15,000	82,875	(67,875)
Community development	1,484,258	116,040	1,368,218
Human services	3,815,469	897,214	2,918,255
Municipal court	2,196,515	369,347	1,827,168
City attorney	30,000	7,078	22,922
City manager	1,568,268	1,333,854	234,414
Office of strategic management and diversity	302,000	-	302,000
Contingency	1,469,123	-	1,469,123
Total expenditures	<u>12,121,500</u>	<u>2,902,927</u>	<u>9,218,573</u>
Excess (deficiency) of revenues over expenditures	(5,061,015)	710,645	5,771,660
Other financing sources (uses):			
Transfers in	-	5,007,015	5,007,015
Total other financing sources (uses)	<u>-</u>	<u>5,007,015</u>	<u>5,007,015</u>
Net change in fund balance	<u>\$ (5,061,015)</u>	<u>\$ 5,717,660</u>	<u>\$ 10,778,675</u>

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

Grants Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 4,196,514	\$ 2,842,976	\$ (1,353,538)
State grants	1,465,974	519,118	(946,856)
Intergovernmental other	6,717,394	2,740,033	(3,977,361)
Other entities' participatoin	79,681	53,677	(26,004)
Investment income	72	11	(61)
Charges for services	7,000	632	(6,368)
Fines and forfeitures	214,783	131,494	(83,289)
Miscellaneous	12,367,113	1,655,445	(10,711,668)
Total revenues	<u>25,048,531</u>	<u>7,943,386</u>	<u>(17,105,145)</u>
Expenditures:			
Current:			
Police	6,349,749	3,341,839	3,007,910
Fire medical rescue	1,554,581	625,518	929,063
Community services	1,356,395	334,699	1,021,696
Municipal utilities	500	500	-
Community development	27,155	-	27,155
Human services	3,183,555	1,408,068	1,775,487
Municipal court	123,828	-	123,828
City manager	4,959,410	1,792,722	3,166,688
City attorney	85,802	24,914	60,888
Sustainability office	73,619	35,366	38,253
Office of strategic management and diversity	126,092	114,590	11,502
Contingency	7,241,673	-	7,241,673
Total expenditures	<u>25,082,359</u>	<u>7,678,216</u>	<u>17,404,143</u>
 Net change in fund balance	 <u>\$ (33,828)</u>	 <u>\$ 265,170</u>	 <u>\$ 298,998</u>

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

Community Facilities District Fund For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,351,506	\$ 2,597,247	\$ 245,741
Miscellaneous	200,000	-	(200,000)
Total revenues	<u>2,551,506</u>	<u>2,597,247</u>	<u>45,741</u>
Expenditures:			
Current:			
Community development	3,079,550	1,952,597	1,126,953
Debt service:			
Principal	2,655,000	2,655,000	-
Interest and fiscal fees	249,191	248,551	640
Total expenditures	<u>5,983,741</u>	<u>4,856,148</u>	<u>1,127,593</u>
Excess (deficiency) of revenues over expenditures	(3,432,235)	(2,258,901)	1,173,334
Other financing sources (uses):			
Transfers in	2,901,191	2,901,691	500
Total other financing sources (uses)	<u>2,901,191</u>	<u>2,901,691</u>	<u>500</u>
Net change in fund balance	<u>\$ (531,044)</u>	<u>\$ 642,790</u>	<u>\$ 1,173,834</u>

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

Transit Capital Projects Fund
For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ -	\$ 482,896	\$ 482,896
Intergovernmental other	347,876	-	(347,876)
Charges for services	65,260	454,376	389,116
Investment income	-	1,584	1,584
Contingency	2,900,000	-	(2,900,000)
Total revenues	<u>3,313,136</u>	<u>938,856</u>	<u>(2,374,280)</u>
Expenditures:			
Current:			
Engineering and transportation	30,755,274	12,432,231	18,323,043
Total expenditures	<u>30,755,274</u>	<u>12,432,231</u>	<u>18,323,043</u>
Excess (deficiency) of revenues over expenditures	(27,442,138)	(11,493,375)	15,948,763
Other financing sources (uses):			
Transfers in	7,304,740	8,204,740	900,000
Total other financing sources (uses)	<u>7,304,740</u>	<u>8,204,740</u>	<u>900,000</u>
Net change in fund balance	<u>\$ (20,137,398)</u>	<u>\$ (3,288,635)</u>	<u>\$ 16,848,763</u>

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

Streets Capital Projects Fund
For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 206,809	\$ 425,133	\$ 218,324
Charges for services	390,000	243,732	(146,268)
Other entities' participation	-	802,107	802,107
Investment income	-	5	5
Contingency	1,000,000	-	(1,000,000)
Miscellaneous	-	600	600
Total revenues	<u>1,596,809</u>	<u>1,471,577</u>	<u>(125,232)</u>
Expenditures:			
Current:			
Engineering and transportation	33,715,995	24,430,636	9,285,359
Total expenditures	<u>33,715,995</u>	<u>24,430,636</u>	<u>9,285,359</u>
Excess (deficiency) of revenues over expenditures	(32,119,186)	(22,959,059)	9,160,127
Other financing sources (uses):			
Transfers in	1,524,230	1,524,230	-
Transfers out	-	(6,000,000)	(6,000,000)
Issuance of debt	10,184,940	5,170,000	(5,014,940)
Premium on issuance of debt	-	1,430,000	1,430,000
Total other financing sources (uses)	<u>11,709,170</u>	<u>2,124,230</u>	<u>(9,584,940)</u>
Net change in fund balance	<u>\$ (20,410,016)</u>	<u>\$ (20,834,829)</u>	<u>\$ (424,813)</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 634,666	\$ 634,666
Investment income	-	4,426	4,426
Miscellaneous	-	146,094	146,094
Total revenues	<u>-</u>	<u>785,186</u>	<u>785,186</u>
Expenditures:			
Current:			
Police	5,732,502	4,321,638	1,410,864
Total expenditures	<u>5,732,502</u>	<u>4,321,638</u>	<u>1,410,864</u>
Excess (deficiency) of revenues over expenditures	(5,732,502)	(3,536,452)	2,196,050
Other financing sources (uses):			
Transfers in	-	53,779	53,779
Transfers out	-	(219,423)	(219,423)
Issuance of debt	1,712,791	2,775,000	1,062,209
Premium on issuance of debt	-	925,000	925,000
Total other financing sources (uses)	<u>1,712,791</u>	<u>3,534,356</u>	<u>1,821,565</u>
Net change in fund balance	<u>\$ (4,019,711)</u>	<u>\$ (2,096)</u>	<u>\$ 4,017,615</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 575,914	\$ 575,914
Investment income	-	696	696
Miscellaneous	-	14,989	14,989
Total revenues	<u>-</u>	<u>591,599</u>	<u>591,599</u>
Expenditures:			
Current:			
Fire Medical Rescue	<u>6,193,334</u>	<u>4,170,394</u>	<u>2,022,940</u>
Total expenditures	<u>6,193,334</u>	<u>4,170,394</u>	<u>2,022,940</u>
Excess (deficiency) of revenues over expenditures	(6,193,334)	(3,578,795)	2,614,539
Other financing sources (uses):			
Transfers out	-	(19,423)	(19,423)
Issuance of debt	2,332,000	1,005,000	(1,327,000)
Premium on issuance of debt	-	195,000	195,000
Total other financing sources (uses)	<u>2,332,000</u>	<u>1,180,577</u>	<u>(1,151,423)</u>
Net change in fund balance	<u>\$ (3,861,334)</u>	<u>\$ (2,398,218)</u>	<u>\$ 1,463,116</u>

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

Arts and Culture Capital Projects Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Expenditures:			
Current:			
Community services	\$ 856,464	\$ 453,077	\$ 403,387
Total expenditures	<u>856,464</u>	<u>453,077</u>	<u>403,387</u>
Other financing sources (uses):			
Transfers in	856,464	4,058,663	3,202,199
Total other financing sources (uses)	<u>856,464</u>	<u>4,058,663</u>	<u>3,202,199</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,605,586</u>	<u>\$ 3,605,586</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental	\$ 40,670	\$ -	\$ (40,670)
Total revenues	<u>40,670</u>	<u>-</u>	<u>(40,670)</u>
Expenditures:			
Current:			
Engineering and transportation	1,139,866	1,024,529	115,337
Total expenditures	<u>1,139,866</u>	<u>1,024,529</u>	<u>115,337</u>
Excess (deficiency) of revenues over expenditures	(1,099,196)	(1,024,529)	74,667
Other financing sources (uses):			
Issuance of debt	340,670	240,000	(100,670)
Premium on issuance of debt	-	60,000	60,000
Total other financing sources (uses)	<u>340,670</u>	<u>300,000</u>	<u>(40,670)</u>
Net change in fund balance	<u>\$ (758,526)</u>	<u>\$ (724,529)</u>	<u>\$ 33,997</u>

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

Parks Capital Projects Fund
For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 956,000	\$ 686,962	\$ (269,038)
Other entities' participation	47,500	25,000	(22,500)
Investment income	-	3,753	3,753
Contingency	1,000,000	-	(1,000,000)
Miscellaneous	-	3,635	3,635
Total revenues	<u>2,003,500</u>	<u>719,350</u>	<u>(1,284,150)</u>
Expenditures:			
Current:			
Community services	26,695,144	10,646,128	16,049,016
Total expenditures	<u>26,695,144</u>	<u>10,646,128</u>	<u>16,049,016</u>
Excess (deficiency) of revenues over expenditures	(24,691,644)	(9,926,778)	14,764,866
Other financing sources (uses):			
Transfers in	10,600,000	40,000	(10,560,000)
Transfers out	-	(4,830,781)	(4,830,781)
Issuance of debt	-	4,325,000	4,325,000
Premium on issuance of debt	-	1,275,000	1,275,000
Total other financing sources (uses)	<u>10,600,000</u>	<u>809,219</u>	<u>(9,790,781)</u>
Net change in fund balance	<u>\$ (14,091,644)</u>	<u>\$ (9,117,559)</u>	<u>\$ 4,974,085</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 140,000	\$ 5,568	\$ (134,432)
Other entities' participation	-	179,489	179,489
Investment income	-	59	59
Total revenues	<u>140,000</u>	<u>185,116</u>	<u>45,116</u>
Expenditures:			
Current:			
Engineering and transportation	<u>20,962,366</u>	<u>13,285,485</u>	<u>7,676,881</u>
Total expenditures	<u>20,962,366</u>	<u>13,285,485</u>	<u>7,676,881</u>
Excess (deficiency) of revenues over expenditures	(20,822,366)	(13,100,369)	7,721,997
Other financing sources (uses):			
Transfers in	-	2,228,311	2,228,311
Transfers out	-	(5,102,199)	(5,102,199)
Issuance of debt	8,946,019	6,635,000	(2,311,019)
Premium on issuance of debt	-	1,765,000	1,765,000
Total other financing sources (uses)	<u>8,946,019</u>	<u>5,526,112</u>	<u>(3,419,907)</u>
Net change in fund balance	<u>\$ (11,876,347)</u>	<u>\$ (7,574,257)</u>	<u>\$ 4,302,090</u>

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

Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ -	\$ 582,825	\$ 582,825
Charges for services	-	82,720	82,720
Other entities' participation	400,000	-	(400,000)
Investment income	-	328	328
Total revenues	<u>400,000</u>	<u>665,873</u>	<u>265,873</u>
Expenditures:			
Current:			
Engineering and transportation	8,037,371	5,747,892	2,289,479
Total expenditures	<u>8,037,371</u>	<u>5,747,892</u>	<u>2,289,479</u>
Excess (deficiency) of revenues over expenditures	(7,637,371)	(5,082,019)	2,555,352
Other financing sources (uses):			
Issuance of debt	2,040,688	2,320,000	279,312
Premium on issuance of debt	-	580,000	580,000
Total other financing sources (uses)	<u>2,040,688</u>	<u>2,900,000</u>	<u>859,312</u>
Net change in fund balance	<u>\$ (5,596,683)</u>	<u>\$ (2,182,019)</u>	<u>\$ 3,414,664</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, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 660,350	\$ 602,537	\$ (57,813)
Total revenues	<u>660,350</u>	<u>602,537</u>	<u>(57,813)</u>
Expenditures:			
Current:			
Community development	2,431,216	244,407	2,186,809
Total expenditures	<u>2,431,216</u>	<u>244,407</u>	<u>2,186,809</u>
Net change in fund balance	<u>\$ (1,770,866)</u>	<u>\$ 358,130</u>	<u>\$ 2,128,996</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 89,912,776	\$ 90,816,058	\$ 903,282
Investment income	1,500,000	1,077,974	(422,026)
Intergovernmental	-	36,400	36,400
Fines and forfeitures	67,000	3,300	(63,700)
Miscellaneous	53,830	719,703	665,873
Total revenues	<u>91,533,606</u>	<u>92,653,435</u>	<u>1,119,829</u>
Expenditures:			
Current:			
Municipal utilities	145,596,002	129,265,577	16,330,425
Contingency	1,000,000	-	1,000,000
Debt service:			
Principal	27,443,880	27,673,880	(230,000)
Interest and fiscal fees	11,323,494	11,085,273	238,221
Total expenditures	<u>185,363,376</u>	<u>168,024,730</u>	<u>17,338,646</u>
Excess (deficiency) of revenues over expenditures	(93,829,770)	(75,371,295)	18,458,475
Other financing sources (uses):			
Transfers in	11,556,311	11,284,031	(272,280)
Transfers out	(11,965,059)	(11,963,754)	1,305
Issuance of debt	35,142,724	35,480,000	337,276
Premium on issuance of debt	-	10,935,573	10,935,573
Proceeds from sale of capital assets	44,126	163,503	119,377
Total other financing sources (uses)	<u>34,778,102</u>	<u>45,899,353</u>	<u>11,121,251</u>
Net change in fund balance	<u>\$ (59,051,668)</u>	<u>\$ (29,471,942)</u>	<u>\$ 29,579,726</u>

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

Solid Waste

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 18,769,043	\$ 19,824,131	\$ 1,055,088
Investment income	38,000	66,711	28,711
Miscellaneous	2,817	-	(2,817)
Total revenues	<u>18,809,860</u>	<u>19,890,842</u>	<u>1,080,982</u>
Expenditures:			
Current:			
Municipal utilities	19,601,781	17,873,491	1,728,290
Contingency	500,000	-	500,000
Total expenditures	<u>20,101,781</u>	<u>17,873,491</u>	<u>2,228,290</u>
Excess (deficiency) of revenues over expenditures	(1,291,921)	2,017,351	3,309,272
Other financing sources (uses):			
Transfers in	403,413	365,000	(38,413)
Transfers out	(408,324)	(408,249)	75
Proceeds from sale of capital assets	110,535	98,749	(11,786)
Total other financing sources (uses)	<u>105,624</u>	<u>55,500</u>	<u>(50,124)</u>
Net change in fund balance	<u>\$ (1,186,297)</u>	<u>\$ 2,072,851</u>	<u>\$ 3,259,148</u>

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

Emergency Medical Transportation Fund For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 3,900,000	\$ 3,604,561	\$ (295,439)
Investment income	-	2,148	2,148
Miscellaneous	145,000	165,040	20,040
Total revenues	<u>4,045,000</u>	<u>3,771,749</u>	<u>(273,251)</u>
Expenditures:			
Current:			
Fire Medical Rescue	4,096,701	3,357,835	738,866
Contingency	150,000	-	150,000
Total expenditures	<u>4,246,701</u>	<u>3,357,835</u>	<u>888,866</u>
Excess (deficiency) of revenues over expenditures	(201,701)	413,914	615,615
Other financing sources (uses):			
Transfers out	(127,000)	-	127,000
Total other financing sources (uses)	<u>(127,000)</u>	<u>-</u>	<u>127,000</u>
Net change in fund balance	<u>\$ (328,701)</u>	<u>\$ 413,914</u>	<u>\$ 742,615</u>

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

Golf Course Fund

For the Fiscal Year Ended June 30, 2021

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,853,250	\$ 3,907,735	\$ 1,054,485
Miscellaneous	-	96	96
Total revenues	<u>2,853,250</u>	<u>3,907,831</u>	<u>1,054,581</u>
Expenditures:			
Current:			
Fire Medical Rescue	3,254,063	3,418,894	(164,832)
Interest and fiscal fees	-	13,729	(13,729)
Total expenditures	<u>3,254,063</u>	<u>3,432,623</u>	<u>(178,561)</u>
Excess (deficiency) of revenues over expenditures	(400,813)	475,208	876,021
Other financing sources (uses):			
Transfers in	74,000	85,357	11,357
Transfers out	(182,450)	(182,450)	-
Issuance of debt	406,000	75,000	(331,000)
Premium on issuance of debt	-	25,000	25,000
Proceeds from sale of capital assets	-	10,001	10,001
Total other financing sources (uses)	<u>297,550</u>	<u>12,908</u>	<u>(284,642)</u>
Net change in fund balance	<u>\$ (103,263)</u>	<u>\$ 488,116</u>	<u>\$ 591,379</u>

Statistical Section

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

STATISTICAL SECTION

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

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

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

Net Position by Component (Exhibit S-1)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Governmental activities										
Net investment in capital assets	\$ 529,205,694	\$ 523,422,276	\$ 491,949,237	\$ 483,438,668	\$ 519,530,983	\$ 564,120,959	\$ 519,040,090	\$ 537,940,057	\$ 548,739,169	\$ 560,427,507
Restricted	137,153,218	99,053,439	79,370,511	102,808,694	117,866,229	102,095,778	141,565,366	148,338,902	119,845,935	124,800,334
Unrestricted	89,964,094	85,960,972	70,642,228	13,318,115	(22,136,687)	(26,820,571)	(18,763,531)	236,990,748	253,302,947	248,936,397
Total governmental activities net position	<u>\$ 756,323,006</u>	<u>\$ 708,436,687</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 151,450,264	\$ 140,978,804	\$ 124,836,951	\$ 111,354,858	\$ 104,387,674	\$ 69,467,178	\$ 142,208,059	\$ 137,971,614	\$ 149,782,240	\$ 162,774,388
Unrestricted	145,707,685	148,328,973	153,206,243	153,208,008	151,904,179	170,405,834	90,577,933	118,726,035	105,207,407	92,951,764
Total business-type activities net position	<u>\$ 297,157,949</u>	<u>\$ 289,307,777</u>	<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>
Primary government										
Net investment in capital assets	\$ 680,655,958	\$ 664,401,080	\$ 616,786,188	\$ 594,793,526	\$ 623,918,657	\$ 633,588,137	\$ 661,248,149	\$ 675,911,671	\$ 698,521,409	\$ 723,201,895
Restricted	137,153,218	99,053,439	79,370,511	102,808,694	117,866,229	102,095,778	141,565,367	148,338,902	119,845,935	124,800,334
Unrestricted	235,671,779	234,289,945	223,848,471	166,526,123	129,767,492	143,585,263	71,814,402	355,716,783	358,510,354	341,888,161
Total primary government net position	<u>\$ 1,053,480,955</u>	<u>\$ 997,744,464</u>	<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>

Changes in Net Position (Exhibit S-2a)

Last Ten Fiscal Years

Accrual Basis of Accounting

	City of Tempe, Arizona									
	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Expenses										
Governmental activities:										
Police	\$ 109,726,330	\$ 107,096,572	\$ 101,620,981	\$ 107,357,688	\$ 111,570,351	\$ 93,057,663	\$ 92,214,451	\$ 78,658,426	\$ 76,585,163	\$ 76,799,591
Fire medical rescue	46,147,306	49,941,616	44,646,087	40,900,261	48,345,996	34,319,479	32,914,994	31,103,237	32,594,512	28,156,863
Community services (d)	35,561,466	36,442,527	28,463,648	29,739,525	27,956,647	27,402,656	29,239,583	29,363,339	28,592,571	31,069,618
Public works (g)	-	-	110,725,592	102,940,790	103,728,249	112,589,913	107,411,254	102,892,245	103,586,986	98,915,390
Engineering and transportation (g)	87,118,482	102,020,829	-	-	-	-	-	-	-	-
Municipal utilities (g)	746,206	506,510	-	-	-	-	-	-	-	-
Community development	14,320,056	18,005,337	17,550,896	17,270,124	16,521,932	18,372,515	18,832,177	30,234,017	26,757,509	25,113,273
Human services (d)	30,905,378	26,614,653	21,669,347	22,505,753	17,777,825	17,430,250	13,374,117	463,969	449,428	476,011
Municipal court	5,076,735	5,257,225	4,985,853	5,007,487	4,909,370	4,354,299	4,028,068	4,288,787	3,900,928	3,934,716
Mayor and council	434,128	461,629	491,026	405,716	473,324	337,046	330,042	408,196	223,472	356,468
City manager (d)(e)(c)	10,706,914	7,455,774	7,150,485	7,045,025	6,815,022	7,371,101	7,045,783	7,220,482	7,654,913	7,535,214
City attorney	3,748,159	3,724,210	3,137,658	3,283,818	3,160,056	2,961,497	3,712,245	2,844,965	2,963,058	2,854,168
Internal audit office	619,052	516,840	434,770	476,584	376,249	425,674	433,339	392,629	393,471	338,059
Municipal budget office (d)	106,517	269,344	172,182	288,182	261,313	259,133	415,774	-	-	-
Economic development office (h)	787,640	771,575	-	-	-	-	-	-	-	-
Sustainability office (h)	274,528	174,109	-	-	-	-	-	-	-	-
Office of strategic management and diversity (e)	899,048	1,186,219	1,079,461	981,169	1,055,075	-	-	-	-	-
City clerk and elections	957,257	1,036,845	829,499	979,356	815,016	868,596	751,331	844,934	481,374	910,616
Internal services (b)(d)	18,568,233	19,779,369	15,650,001	16,749,283	18,821,669	8,252,013	6,403,407	7,343,357	6,454,535	7,890,835
Unallocated depreciation	1,502,243	1,716,431	1,716,431	1,716,725	1,777,887	1,785,487	1,955,520	1,331,649	3,662,321	2,301,194
Interest on long-term debt	9,529,375	9,921,992	12,503,655	11,817,213	9,847,278	12,924,841	12,882,924	17,153,207	14,347,644	14,894,293
Total governmental activities expenses	377,735,053	392,899,606	372,827,572	369,464,699	374,213,259	342,712,163	331,945,009	314,543,439	308,647,885	301,546,309
Business-type activities:										
Water and wastewater	86,542,908	77,716,351	77,906,953	76,903,243	70,364,126	75,515,527	73,548,319	73,208,373	72,352,330	72,156,412
Solid waste	17,319,217	16,909,091	15,791,378	17,494,354	15,918,430	14,881,636	15,868,498	15,379,174	14,758,133	14,626,578
Emergency medical transportation (f)	4,150,475	4,295,939	2,966,379	3,026,686	-	-	-	-	-	-
Golf course	3,336,616	3,038,086	2,937,558	2,802,184	2,520,474	2,734,351	2,685,634	2,799,922	2,724,422	2,658,416
Cemetery (a)	-	-	-	-	-	-	-	-	-	129,849
Total business-type activities expenses	111,349,216	101,959,467	99,602,268	100,226,467	88,803,030	93,131,514	92,102,451	91,387,469	89,834,885	89,571,255
Total primary government expenses	\$ 489,084,269	\$ 494,859,073	\$ 472,429,840	\$ 469,691,166	\$ 463,016,289	\$ 435,843,677	\$ 424,047,460	\$ 405,930,908	\$ 398,482,770	\$ 391,117,564

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

- (a) In Fiscal Year 2013, the Cemetery Fund was closed into the General Fund.
- (b) 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.
- (c) In Fiscal Year 2015, Economic Development and Community Relations became part of the City Manager's Office.
- (d) 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.
- (e) 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.
- (f) In Fiscal Year 2018, the Emergency Medical Transportation Fund was established.
- (g) In Fiscal Year 2020, the Public Works department separated into two new departments: Municipal Utilities; Engineering and Transportation.
- (h) In Fiscal Year 2020, the Sustainability Office and the Economic Development Office were created. Both offices were previously part of the City Manager's office.

Changes in Net Position (Exhibit S-2b)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Program Revenues										
Governmental activities:										
Charges for services:										
Police	\$ 738,594	\$ 790,792	\$ 1,298,812	\$ 977,914	\$ 1,021,670	\$ 1,444,986	\$ 1,712,306	\$ 1,320,177	\$ 1,506,807	\$ 1,649,775
Fire medical rescue	297,548	330,441	200,378	858,577	1,869,840	1,536,642	334,158	268,938	153,903	1,642,702
Community services (c)	1,909,685	3,249,544	7,714,161	8,323,732	8,283,698	7,812,755	7,589,603	7,445,319	6,988,375	7,101,043
Engineering and transportation (e)	10,492,178	16,315,473	-	-	-	-	-	-	-	-
Municipal utilities (e)	289	5,897	-	-	-	-	-	-	-	-
Public works (e)	-	-	17,797,231	16,011,590	16,585,374	17,740,856	19,786,216	19,681,176	18,536,983	18,136,860
Community development	16,682,427	21,113,072	14,283,336	15,684,471	13,250,819	12,665,828	13,065,445	12,035,033	6,815,190	7,088,168
Human services (c)	1,948,647	3,285,787	10,031	9,501	7,820	13,926	80,237	-	-	-
Municipal court	2,299,815	2,289,026	4,457,922	3,559,861	5,852,849	6,372,719	8,302,032	6,747,891	6,426,389	7,826,823
City manager (f)	-	-	-	-	7,597	-	-	-	-	-
City attorney	30,000	27,013	23,487	19,361	16,940	14,174	-	-	13,310	-
Economic development office	196,462	-	-	-	-	-	-	-	-	-
Sustainability office	15,544	-	-	-	-	-	-	-	-	-
City clerk and elections	-	-	2,056	3,140	-	-	-	-	-	-
Internal services (b)	3,423,684	1,804,246	2,827,988	3,000,921	1,797,928	2,186,635	2,212,402	2,224,489	2,140,898	2,623,338
Operating grants and contributions	36,398,251	32,178,593	34,467,594	30,237,598	27,582,362	26,831,238	19,784,859	24,668,792	27,287,325	22,450,002
Capital grants and contributions	36,754,274	76,680,266	39,638,190	4,094,624	6,355,742	8,091,341	7,258,243	5,933,017	6,551,849	15,961,785
Total governmental activities program revenues	111,187,398	158,070,150	122,721,186	82,781,290	82,632,639	84,711,100	80,125,501	80,324,832	76,421,029	84,480,496
Business-type activities:										
Charges for services:										
Water and wastewater	90,696,447	85,057,003	85,339,513	87,807,953	86,273,324	81,265,973	78,043,384	80,989,551	74,979,069	73,392,328
Solid waste	19,824,131	18,394,311	17,306,244	16,706,706	16,274,287	15,319,833	14,216,743	14,400,476	14,341,827	14,866,281
Emergency medical transportation (d)	4,135,310	4,375,755	3,442,151	2,280,247	-	-	-	-	-	-
Golf course	3,907,736	2,780,200	2,626,308	2,387,362	2,322,777	2,575,908	2,755,966	2,661,519	2,480,815	2,344,355
Cemetery (a)	-	-	-	-	-	-	-	-	-	144,242
Capital grants and contributions	-	-	-	-	-	-	-	-	-	1,988,550
Total business-type activities program revenues	118,563,624	110,607,269	108,714,216	109,182,268	104,870,388	99,161,714	95,016,093	98,051,546	91,801,711	92,735,756
Total primary government program revenues	\$ 229,751,022	\$ 268,677,419	\$ 231,435,402	\$ 191,963,558	\$ 187,503,027	\$ 183,872,814	\$ 175,141,594	\$ 178,376,378	\$ 168,222,740	\$ 177,216,252
Net (expense)/revenue										
Governmental activities	\$ (266,547,655)	\$ (234,829,456)	\$ (250,106,386)	\$ (287,933,728)	\$ (291,580,620)	\$ (258,001,063)	\$ (251,819,508)	\$ (234,218,607)	\$ (232,226,856)	\$ (217,065,813)
Business-type activities	7,214,408	8,647,802	9,111,948	10,206,120	16,067,358	6,030,200	2,913,642	6,664,077	1,966,826	3,164,501
Total primary government net expense	\$ (259,333,247)	\$ (226,181,654)	\$ (240,994,438)	\$ (277,727,608)	\$ (275,513,262)	\$ (251,970,863)	\$ (248,905,866)	\$ (227,554,530)	\$ (230,260,030)	\$ (213,901,312)

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

- (a) In Fiscal Year 2013, the Cemetery Fund was closed into the General Fund.
- (b) In Fiscal Year 2015, Finance and Technology was merged into the Internal Services department.
- (c) In Fiscal Year 2015, a component of the Community Services department along with Diversity formed a new department called Human Services.
- (d) 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 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
General revenues and other changes in net position										
Governmental activities:										
General revenues:										
Sales taxes	\$ 190,760,900	\$ 180,941,410	\$ 177,596,413	\$ 168,650,143	\$ 160,218,570	\$ 152,492,065	\$ 147,787,315	\$ 147,815,825	\$ 149,078,044	\$ 142,985,910
Intergovernmental revenue, unrestricted (a)	60,503,495	52,940,012	48,024,343	48,403,871	44,671,765	41,472,528	40,571,933	38,155,275	21,684,320	19,086,404
Property taxes	52,210,522	51,525,619	48,706,817	47,495,555	45,308,519	43,316,151	41,457,646	40,074,441	38,644,241	35,899,010
Franchise taxes	2,846,569	2,772,127	3,036,531	3,290,220	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125
Unrestricted investment earnings	829,560	7,950,512	7,936,949	1,489,603	662,115	1,683,445	889,594	725,099	278,102	822,900
Miscellaneous	4,770,561	3,241,181	5,924,186	5,506,328	5,435,113	7,419,129	5,042,875	4,114,557	2,987,769	3,199,954
Gain on sale of capital assets	1,692,302	638,133	674,569	1,667,264	7,538,846	5,298,681	2,170,917	657,224	261,764	496,911
Transfers	820,065	1,295,173	603,077	(1,454,082)	427,858	509,690	479,071	746,902	3,763,255	(508,805)
Total governmental activities	<u>314,433,974</u>	<u>301,304,167</u>	<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>
Business-type activities:										
Unrestricted investment earnings	200,724	3,504,059	3,614,531	697,388	351,831	841,726	488,477	436,821	115,362	335,297
Miscellaneous	888,141	326,138	1,124,986	651,500	299,116	152,428	142,914	1,643,570	923,413	3,032,990
Gain (loss) on sale of capital assets	266,964	81,757	231,940	33,015	128,394	572,356	247,296	52,947	21,149	40,582
Capital contributions	100,000	-	-	-	-	-	-	-	-	-
Transfers	(820,065)	(1,295,173)	(603,077)	(25,122)	(427,858)	(509,690)	(479,071)	(746,902)	(3,763,255)	508,805
Total business-type activities	<u>635,764</u>	<u>2,616,781</u>	<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>
Total primary government	<u>\$ 315,069,738</u>	<u>\$ 303,920,948</u>	<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>
Changes in net position										
Governmental activities	\$ 47,886,319	\$ 66,474,711	\$ 42,396,499	\$ 3,315,145	\$ (24,135,641)	\$ (2,445,759)	\$ (10,486,918)	\$ 1,381,656	\$ (12,276,186)	\$ (11,655,404)
Business-type activities	7,850,172	11,264,583	13,480,328	10,312,582	16,418,841	7,087,020	3,313,258	8,050,513	(736,505)	7,082,175
Total primary government	<u>\$ 55,736,491</u>	<u>\$ 77,739,294</u>	<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>

(a) 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 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
General fund										
Fund balances:										
Non-spendable	\$ 391,694	\$ 396,885	\$ 491,024	\$ 711,092	\$ 638,685	\$ 782,276	\$ 346,364	\$ 653,365	\$ 643,980	\$ 634,526
Restricted	199,456	154,819	106,684	154,667	100,000	100,000	-	-	-	-
Committed	-	-	480,675	-	475,531	147,036	520,770	338,193	-	-
Assigned	20,579,412	17,408,412	18,713,280	15,336,906	14,762,667	10,291,768	8,800,833	9,884,517	8,127,268	9,967,268
Unassigned	138,855,354	116,285,953	97,995,211	93,995,709	80,099,820	78,629,198	73,879,480	63,878,841	52,658,705	50,954,570
Total general fund	<u>\$ 160,025,916</u>	<u>\$ 134,246,069</u>	<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>
All other governmental funds										
Fund balances:										
Non-spendable	\$ 1,670,998	\$ 1,458,623	\$ 1,527,574	\$ 1,553,045	\$ 1,623,799	\$ 1,594,761	\$ 1,952,950	\$ 1,947,082	\$ 1,733,749	\$ 1,765,739
Restricted	96,536,269	68,712,850	65,121,669	80,434,422	88,581,119	82,863,821	80,049,732	77,724,151	75,566,724	76,139,830
Committed	28,925,620	39,133,751	46,353,146	39,232,880	26,744,884	20,404,290	21,925,153	14,295,999	19,054,131	67,195,597
Assigned	11,880,755	23,310,919	12,308,616	11,261,680	15,774,827	15,186,266	15,935,817	15,326,386	14,817,549	11,707,666
Unassigned	(1,089,017)	(1,777,702)	(1,442,236)	(296,755)	-	(2,856,351)	(2,922,001)	(673,217)	(571,299)	(1,733,419)
Total all other governmental funds	<u>\$ 137,924,625</u>	<u>\$ 130,838,441</u>	<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>

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Revenues:										
Taxes	\$ 232,293,514	\$ 222,478,903	\$ 216,680,985	\$ 207,580,582	\$ 197,341,071	\$ 188,672,865	\$ 182,323,977	\$ 182,032,821	\$ 168,974,511	\$ 162,157,488
Intergovernmental	109,958,549	101,776,973	99,111,729	90,577,368	89,383,867	85,856,572	78,988,805	74,692,323	76,651,736	72,701,235
Investment earnings	829,560	7,950,512	7,936,949	1,489,603	662,115	1,683,445	889,594	725,099	278,102	822,900
Charges for services	17,845,292	27,538,387	29,552,529	30,445,583	30,134,108	31,752,038	33,520,741	33,268,236	30,183,216	29,451,269
Fines and forfeitures	4,909,416	6,154,697	7,191,904	7,670,630	8,982,209	9,357,450	9,986,226	8,909,849	8,537,078	8,198,638
Other entities' participation	4,316,313	4,755,503	3,778,658	5,972,968	1,916,336	1,751,971	1,093,272	174,954	196,106	3,542,185
Special assessments	2,541,561	2,442,290	1,990,732	2,027,722	2,173,798	2,439,086	3,862,306	3,605,932	4,442,862	2,526,283
Licenses and permits	6,888,387	7,400,258	6,951,095	8,330,276	5,446,638	6,308,241	6,828,905	6,638,496	3,856,216	3,814,753
Miscellaneous	11,999,740	9,453,724	9,005,664	8,502,999	8,761,291	9,867,156	8,197,929	6,707,484	4,908,914	7,021,832
Total revenues	391,582,332	389,951,247	382,200,245	362,597,731	344,801,433	337,688,824	325,691,755	316,755,194	298,028,741	290,236,583
Expenditures:										
Police	96,040,799	96,427,720	93,078,088	87,341,647	82,429,673	81,154,550	78,102,044	75,135,489	72,709,534	67,325,484
Fire medical rescue	41,303,945	40,622,999	38,797,039	33,159,702	31,383,875	30,724,706	26,802,154	28,887,609	28,056,149	25,871,390
Community services (c)	30,307,131	30,336,733	25,228,594	25,507,377	23,770,512	22,516,873	22,240,413	25,579,134	24,551,075	23,473,722
Public works (e)	-	-	79,092,222	72,517,143	70,604,468	73,771,025	72,414,122	72,739,804	70,784,480	66,845,601
Engineering and transportation (e)	41,665,283	54,873,909	-	-	-	-	-	-	-	-
Municipal utilities (e)	78,310	377,524	-	-	-	-	-	-	-	-
Community development	15,701,904	16,438,644	16,624,962	16,408,645	15,336,696	16,321,778	17,432,661	29,460,993	25,253,707	23,572,565
Human services (c)	30,565,705	26,679,827	26,244,724	20,428,462	17,589,585	17,388,871	13,471,552	451,293	441,212	457,292
Municipal court	4,825,954	5,105,605	5,133,357	5,158,342	4,886,110	4,262,778	4,058,927	4,325,838	3,830,508	3,874,634
Mayor and council	486,599	457,553	495,829	403,658	417,734	342,645	345,501	368,846	244,837	440,161
City manager (b)(d)(f)	10,038,861	7,427,628	7,397,648	7,182,164	6,800,149	7,292,703	6,583,633	7,549,687	8,124,262	7,697,656
City attorney	3,407,246	3,571,789	3,515,785	3,261,843	3,098,124	2,920,857	3,790,479	2,912,507	3,037,216	2,648,388
Internal audit office	542,627	506,977	459,746	490,396	408,867	403,108	432,384	426,006	388,263	393,958
Municipal budget office (c)	174,398	255,729	261,798	294,404	262,696	236,768	323,676	-	-	-
Economic development office (f)	748,363	738,759	-	-	-	-	-	-	-	-
Sustainability office (j)	309,803	160,406	-	-	-	-	-	-	-	-
Fire medical rescue	1,258,230	1,244,678	1,088,773	987,828	932,200	-	-	-	-	-
City clerk and elections	869,904	1,006,212	910,335	995,339	752,876	850,235	751,978	885,350	511,960	899,917
Internal services (c)(a)	19,427,458	18,004,773	15,716,010	16,263,826	16,334,235	7,433,821	7,232,975	7,624,841	5,806,644	5,659,471
Debt service:										
Principal	27,019,000	47,107,000	38,768,000	31,730,000	39,547,000	29,686,000	41,065,000	26,105,000	122,595,000	25,756,000
Interest	10,454,626	11,350,230	13,526,198	11,326,484	11,688,331	13,361,380	13,622,096	13,857,641	14,506,672	13,900,288
Fiscal fees	300,802	472,785	344,231	331,593	569,367	432,387	542,498	226,658	808,563	1,593,865
Capital outlay	56,128,602	60,975,054	53,518,221	32,418,674	30,298,582	45,373,210	49,626,981	24,192,621	20,874,698	29,512,675
Total expenditures	391,655,550	424,142,534	420,201,560	366,207,527	357,111,080	354,473,695	358,839,074	320,729,317	402,524,780	299,923,067
Deficiency of revenues over expenditures before other financing sources (uses)	\$ (73,218)	\$ (34,191,287)	\$ (38,001,315)	\$ (3,609,796)	\$ (12,309,647)	\$ (16,784,871)	\$ (33,147,319)	\$ (3,974,123)	\$ (104,496,039)	\$ (9,686,484)

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

- (a) 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.
- (b) In Fiscal Year 2015, Economic Development and Community Relations became part of the City Manager's Office.
- (c) 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.
- (d) 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.
- (e) In Fiscal Year 2020, the Public Works department separated into two new departments: Municipal Utilities; Engineering and Transportation.
- (f) In Fiscal Year 2020, the Sustainability Office and the Economic Development Office were created. Both offices were previously part of the City Manager's 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 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Other financing sources (uses):										
Transfers in	\$ 42,696,445	\$ 30,942,109	\$ 38,729,874	\$ 42,297,460	\$ 27,870,785	\$ 30,410,514	\$ 26,437,046	\$ 22,217,580	\$ 67,438,620	\$ 18,104,564
Transfers out	(41,876,380)	(29,646,936)	(38,126,797)	(43,372,403)	(27,442,927)	(29,900,824)	(25,957,975)	(21,470,678)	(68,806,307)	(18,613,369)
Issuance of debt	23,862,732	37,325,000	27,130,000	25,025,000	12,290,000	13,630,000	43,965,000	11,650,000	13,675,000	7,005,000
Premium on issuance of debt	6,515,503	-	5,655,061	4,083,395	1,754,028	5,413,632	1,269,813	880,967	6,392,968	6,668,536
Capital lease proceeds	1,740,949	74,604	-	87,798	-	-	111,827	-	-	-
Proceeds from sale of capital assets	0	665,377	1,220,174	1,685,856	4,483,481	5,350,923	2,189,572	663,658	270,346	534,963
Issuance of refunding bonds	-	18,260,000	2,665,000	-	34,095,000	34,422,798	6,780,000	5,645,000	53,910,000	45,181,900
Payment to refunded/defeased bond escrow agent	-	-	-	(12,614,996)	(19,082,453)	(35,888,204)	(4,534,184)	(4,267,894)	(12,985,558)	(48,667,199)
Total other financing sources	<u>32,939,249</u>	<u>57,620,154</u>	<u>37,273,312</u>	<u>17,192,110</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>
Net change in fund balances	<u>\$ -</u>	<u>\$ 23,428,867</u>	<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>
Debt service as a percentage of noncapital expenditures	11.1%	15.8%	14.2%	16.5%	15.5%	13.8%	17.6%	13.4%	35.7% (a)	14.5%

(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
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	4,323,056,000	1,391,167,000	539,500,000	679,889,000	654,944,000	184,389,000	96,056,000	75,667,000	7,944,668,000	1.80
2018	4,693,944,000	1,484,611,000	452,167,000	738,056,000	731,333,000	167,167,000	77,000,000	59,444,000	8,403,722,000	1.80
2019	4,855,444,000	1,669,278,000	442,278,000	752,778,000	784,278,000	182,056,000	86,944,000	60,778,000	8,833,834,000	1.80
2020	5,075,059,000	1,734,138,000	427,008,000	678,918,000	853,617,000	156,197,000	68,804,000	52,347,000	9,046,088,000	1.80
2021	5,547,667,000	1,835,500,000	420,333,000	676,722,000	640,222,000	111,389,000	46,889,000	344,833,000	9,623,555,000	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
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	55.86	17.67	5.38	8.78	8.70	1.99	0.92	0.71	100
2019	54.96	18.90	5.01	8.52	8.88	2.06	0.98	0.69	100
2020	56.10	19.17	4.72	7.51	9.44	1.73	0.76	0.57	100
2021	57.65	19.07	4.37	7.03	6.65	1.16	0.49	3.58	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

<i>City Sales Tax Rates</i>							
Fiscal Year	General Fund Sales Tax Rate	Transit Special Revenue Fund Sales Tax Rate	Performing Arts Special Revenue Fund	Total City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
2012	1.40 %	0.50 %	0.10 %	2.00 %	0.70 %	6.60 %	9.30 %
2013 (a)	1.40	0.50	0.10	2.00	0.70	5.60	8.30
2014	1.40	0.50	0.10	2.00	0.70	5.60	8.30
2015 (b)	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2016	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2017	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2018	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2019	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2020	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2021	1.20	0.50	0.10	1.80	0.70	5.60	8.10

Source: City of Tempe, Arizona Tax and License Division

- (a) In Fiscal Year 2013, State of Arizona decreased the State sales tax rate by 1.0%, effective June 1, 2013.
- (b) Beginning in Fiscal Year 2015, a City of Tempe, Arizona voter approved 0.2% temporary sales tax expired. The temporary sales tax was approved to begin in Fiscal Year 2011 and expired 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
2012	Primary	\$ 1,215,073,855	\$ 507,897,174	\$ 601,231,081	\$ 260,011,506	\$ 2,447,610	\$ 5,848,137	\$ 652,320,790	\$ 1,940,188,573	0.66	\$ 14,108,227,934	13.75 %
	Secondary	1,225,527,325	558,393,732	601,912,854	261,295,232	2,740,384	7,897,668	700,438,585	1,957,328,610	1.13	14,184,312,548	13.80
2013	Primary	1,134,332,461	474,229,052	499,166,936	222,440,746	2,784,852	5,609,483	650,548,735	1,688,014,795	0.79	12,115,273,950	13.93
	Secondary	1,140,686,523	492,511,871	499,439,182	222,488,879	2,839,643	7,054,535	667,783,593	1,697,237,040	1.35	12,149,064,435	13.97
2014	Primary	1,013,888,495	590,348,150	422,097,495	237,011,004	2,470,685	5,503,454	769,883,275	1,501,436,008	0.92	10,969,708,459	13.69
	Secondary	1,019,499,265	627,596,276	422,373,499	245,942,542	2,494,792	7,172,229	811,779,331	1,513,299,272	1.57	11,047,136,814	13.70
2015	Primary	1,018,312,716	582,528,256	445,788,470	279,658,188	2,626,349	5,660,031	786,460,357	1,548,113,653	0.92	11,632,254,953	13.31
	Secondary	1,030,441,480	605,931,213	472,413,709	317,364,940	2,652,015	7,102,655	812,188,311	1,623,717,701	1.51	12,317,499,077	13.18
2016	Primary	1,040,045,065	604,094,072	458,995,411	303,832,779	2,453,154	5,495,047	820,971,174	1,593,944,354	0.93	12,152,815,646	13.12
	Secondary	1,119,535,292	681,597,591	569,311,744	395,569,487	2,501,825	6,440,828	901,610,148	1,873,346,619	1.59	14,573,138,077	12.85
2017	Primary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	0.94	12,936,980,827	12.90
	Secondary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	1.59	16,688,127,422	10.00
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
2020	Primary	1,226,011,101	724,469,285	549,262,440	452,477,990	2,106,703	5,460,842	949,264,953	2,010,523,408	0.90	15,652,812,327	12.84
	Secondary	1,226,011,101	724,469,285	549,262,440	452,477,990	2,106,703	5,460,842	949,264,953	2,010,523,408	1.50	21,407,207,731	9.39
2021	Primary	1,209,103,149	789,897,255	580,182,705	494,195,105	2,082,237	5,536,167	955,741,600	2,125,255,018	0.89	16,622,872,914	12.79
	Secondary	1,209,103,149	789,897,255	580,182,705	494,195,105	2,082,237	5,536,167	955,741,600	2,125,255,018	1.50	23,585,521,332	9.01

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 Water	Fire District Assistance	County Library District	Special Health Care District	
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
2020	Primary	0.90	1.93	2.70	-	1.40	1.16	0.46	-	-	-	-	0.19	8.74
	Secondary	1.50	0.64	2.01	0.05	-	0.17	-	0.18	0.14	0.01	0.06	0.15	4.92
	Total	2.40	2.57	4.71	0.05	1.40	1.33	0.46	0.18	0.14	0.01	0.06	0.34	13.65
2021	Primary	0.89	1.87	2.62	-	1.40	1.13	0.44	-	-	-	-	0.18	8.53
	Secondary	1.50	0.63	1.85	0.05	-	0.16	-	0.18	0.14	0.01	0.06	0.12	4.71
	Total	2.39	2.50	4.47	0.05	1.40	1.29	0.44	0.18	0.14	0.01	0.06	0.30	13.23

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 \$12.74, \$12.57 or \$16.32, 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 Water	Fire District Assistance	County Library District	Special Health Care District	
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
2020	Primary	18,114,816	72,156,009	42,303,940	-	605,109,318	499,542,385	-	196,326,940	-	-	-	80,459,388	1,433,553,408
	Secondary	30,177,956	23,880,002	31,468,300	9,617,828	-	74,279,486	70,887,943	-	60,196,609	4,082,918	24,016,045	62,843,632	391,450,719
	Total	48,292,772	96,036,011	73,772,240	9,617,828	605,109,318	573,821,871	70,887,943	196,326,940	60,196,609	4,082,918	24,016,045	143,303,020	1,825,004,127
2021	Primary	18,980,475	73,991,571	43,485,838	-	640,280,922	514,159,761	-	202,808,377	-	-	-	84,240,979	1,493,706,944
	Secondary	32,017,977	25,111,276	30,666,905	11,299,160	-	74,558,711	75,415,664	-	64,150,864	4,096,425	25,411,963	55,365,219	398,094,164
	Total	50,998,452	99,102,847	74,152,743	11,299,160	640,280,922	588,718,472	75,415,664	202,808,377	64,150,864	4,096,425	25,411,963	139,606,198	1,891,801,108

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
2012	\$ 34,856,232	\$ (439,337)	\$ 34,416,895	\$ 33,860,185	97.1 %	\$ 546,699	\$ 34,406,884	100.0 %
2013	36,402,794	(407,991)	35,994,803	35,627,136	97.9	353,258	35,980,394	100.0
2014	37,675,450	(301,818)	37,373,632	36,924,892	98.0	436,462	37,361,354	100.0
2015	38,916,826	(270,351)	38,646,475	38,310,425	98.4	323,093	38,633,518	100.0
2016	40,471,289	(355,174)	40,116,115	39,886,362	98.6	221,489	40,107,851	100.0
2017	42,580,125	(406,247)	42,173,878	41,757,608	98.1	404,575	42,162,183	100.0
2018	44,161,889	(236,085)	43,925,804	43,501,882	98.5	414,331	43,916,213	100.0
2019	45,529,984	(251,368)	45,278,616	44,892,921	98.6	375,562	45,268,483	100.0
2020	48,265,218	(173,896)	48,091,322	47,378,445	98.2	697,877	48,076,322	100.0
2021	50,936,177	(283,719)	50,652,458	49,942,161	98.0	-	49,942,161	98.6

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

	Fiscal Year 2021			Fiscal Year 2012		
	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
<i>Taxpayer:</i>						
Arizona Public Service Company	\$ 31,070,015	1	1.46 %	\$ 21,682,164	2	1.11 %
Verizon Wireless	29,225,421	2	1.37	15,643,680	4	0.80
Arizona Mills Mall LLC	21,275,806	3	1.00	25,894,140	1	1.32
JP Morgan Chase Bank NA	18,424,223	4	0.87	-		-
Iridium Satellite LLC	14,147,638	5	0.66	-		-
Honeywell International Inc	11,539,120	6	0.54	13,300,547	5	0.68
Cousins Fund II Phoenix IV LLC	10,406,504	7	0.49			-
JDM II Tempe OC LLC	9,479,446	8	0.45			-
Qwest Corporation	9,441,311	9	0.44	16,730,117	3	0.85
KM Sonoma LLC/Mt Sonoma LLC	8,780,641	10	0.41	-		-
Tempe Fountainhead Corporate LLC	-		-	10,737,308	6	0.55
RP HFL LLC	-		-	9,782,648	7	0.50
State Farm Mutual Auto Insurance	-		-	9,353,944	8	0.48
Target Corporation	-		-	8,567,508	9	0.44
Freescale Semiconductor Inc.	-		-	8,459,601	10	0.43
Total	\$ 163,790,125		7.69 %	\$ 140,151,657		7.16 %

Source 2021: RBC Capital Markets

Source 2012: 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 2021			Fiscal Year 2012		
		<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	\$ 4,975,242	1	2.32 %	\$ 5,716,403	1	4.00 %
Taxpayer B	Grocery Stores	4,194,153	2	1.96	2,906,208	2	2.03
Taxpayer C	Mixed Retail	4,027,104	3	1.88	2,396,180	7	1.68
Taxpayer D	Electronics/Software	3,142,801	4	1.47		4	-
Taxpayer E	Mixed Retail	3,054,224	5	1.43	2,158,154	5	1.51
Taxpayer F	Mixed Retail	2,714,973	6	1.27	2,013,770	8	1.41
Taxpayer G	Mixed Retail	2,571,429	7	1.20			-
Taxpayer H	Auto Sales	2,315,438	8	1.08	1,613,021	6	1.13
Taxpayer I	Electronics/Software	2,227,423	9	1.04	1,759,803		1.23
Taxpayer J	Rental	2,078,789	10	0.97			-
Taxpayer K	Electronics/Software	-		-	1,270,017	3	0.89
Taxpayer L	Hotel	-		-	1,110,729	10	0.78
Taxpayer M	Utility	-		-	1,086,743	9	0.76
Total		<u>\$ 31,301,576</u>		<u>14.63 %</u>	<u>\$ 22,031,030</u>		<u>15.41 %</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 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Privilege and use tax (a)	\$ 118,865,174	\$ 113,398,508	\$ 111,283,725	\$ 105,643,666	\$ 99,865,430	\$ 95,804,083	\$ 92,910,407	\$ 97,169,520	\$ 89,714,946	\$ 84,937,373
State shared sales tax	23,228,957	19,899,062	17,958,644	18,266,956	16,145,681	15,357,220	14,779,296	14,076,468	13,236,998	12,636,771
State shared income tax	27,983,270	24,875,451	22,408,078	22,604,114	21,511,044	19,470,946	19,577,085	18,025,635	16,519,248	13,649,203
Franchise tax	2,846,569	2,772,127	3,036,531	3,290,220	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125
Vehicle license tax	9,291,268	8,165,499	7,657,621	7,532,801	7,015,040	6,644,362	6,215,552	6,053,172	5,165,072	5,437,201
Permits and fees (b)	12,328,064	15,896,029	13,739,509	14,815,290	10,244,664	11,543,817	11,881,915	12,197,631	6,896,214	7,139,843
Fines and forfeitures	4,404,217	5,612,670	6,434,188	6,839,148	8,094,581	8,464,633	8,436,300	8,190,178	8,132,195	7,731,585
Total	\$ 198,947,519	\$ 190,619,346	\$ 182,518,296	\$ 178,992,195	\$ 166,058,633	\$ 160,648,676	\$ 156,733,794	\$ 159,023,544	\$ 142,917,848	\$ 134,960,101

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 (expiring December 2020), the 0.1% Arts and Culture Tax approved by voters in November 2018 (effective January 2021) 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
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
2020	191,860,000	185,795,463	33,458,848	4,158,853	406,955,458	2,010,523,406	9.3	20.2	2,078
2021	196,865,000	163,289,583	36,837,470	-	396,992,053	2,128,571,831	9.2	18.7	2,198

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

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

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

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Governmental Activities</i>										
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Excise Tax Revenue Bonds	Premium on Debt Payable	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases	Total Government-Type Debt		
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		
2020	191,860,000	27,750,000	76,604,000	21,731,892	2,524,000	-	81,216	320,551,108		
2021	196,865,000	25,755,000	69,582,000	26,374,477	2,062,000	-	979,231	321,617,708		
<i>Business-Type Activities</i>										
Fiscal Year	General Obligation Bonds	Excise Tax Revenue Bonds	Revenue Obligations	Premium on Debt Payable	WIFA Loans	Capital Leases	Total Business-Type Debt	Total Primary Government	Per Capita	Percentage of Personal Income
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
2020	177,795,000	54,331,000	38,000,000	27,176,457	8,000,463	480,916	305,783,836	626,334,944	3,199	9.62
2021	156,105,000	50,543,000	72,100,000	35,391,535	7,184,583	327,068	321,651,186	643,268,894	3,562	10.44

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

City of Tempe, Arizona

Governmental Unit:	2021 Net Limited Assessed Valuation	Debt Outstanding	Portion Applicable To City of Tempe		Combined Tax Rate per \$100 Assessed
			Percent	Amount	
Debt repaid with property taxes:					
State of Arizona	\$ 69,914,763,468	\$ None	3.04 %	\$ None	\$ 0.4426
Maricopa County	45,904,969,813	None	4.66	None	1.7847
Maricopa Special Health Care District	45,704,969,813	429,125,000	4.66	19,997,225	0.3046
Maricopa County Community College	45,704,969,813	312,450,000	4.66	14,560,170	0.1288
Tempe Elementary School District No. 3	1,661,540,517	140,060,000	90.00	126,054,000	4.4629
Mesa Unified School District No. 4	3,358,470,654	272,360,000	0.71	1,933,756	7.3696
Kyrene Elementary School District No. 28	2,303,922,342	202,190,000	31.79	64,276,201	3.7820
Scottsdale Unified School District No. 48	5,840,049,941	321,255,000	0.30	963,765	3.6230
Tempe Union High School District No. 213	3,965,462,859	78,385,000	56.18	44,036,693	2.4991
East Valley Institute of Technology	22,598,319,396	None	9.42	None	0.0500
Subtotal overlapping debt				<u>271,821,810</u>	
City direct debt (governmental activities)	\$ 2,128,571,831	\$ 321,617,708	100.00 %	<u>321,617,708</u>	2.3959
Total direct and overlapping debt				<u>\$ 593,439,518</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-18)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Assessed Valuation	<u>\$ 2,985,831,463</u>	<u>\$ 2,723,618,126</u>	<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>
20% Limitation:										
Debt limit equal to 20% of assessed valuation	\$ 597,166,293	\$ 544,723,625	\$ 491,419,390	\$ 457,098,588	\$ 425,141,029	\$ 318,788,871	\$ 325,554,180	\$ 302,659,854	\$ 339,447,408	\$ 391,465,722
Total net debt applicable to 20% limit	<u>344,099,415</u>	<u>357,900,003</u>	<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>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 253,066,878</u>	<u>\$ 186,823,622</u>	<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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	57.62%	65.70%	75.26%	77.39%	79.44%	103.65%	111.11%	129.06%	123.21%	114.00%
6% Limitation:										
Debt limit equal to 6% of assessed valuation	\$ 179,149,888	\$ 163,417,088	\$ 147,425,817	\$ 137,129,577	\$ 127,542,309	\$ 95,636,661	\$ 97,663,254	\$ 90,797,956	\$ 101,834,222	\$ 117,439,717
Total net debt applicable to 6% limit	<u>84,050,477</u>	<u>76,093,198</u>	<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>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 95,099,411</u>	<u>\$ 87,323,890</u>	<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>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	46.92%	46.56%	52.85%	56.30%	62.91%	85.64%	83.44%	43.00%	27.85%	12.80%

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-19)

City of Tempe, Arizona

	<u>Authorization</u>	<u>WIFA Funding (a)</u>	<u>Prior Issues</u>	<u>Current Year Issue</u>	<u>Remaining Authorization</u>
2008 Program:					
Water/Wastewater	\$ 113,300,000	\$ 18,130,302	\$ 95,169,698	\$ -	\$ -
Streets/Transportation/Storm Drains	44,200,000	-	44,121,050	78,950	-
Public Safety - Police/Fire	32,010,000	-	32,010,000	-	-
Community Services/Park Improvements	51,800,000	-	51,800,000	-	-
Total 2008 Program	241,310,000	18,130,302	223,100,748	78,950	-
2016 Program:					
Water/Wastewater	148,000,000	-	19,810,302	-	128,189,698
Streets/Transportation/Storm Drains	25,000,000	-	-	9,736,050	15,263,950
Public Safety - Police/Fire	20,000,000	-	7,578,150	4,907,400	7,514,450
Community Services/Park Improvements	34,000,000	-	28,399,600	5,600,400	-
Municipal Infrastructure Preservation	27,000,000	-	20,316,200	6,683,800	-
Total 2016 Program	254,000,000	-	76,104,252	26,927,650	150,968,098
2020 Program:					
Water/Wastewater	134,000,000	-	-	-	134,000,000
Streets/Transportation/Storm Drains	74,000,000	-	-	-	74,000,000
Public Safety - Police/Fire	34,000,000	-	-	-	34,000,000
Community Services/Park Improvements	45,000,000	-	-	108,100	44,891,900
Municipal Infrastructure Preservation	62,000,000	-	-	1,728,700	60,271,300
	349,000,000	-	-	1,836,800	347,163,200
Grand Total	<u>\$ 844,310,000</u>	<u>\$ 18,130,302</u>	<u>\$ 299,205,000</u>	<u>\$ 28,843,400</u>	<u>\$ 498,131,298</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.

Pledged-Revenue Coverage (Exhibit S-20)

Last Ten Fiscal Years

City of Tempe, Arizona

Special Assessment Bonds				Excise Tax Revenue Obligations		
Fiscal Year	Special Assessment Collections	Debt Service (d)	Coverage	Excise Tax Revenue Collections (a)	Debt Service (d)	Coverage
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
2020	2,442,290	2,207,767	1.11	190,619,346	12,637,348	15.08
2021	2,143,728	2,210,533	0.97	198,947,519	12,652,543	15.72

Performing Arts Excise Tax Obligations				Transit Excise Tax Obligations		
Fiscal Year	0.1% Privilege and Use Tax Collections (b)	Debt Service (d)	Coverage	0.5% Privilege and Use Tax Collections (c)	Debt Service (d)	Coverage
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
2020	9,131,870	3,433,850	2.66	44,373,904	4,118,094	10.78
2021 (f)	4,895,809	-	N/A	47,534,174	4,978,120	9.55

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 (expiring December 31, 2020) and the 0.1% Arts & Culture Tax approved by voters in November 2018 (effective January 1, 2021).
- (c) The 0.5% privilege and use tax is a Transit Tax approved by voters in September 1996.
- (d) The debt service amount does not include fiscal agent fees.
- (e) Pledged water/sewer net revenues includes a) operating and non-operating revenues of the system, excluding gain on sale of assets; less b) operating expenses, excluding depreciation.
- (f) Beginning January 1, 2021, the Performing Arts Excise Tax ended and there was no outstanding Performing Arts Excise Tax Obligation debt service after Fiscal Year 2020.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-21)

Excise Tax Obligations (Excluding 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)
2021	\$ 198,947,519	\$12,147,661	16.38
2022		12,132,345	16.40
2023		12,121,208	16.41
2024		9,060,458	21.96
2025		16,349,708	12.17
2026		6,719,700	29.61
2027		6,711,900	29.64
2028		6,712,025	29.64
2029		6,714,125	29.63
2030		5,117,988	38.87
2031		5,116,050	38.89
2032		2,723,850	73.04
2033		2,116,125	94.02

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2020. 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	\$ 8,870,000
2012	16,040,000
2013	19,050,000
2016	19,580,000
2017R	2,710,000
2019R	8,110,000
	<u>\$ 74,360,000</u>

- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2020 excise tax revenues to total debt service requirements for the City's revenue
- (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 2020.
- (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-22)

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)
2021	\$ 47,534,174	\$ 4,978,120	9.55
2022		4,979,098	9.55
2023		4,977,321	9.55
2024		4,985,921	9.53
2025		4,979,362	9.55
2026		4,982,922	9.54
2027		4,980,975	9.54
2028		4,983,618	9.54
2029		4,975,351	9.55
2030		4,985,719	9.53
2031		4,983,873	9.54
2032		4,980,981	9.54
2033		4,979,431	9.55
2034		4,981,685	9.54
2035		4,982,732	9.54
2036		2,307,291	20.60
2037		1,856,875	25.60
2038		861,150	55.20

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues recognized by the City in Fiscal Year 2021.
- (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 2020 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

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

Water/Sewer Revenue Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations

<u>Fiscal Year</u>	<u>Pledged Water/Sewer Net Revenues (a)</u>	<u>Outstanding Water & Sewer Revenue Obligation Debt Service Requirements (b)</u>	<u>Outstanding Water & Sewer Revenue Obligation Coverage (c)</u>
2021	\$ 43,634,265	\$ 2,479,308	17.60
2022		5,318,780	8.20
2023		5,328,298	8.19
2024		5,330,855	8.19
2025		5,329,470	8.19
2026		5,329,025	8.19
2027		5,329,388	8.19
2028		5,330,308	8.19
2029		5,326,535	8.19
2030		5,333,070	8.18
2031		5,324,280	8.20
2032		5,330,548	8.19
2033		5,331,108	8.18
2034		5,330,843	8.19
2035		5,329,620	8.19
2036		5,327,190	8.19
2037		5,328,303	8.19
2038		5,327,458	8.19
2039		5,329,523	8.19
2040		5,328,998	
2041		2,850,750	

Source: City of Tempe, Arizona Accounting Division

- (a) Net Revenues are defined as that portion of the Revenues remaining after providing sufficient funds for the Current Expenses of the System.
- (b) Debt Service Requirements include actual principal and interest for the Fiscal Year Ended June 30, 2021 plus remaining principal and interest beginning in the Fiscal Year Ended June 30, 2022, forward for the Series 2020 City of Tempe, Arizona Water & Sewer Revenue Obligations in the principal amount outstanding of \$35,115,000 and the Series 2021 City of Tempe, Arizona Water & Sewer Revenue Obligations in the principal amount outstanding of \$34,455,000.
- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2021 Pledged Water/Sewer Net Revenues the annual total Debt Service Requirements for the Water & Sewer Revenue Obligations.

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)
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	4.10
2020	195,805	6,511,691,080	33,256	79,758	29.6	25,275	57,009	9.80
2021	180,587	6,159,822,570	34,110	82,283	29.8	23,838	56,095	6.20

- Source:
- (a) Estimates obtained from Sites USA through Fiscal Year 2015. From Fiscal Year 2016 and forward, the populations are obtained from State Shared Revenue Report published by the League of Arizona Cities & Towns. Beginning with Fiscal Year 2021, the population decrease represents the results of the 2020 Decennial Census.
 - (b) Amount is calculated using population times per capita personal income.
 - (c) Estimate is provided by Sites USA through FY 18-19 and by ESRI beginning FY 19-20.
 - (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) Arizona Commerce Authority

Principal Employers (Exhibit S-25)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

<i>Employers:</i>	Fiscal Year 2021 (a)			Fiscal Year 2012 (b)		
	<u>Employees (a)</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees (b)</u>	<u>Rank</u>	<u>Employment</u>
Arizona State University	8,330	1	23.27 %	11,185	1	27.67 %
State Farm Insurance	7,600	2	21.23	-	-	-
JPMorgan Chase Bank National Association	4,100	3	11.45	-	-	-
SRP	3,010	4	8.41	4,374	3	10.82
Amazon	2,810	5	7.85	-	-	-
Wells Fargo	2,380	6	6.65	3,576	5	8.85
Freedom Financial Network	2,040	7	5.70	-	-	-
ABM Industries Inc	2,000	8	5.59	-	-	-
City of Tempe	1,967	9	5.49	-	-	-
Honeywell	1,560	10	4.36	-	-	-
Maricopa County Community Colleges	-	-	-	4,611	2	11.41
Safeway Inc.	-	-	-	3,996	4	9.89
Motorola	-	-	-	3,000	6	7.42
Honeywell	-	-	-	3,000	7	7.42
Kyrene School District	-	-	-	2,401	8	5.94
Chase Manhattan Corporation	-	-	-	2,377	9	5.88
US Airways	-	-	-	1,898	10	4.70
Total	<u><u>35,797</u></u>		<u><u>100.00 %</u></u>	<u><u>40,418</u></u>		<u><u>100.00 %</u></u>

Source: (a) Maricopa Association of Governments; <https://geo.azmag.gov/maps/azemployment/>
 (b) City of Tempe, Arizona Comprehensive Annual Financial Report, Fiscal Year 2012

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

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal year 2021	Fiscal year 2020	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Police	516	516	512	508	505	500	496	497	497	494
Fire medical rescue	221	220	214	174	155	156	156	156	182	182
Community services	283	297	305	304	297	286	286	314	288	287
Engineering and transportation	116	106	-	-	-	-	-	-	-	-
Municipal utilities	257	267	-	-	-	-	-	-	-	-
Community development	82	84	79	85	83	88	90	90	82	83
Human services	156	147	54	50	46	49	40	-	-	-
Municipal court	43	43	43	43	43	42	42	42	42	42
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	28	31	32	31	33	32	31	11	4	4
City attorney	28	28	27	25	25	26	26	25	25	25
Internal audit office	4	4	4	4	4	4	4	4	3	3
Municipal budget office	4	4	4	4	4	4	4	-	-	-
Office of strategic management and diversity	6	8	7	6	6	6	-	-	-	-
Economic development office	3	3	-	-	-	-	-	-	-	-
Sustainability office	1	1	-	-	-	-	-	-	-	-
City clerk and elections	5	5	5	5	5	4	4	5	5	5
Internal services	207	212	210	217	206	156	155	-	-	-
Public works	-	-	429	431	430	470	467	486	484	485
Community relations	-	-	-	-	-	-	-	-	24	25
Diversity program	-	-	-	-	-	-	-	3	3	3
Tempe learning center	-	-	-	-	-	-	-	-	3	3
Finance and technology	-	-	-	-	-	-	-	139	132	132
Human resources	-	-	-	-	-	-	-	20	17	17
Total	1,967	1,983	1,932	1,894	1,849	1,824	1,808	1,799	1,798	1,797

Source: City of Tempe, Arizona Fiscal Year 2021 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 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Function /Program										
Police										
Crime rate (per 100,000 population)	4,606	4,247	4,752	4,478	5,063	4,900	5,110	5,343	5,288	5,800
Traffic accidents	3,012	4,945	5,857	5,621	5,638	5,376	5,103	4,755	4,825	4,834
Emergency service average response time (minimum)	6:24	6:27	6:66	6.6	6.36	6.83	5:13	5:02	5:00	6:35
Citizen calls for police service	79,072	83,427	90,055	91,012	88,515	86,229	85,502	84,092	86,996	87,730
Operating expenditures per citizen calls (a)	\$ 1,212	\$ 1,166	\$ 1,015	\$ 968	\$ 917	\$ 926	\$ 926	\$ 874	\$ 830	\$ 725
Fire										
Firefighters per capita (10,000)	9.33	9.33	9.33	8.86	11.6	8.82	9.45	9.47	9.44	9.45
Number of fire calls	2,369	2,207	1,980	2,212	2,565	1,944	2,022	1,958	2,002	2,167
Number of medical calls	21,582	21,761	22,209	22,093	26,633	20,021	19,630	18,119	17,411	17,156
Number of other assistance calls	2,068	2,117	2,324	1,916	2,637	1,963	1,853	1,976	2,033	1,336
Emergency service average response time (minimum)	4:31	4:31	4:31	4:15	3:36	4:16	4:10	4:08	4:07	4:10
Percent of emergency responses taking 6.0 minutes or less (d)	82%	80%	80%	75%	74%	73%	75%	76%	76%	76%
Transportation										
Percent of on-time bus performance (f)	87%	N/A	92%	92%	90%	90%	92%	91%	93%	95%
Annual bus boardings	1,967,142	4,741,442	6,022,149	6,407,657	6,484,875	6,841,497	7,178,128	7,897,964	8,168,990	8,430,857
Annual rail boardings (e)	1,241,440	2,588,121	3,008,033	3,145,896	N/A	N/A	N/A	N/A	N/A	N/A
Number of square yards of asphalt repaired	720,275	918,426	1,225,309	736,076	731,425	402,900	302,000	397,605	412,739	569,600
Library										
Registered borrowers	110,808	104,791	93,689	100,155	97,443	140,000	143,000	143,018	140,523	145,948
Circulation	497,675	566,745	743,931	802,492	855,055	800,000	930,000	814,199	933,824	1,015,578
Community development										
Number of permits issued for commercial /industrial	447	476	541	503	644	775	678	30	18	18
Valuation of commercial/industrial permits	\$ 435,445,691	\$ 725,909,656	\$ 790,508,270	\$ 739,627,514	\$ 270,664,400	\$ 333,250,987	\$ 527,389,841	\$ 211,281,465	\$ 26,619,100	\$ 88,812,800
Number of permits issued for residential	965	603	573	532	122	474	646	451	271	297
Valuation of residential permits	\$ 37,855,549	\$ 40,035,903	\$ 32,849,626	\$ 35,888,436	\$ 157,887,839	\$ 274,402,813	\$ 173,004,137	\$ 235,037,289	\$ 96,518,351	\$ 68,954,800
Number of permits issued other	981	1102	1053	1165	1	1	4	660	647	600
Valuation of other permits	\$ 32,290,151	\$ 25,876,027	\$ 35,278,125	\$ 40,037,341	\$ 60,000	\$ 150,000	\$ 8,758,218	\$ 156,702,779	\$ 54,339,500	\$ 99,407,953
Water/wastewater										
Number of customer accounts (annual average)	42,949	43,724	43,284	43,214	42,647	43,061	42,678	42,555	42,351	42,398
Total water gallons treated (million gallons - mg)	16,600	15,154	15,506	16,090	15,506	15,278	15,130	15,979	16,900	16,700 (b)
Operating and maintenance cost per customer account	\$ 1,070	\$ 783	\$ 995	\$ 979	\$ 953	\$ 941	\$ 878	\$ 309	\$ 278	\$ 249
Total wastewater gallons treated (million gallons per day)	19	19	19.1	19.1	19.4	19.4	19.4	19.4	18.5	18.6 (b)
Solid waste collection										
Residential container/recycling cost per ton	\$ 258	\$ 159	\$ 235	\$ 111	\$ 139	\$ 138	\$ 140	\$ 108	\$ 121	\$ 115
Number of residential accounts	34,540	33,245	33,263	32,869	33,160	33,001	33,397	33,440	33,405	33,759
Residential recycling diversion rate (c)	18%	23%	23%	28%	19%	21%	19%	15%	15%	15%
Number of commercial accounts	1,722	1,491	1,565	1,641	1,671	1,709	1,783	2,130	2,133	2,030
Commercial collection cost per ton	\$ 98	\$ 342	\$ 113	\$ 100	\$ 93	\$ 91	\$ 95	\$ 95	\$ 81	\$ 78

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

(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 Years 2017 and prior, the percents measured were for 5.0 minutes or less.

(e) For Fiscal Years 2017 and prior, this data was not requested.

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

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol units (squads)	21	21	21	21	21	24	24	24	21	20
Fire stations	7	7	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	1,775	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Streetlights	11,559	11,483	11,414	12,048	12,026	11,969	11,904	11,849	11,797	11,778
Traffic signals	244	235	230	230	229	228	223	222	221	221
Buses	124	124	124	124	125	125	125	124	135	140
Parks and recreation										
Acreage (a)	1,519	1,875	1,875	1,875	1,875	1,872	1,872	1,872	1,872	1,872
Playgrounds	44	45	45	45	45	45	45	45	45	45
Sports fields (b)	66	200	200	200	200	200	200	200	200	200
Community centers	5	5	5	5	5	5	5	5	5	5
Golf courses	2	2	2	2	2	2	2	2	2	2
Water/wastewater										
Water mains (miles)	850	850	850	850	850	833	833	833	833	839
Water production capacity (million gallons per day)	137	137	137	137	137	125	125	125	125	125
Water storage capacity (million gallons)	54	54	54	54	54	54	42	42	42	42
Sanitary sewers (miles)	495	495	495	495	495	495	549	549	496	498
Storm sewers (miles)	231	231	231	231	231	231	173	173	173	194
Wastewater treatment capacity (million gallons per day)	29	29	29	29	29	29	19	19	19	33
Solid waste collection										
Collection trucks	42	42	43	43	43	45	47	52	51	58

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