



Tempe[®]

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

for the fiscal year ended June 30, 2018

City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2018



City Council:

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

Administrative Staff:

Andrew Ching, City Manager

Presented by:

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



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	37
Statement of Activities	38

Fund Financial Statements:

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

Notes to the Financial Statements	55
--	-----------

Required Supplementary Information:

Schedules of Required Supplementary Information

Schedule of Contributions- All Pension Plans - Last Four Fiscal Years	120
Schedule of the Proportionate Share of the Net Pension Liability- ASRS - Last Four Fiscal Years	121
Schedule of Changes in the Net Pension Liability and Related Ratios- PSPRS: Police - Last Four Fiscal Years	122
Schedule of Changes in the Net Pension Liability and Related Ratios- PSPRS: Fire - Last Four Fiscal Years	123
Schedule of Contributions- OPEB Plan - Last Two Fiscal Years	124
Schedule of Changes in the Net OPEB Liability and Related Ratios - Last Two Fiscal Years	125
Schedule of Investment Returns- OPEB Plan- Last Two Fiscal Years	126

Notes to Required Supplementary Information	127
--	------------

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

FINANCIAL SECTION (Continued)

Combining Fund Financial Statements:

Non-major Governmental Funds:

Combining Balance Sheet	130
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	134

Internal Service Funds:

Combining Statement of Net Position	139
Combining Statement of Revenues, Expenses and Changes in Net Position	140
Combining Statement of Cash Flows	141

Other Supplementary Information:

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

General, Debt Service, Special Revenue, Capital Projects and Enterprise Fund Types	143
General Obligation Debt Service Fund	144
Special Assessment Debt Service Fund	145
Performing Arts Fund	146
Highway User Revenue Fund	147
Community Development Fund	148
Housing Assistance Fund	149
Housing Affordability Fund	150
Donations and Court Awards Fund	151
Grants Fund	152
Community Facilities District Fund	153
Transit Capital Projects Fund	154
Streets Capital Projects Fund	155
Police Capital Projects Fund	156
Fire Capital Projects Fund	157
Storm Sewers Capital Projects Fund	158
Parks Capital Projects Fund	159
Rio Salado Capital Projects Fund	160
Community Development Capital Projects Fund	161
Signals Capital Projects Fund	162
Community Facilities District Capital Projects Fund	163
Water and Wastewater Fund	164
Solid Waste Fund	165
Emergency Medical Transportation Fund	166
Golf Fund	167

STATISTICAL SECTION

Financial Trends

Net Position by Component - Last Ten Fiscal Years (accrual basis of accounting)	S-1	169
Changes in Net Position - Last Ten Fiscal Years (accrual basis of accounting)	S-2	170
Fund Balances, Governmental Funds - Last Ten Fiscal Years (modified accrual basis of accounting)	S-3	173
Changes in Fund Balance, Governmental Funds - Last Ten Fiscal Years (modified accrual basis of accounting)	S-4	174

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

STATISTICAL SECTION (Continued)

Revenue Capacity

Taxable Sales and Percentage of Taxable Sales by Category		
- Last Ten Fiscal Years (cash basis)	S-5	176
Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years	S-6	177
General Property Tax Information	S-7	178
Primary and Secondary Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	S-8	179
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	S-9	180
Property Tax Levies - All Direct and Overlapping Governments - Last Ten Fiscal Years	S-10	181
Property Tax Levies and Collections - Last Ten Fiscal Years	S-11	182
Principal Tax Payers, Property Tax - Current Year and Nine Years Prior	S-12	183
Principal Tax Payers, Sales and Use Tax - Current Year and Nine Years Prior	S-13	184

Debt Capacity

Excise Tax Collections - Last Ten Fiscal Years	S-14	185
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	S-15	186
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	S-16	187
Direct and Overlapping Governmental Activities Debt- Property Tax Supported	S-17	188
Total Direct and Overlapping Governmental Activities Debt	S-18	189
Legal Debt Margin Information - Last Ten Fiscal Years	S-19	190
Remaining General Obligation Bond Authorizations	S-20	191
Pledged-Revenue Coverage - Last Ten Fiscal Years	S-21	192
Pledged Revenue, Projected Debt Service and Estimated Coverage - Excise Tax Obligation (Excluding Transit Excise Tax Obligations)	S-22	193
Pledged Revenue, Projected Debt Service and Estimated Coverage - Transit Excise Tax Obligations	S-23	194

Demographic and Economic Information

Demographic and Economic Statistics - Last Ten Fiscal Years	S-24	195
Principal Employers - Current Fiscal Year and Nine Years Prior	S-25	196

Operating Information

Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	S-26	197
Operating Indicators by Function/Program - Last Ten Fiscal Years	S-27	198
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years	S-28	199



Introductory Section

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



December 19, 2018

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

The Comprehensive Annual Financial Report, including the Independent Auditor's Report, for the fiscal year ended June 30, 2018 is submitted in accordance with Article V of the City Charter for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with management. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

CITY OF TEMPE PROFILE

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

Current Profile - The boundaries of Tempe encompass an area approximately 40.1 square miles with an estimated population of 185,000 residents. Tempe offers more than 330 days of sunshine each year with rainfall amounts of approximately 7 inches a year. The City is located in Maricopa County, Arizona and is bordered by the cities of Phoenix, Scottsdale, Mesa, Chandler and the Town of Guadalupe. Tempe is surrounded by five major freeways and is only minutes away from Phoenix Sky Harbor International Airport, making it the most accessible City in the metropolitan Phoenix area.

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

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

LOCAL ECONOMY

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

During fiscal year ended June 30, 2018, the City continued to experience improvement in the three key categories of revenue including sales taxes, state shared revenue and property taxes as indicated below. For the current year, these three revenue sources comprised 81% of total General Fund revenue.

Sales Tax

Growth continued in the local sales tax base across many categories including retail, rentals, restaurants and hotel/motels. On a cash basis, total taxable sales increased by 5.2% and retail taxable sales (comprising 50.5% of total taxable sales) grew by 4.4%. General Fund sales tax revenues increased by \$6 million (or 5.9%) to \$107.3 million. Sales tax revenue represented 49% of total General Fund revenues for the year.

State-Shared Revenue

State-shared sales tax revenue increased by \$2.1 million (or 13%) to \$18.3 million compared to the prior year, reflecting increased taxable sales throughout the state and minimal impact of the U.S. Census. The 2010 Census counts are used in the distribution formula for state-shared revenues. As the City's proportionate share of total state population continues to decline over time due to its landlocked status, the percentage of state-shared revenues allocated to the City also declines. The City experienced an increase in state-shared income tax of \$1.1 million (or 5%), reflective of the strengthening state economy. State shared income tax received during the fiscal year (\$22.6 million) is from actual collections by the State for fiscal year 2015-16. Auto lieu tax (\$7.5 million) increased by \$0.5 million (or 7.4%) compared to the prior year, reflective of continuing strong auto sales. These state-shared revenues combined represented about 24.0% of General Fund revenue for the year.

Property Tax

Property tax revenues grew by \$0.9 million (or 4.9%) to \$19.8 million and by \$1.3 million (or 5.0%) to \$27.7 million over the prior year in the General Fund and General Obligation Debt Service Fund, respectively. The city continues to experience significant improvement in valuation across all taxable property categories. Property tax comprised approximately 9.0% of General Fund revenues for the year.

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

LONG-TERM FINANCIAL PLANNING

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

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

An economic downturn is inevitable at some point in our cyclical economy. We have not assumed an economic downturn in the latest forecast, but we do project healthy fund balances throughout the five-year forecast period in the General Fund which would help overcome moderate recessionary trends.

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, worked collaboratively to refine performance measures that, over time, will allow the city to measure actual progress towards achieving the identified strategic priorities which are as follows:



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 now widely being 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 now identify the related strategic priority (s) to be achieved. This was particularly the case during the development of both the fiscal year 2018/2019 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.

Strategic planning in the city continues to evolve and is not something meant to be fully documented “at a point in time” and simply placed on a bookshelf, but to be a “living guide” that provides parameters and direction for future decision-making. It is subject to continual review, fine tuning and updating as the needs of the city change or are more clearly identified. Important tools utilized in the continual evolution of strategic planning are three separate biennial surveys of the community, businesses and employees. The survey results provide valuable strategic planning input.

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.

MAJOR INITIATIVES

Pre-kindergarten Pilot Program (Tempe PRE)

Tempe PRE is a two-year pilot program launched in July 2017 by the Tempe City Council to increase access to high-quality preschool at no cost for qualifying families. Families that are eligible for the program must live in Tempe and be living at or below 200 percent of the Federal Poverty Level. The program is designed to be a 5 day a week, full day program. For children to learn classroom routines and develop healthy friendships and social skills, it is essential that they are here for the entire day. Currently, part-time attendance is not an option.

The classrooms have

- Certified lead teachers (1:9 ratio)
- Well trained instructional assistants
- HighScope Curriculum
 - Play Based
 - Child Centered
- Healthy meals and snacks

The pilot program has been successful in its goal of improving kindergarten readiness. Fiscal year 2018/19 marks the final year of the pilot program; the city is actively searching for a permanent, recurring funding source for the program.

Emergency Medical Transportation

During the year, the Fire Medical Rescue Department began providing emergency medical transportation services with the acquisition of three ambulances. These services had previously been contracted out, but due to concerns regarding the long-term viability of the service providers within the past few years, the city began taking the necessary steps towards direct provision of this critical service. Within five years, the fire department will have a fleet of ambulances along with non-sworn paramedics and emergency medical technicians that will respond to the 9-1-1 calls for medical aid. Private ambulance companies will continue to provide the city with backup when needed and will continue to provide convalescent or inter-facility transport such as rides to doctor appointments or hospital. Those transportation needs are arranged through health care providers. Service fees for Tempe 9-1-1 Ambulance are set by the Arizona Department of Health Services. The fees are the same as those for the private ambulance companies. Tempe Fire Medical Rescue uses the service fees to support its ambulance service with a long-term goal of becoming self-sustaining through those revenues.

Fire Station No. 7

Construction began in May 2018 on the city’s newest fire station (illustrated below) that is expected to be placed in service in summer 2019. The 10,699-sq. ft. building, residing in Estrada Park in the southeast Tempe, will hold three bays and living quarters for 12 staff. In 2014, the Tempe Fire Medical Rescue Department commissioned ORH Inc. to conduct a Station Location Study to evaluate deployment locations for fire stations in Tempe. One of

the study's findings revealed that an additional station should be located in southeastern Tempe. The new station will significantly improve response times in that part of the city.



Permanent Base Adjustment Update

At the Special Election held on March 13, 2018, Tempe voters overwhelmingly approved (74% of votes cast) a \$30 million permanent increase to the state-imposed expenditure base. The increase to the base is expected to accommodate the City's budgeted expenditures for at least another five or six years. Permanent adjustments to expenditure limits do not increase taxes and have been approved for a large majority of Arizona cities and towns. That expenditure base can be adjusted by voters to enable the City to spend increased revenue received by various sources during the year. Tempe voters approved a \$15 million permanent increase to the base in 1996 and a \$21 million permanent increase in 2002.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

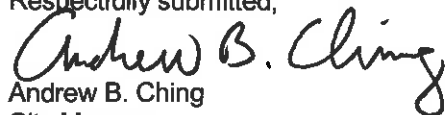
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last forty-two consecutive years (fiscal years 1975/76 through 2016/17). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for award consideration.

In further demonstration of its' commitment to financial excellence, the City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year 2017/18 annual budget and the National Purchasing Institute's **Achievement of Excellence in Procurement Award** for 2018.

Acknowledgment

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

Respectfully submitted,


Andrew B. Ching
City Manager


Kenneth Jones
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Tempe
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



For the Fiscal Year
Ended June 30, 2018

City of Tempe, Arizona List of Principal Officials

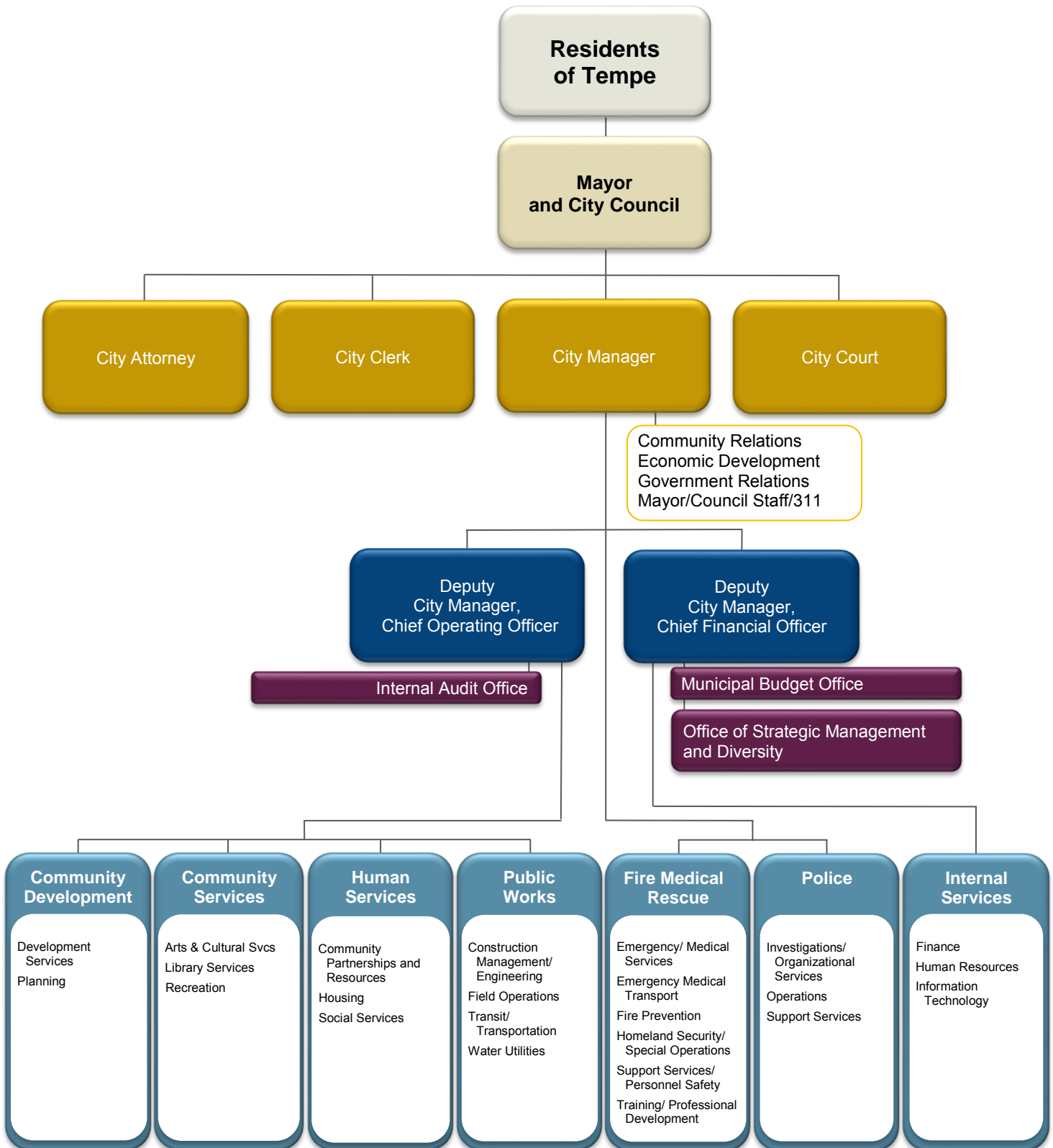
City Council

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

Administrative Staff

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

City Organizational Chart



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

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tempe, Arizona (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tempe, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) *Comprehensive Annual Financial Report* presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. 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 \$864.1 million (net position). Of this amount, \$166.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$13.6 million during the fiscal year compared to a decrease of \$28.8 million in the prior year. The governmental activities experienced an increase in net position of \$2.1 million compared to a decrease of \$43.1 million in the prior year and the business-type activities experienced an increase of \$11.6 million compared to an increase of \$14.4 million in the prior year.
- For the fiscal year ended June 30, 2018, the City's governmental revenues overall increased by \$24.6 million. This was predominately due to an increase of \$8.4 million in *sales taxes* followed by an increase in *intergovernmental revenue, unrestricted* by \$18.7 million, *property taxes* of \$2.2 million, *operating grants and contributions* of \$2.6 million and \$0.9 million in other areas. These increases were offset by a decrease in *capital grants and contributions* of \$2.3 million and *gain on the sale of capital assets* of \$5.9 million. Expenses overall decreased by \$3.5 million. *Human Services* increased by \$4.7 million and interest on long-term debt increased by \$2.0 million while *Police and Fire Medical Rescue* decreased by \$4.2 million and \$6.2 million respectively.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$242.4 million. Approximately 65.8% of this total amount (\$159.5 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2018, total fund balance for the General Fund was \$110.2 million, which represents an increase of \$14.1 million over the prior year's fund balance as revenues continued to exceed expenditures. Revenues increased by \$18.0 million, while related expenditures increased by \$11.7 million. Net transfers increased by \$4.1 million while the proceeds from the sale of capital assets decreased by \$2.6 million.
- At June 30, 2018, the City's enterprise funds reported combined total net position of \$265.8 million, and total unrestricted net position of \$154.5 million. \$159.5 million of the unrestricted net position was in the Water and Wastewater Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

COMBINING STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

Net position- June 30, 2018			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 618,808,086	\$ 263,227,412	\$ 882,035,498
Capital assets, net	813,193,183	364,360,921	1,177,554,104
Total assets	1,432,001,269	627,588,333	2,059,589,602
Deferred outflows of resources			
Deferred charge on refunding	8,910,973	12,364,932	21,275,905
Deferred outflow from pensions	64,999,119	2,775,335	67,774,454
Deferred outflow from OPEB	3,139,299	382,408	3,521,707
Total deferred outflows of resources	77,049,391	15,522,675	92,572,066
Liabilities			
Long-term liabilities	828,417,204	329,398,208	1,157,815,412
Other liabilities	67,900,346	46,048,156	113,948,502
Total liabilities	896,317,550	375,446,364	1,271,763,914
Deferred inflows of resources			
Deferred inflow from pensions	12,938,668	1,688,894	14,627,562
Deferred inflow from OPEB	1,479,284	162,565	1,641,849
Total deferred inflows of resources	14,417,952	1,851,459	16,269,411
Net position			
Net investment in capital assets	483,438,668	111,354,858	594,793,526
Restricted	102,808,694	-	102,808,694
Unrestricted	12,067,796	154,458,327	166,526,123
Total net position	\$ 598,315,158	\$ 265,813,185	\$ 864,128,343

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 \$864.1 million and \$850.5 million as of June 30, 2018 and 2017, respectively. The City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in the current year. The change in accounting principal resulted in a prior period adjustment. The net position as of June 30, 2017 has been restated along with the deferred outflows and deferred inflows for OPEB.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment and construction in progress) less any related debt used to acquire those assets. The net position invested in capital assets, net of related debt were \$594.8 million and \$623.9 million at June 30, 2018 and 2017, respectively. These totals represent 68.9% and 73.4% of total net position at June 30, 2018 and 2017, 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, 2017 restated

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 589,608,104	\$ 262,012,392	\$ 851,620,496
Capital assets, net	827,029,041	358,565,056	1,185,594,097
Total assets	<u>1,416,637,145</u>	<u>620,577,448</u>	<u>2,037,214,593</u>
Deferred outflows of resources			
Deferred charge on refunding	10,355,896	13,734,782	24,090,678
Deferred outflow from pensions	80,419,146	4,460,139	84,879,285
Deferred outflow from OPEB, restated	6,887,364	829,583	7,716,947
Total deferred outflows of resources, restated	<u>97,662,406</u>	<u>19,024,504</u>	<u>116,686,910</u>
Liabilities			
Long-term liabilities, restated	829,632,035	337,552,269	1,167,184,304
Other liabilities	66,312,775	44,809,709	111,122,484
Total liabilities	<u>895,944,810</u>	<u>382,361,978</u>	<u>1,278,306,788</u>
Deferred inflows of resources			
Deferred inflow from pensions	21,600,560	2,927,034	24,527,594
Deferred inflow from OPEB, restated	503,849	62,656	566,505
Total deferred inflows of resources, restated	<u>22,104,409</u>	<u>2,989,690</u>	<u>25,094,099</u>
Net position			
Net investment in capital assets	519,530,983	104,387,674	623,918,657
Restricted	117,866,229	-	117,866,229
Unrestricted, restated	(41,146,880)	149,862,610	108,715,730
Total net position, restated	<u>\$ 596,250,332</u>	<u>\$ 254,250,284</u>	<u>\$ 850,500,616</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 \$102.8 million (11.9% of total net position) at June 30, 2018. At June 30, 2017 restricted net position was \$117.9 million (13.9% of total net position). With the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, new categories of net position were established and existing ones redefined. One new category represents non-spendable items which are inventories, prepaid items, and notes receivable. This category is considered unrestricted. The remaining balance of net position is also unrestricted (committed, assigned, and unassigned), and may be used to meet the government's ongoing obligations to citizens and creditors. The total balance of unrestricted net position was \$166.5 million (19.3% of total net position) and \$108.7 million (12.8% of total net position) at June 30, 2018 and 2017, respectively.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the governmental as well as for the business-type activities as a whole. In the prior year, there was positive net position in all categories except for the governmental activities unrestricted restated net position.

ANALYSIS OF CHANGE IN NET POSITION

The City's net position increased by \$13.6 million during the current fiscal year. These changes in net position are explained in the governmental and business-type activities discussion below.

Changes in Net Position- June 30, 2018

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 48,449,068	\$ 109,182,268	\$ 157,631,336
Operating grants and contributions	30,237,598	-	30,237,598
Capital grants and contributions	4,094,624	-	4,094,624
General revenues:			
Sales taxes	168,650,143	-	168,650,143
Intergovernmental revenue, unrestricted	63,353,523	-	63,353,523
Property taxes	47,495,555	-	47,495,555
Franchise taxes	3,290,220	-	3,290,220
Unrestricted investment earnings	1,489,603	697,388	2,186,991
Miscellaneous	5,506,328	651,500	6,157,828
Gain on sale of capital assets	1,667,264	33,015	1,700,279
Total revenues	374,233,926	110,564,171	484,798,097
Expenses			
Police	107,357,688	-	107,357,688
Fire medical rescue	42,150,580	-	42,150,580
Community services	29,739,525	-	29,739,525
Public works	102,940,790	-	102,940,790
Community development	17,270,124	-	17,270,124
Human services	22,505,753	-	22,505,753
Municipal court	5,007,487	-	5,007,487
Mayor and council	405,716	-	405,716
City manager	7,045,025	-	7,045,025
City attorney	3,283,818	-	3,283,818
Internal audit office	476,584	-	476,584
Municipal budget office	288,182	-	288,182
Office of strategic management and diversity	981,169	-	981,169
City clerk and elections	979,356	-	979,356
Internal services	16,749,283	-	16,749,283
Unallocated depreciation	1,716,725	-	1,716,725
Interest on long-term debt	11,817,213	-	11,817,213
Water and wastewater	-	76,903,243	76,903,243
Solid waste	-	17,494,354	17,494,354
Emergency Medical Transportation	-	1,776,367	1,776,367
Golf	-	2,802,184	2,802,184
Total expenses	370,715,018	98,976,148	469,691,166
Increase in net position before transfers	3,518,908	11,588,023	15,106,931
Transfers	(1,454,082)	(25,122)	(1,479,204)
Change in net position	2,064,826	11,562,901	13,627,727
Net position- beginning, restated	596,250,332	254,250,284	850,500,616
Net position- ending	\$ 598,315,158	\$ 265,813,185	\$ 864,128,343

Changes in Net Position- June 30, 2017

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

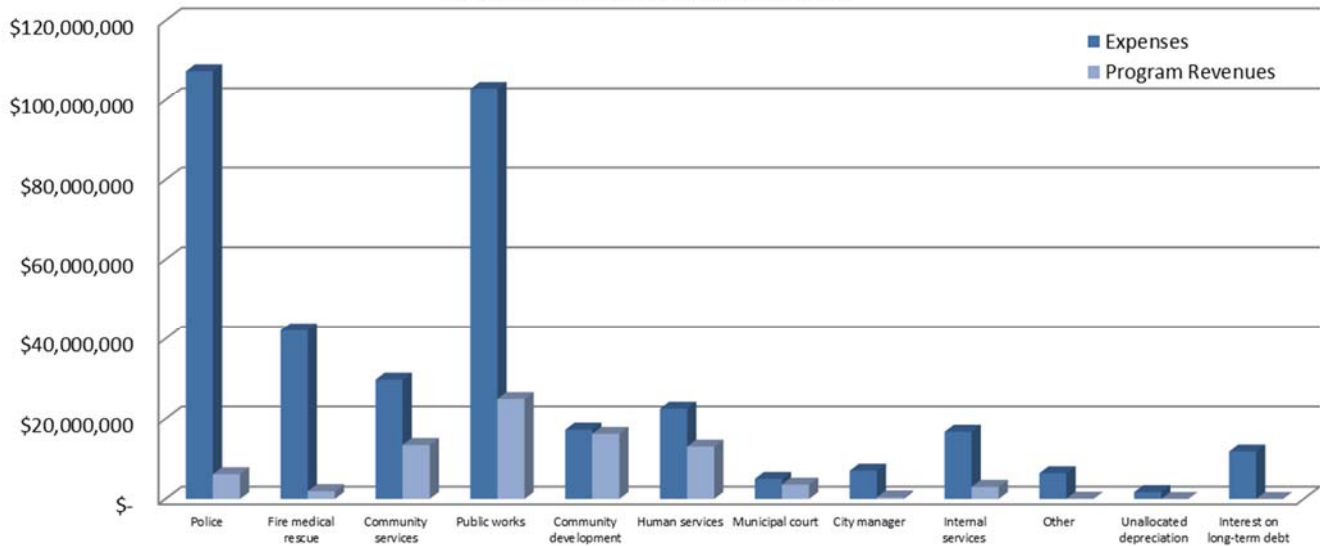
Governmental activities. The governmental net position increased by \$2.0 million for the fiscal year ended June 30, 2018. The fiscal year ended June 30, 2017 had a \$24.1 million decrease in net position. Overall revenues increased by \$24.6 million while expenses decreased by \$3.5 million.

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

- *Sales taxes* increased in the amount of \$8.4 million (5.3%) due to the increase in development in the City and continued improvement in the overall economy.
- *Intergovernmental revenue, unrestricted* increased by \$18.7 million (41.8%). The majority of the increase (\$14.9 million) is due to the net local funding for the streetcar project which is a part of the Valley Metro Rail, Incorporated joint venture. There were also increases in State shared sales tax, State shared income tax and auto lieu tax.
- *Property taxes* increased by \$2.2 million (4.8%) due to the continuation of the property tax stabilization policy implemented by the City in Fiscal Year 2012.
- *Gain on sale of capital assets* decreased by \$5.9 million (77.9%) due to prior year containing the sale of certain City owned land for the purposes of redevelopment.
- The positive change in net position was not only due to the increase in revenues, but expenses decreased by \$3.5 million (0.9%). *Police* decreased by 4.2 million (3.8%) and *Fire Medical Rescue* decreased by 6.2 million (12.8%). The decrease is due to prior year containing an expense due to the Arizona Supreme Court ruling that a 2011 law that increased employee contribution rates for active Public Safety Personnel Retirement System members hired prior to the law's effective date was unconstitutional. As a result, the City accrued a claims and judgement expense of \$4.0 million for *Police* and \$1.9 million for *Fire Medical Rescue* in the prior year. The remaining decrease in *Police* and *Fire Medical Rescue* is due to the change in deferred outflows in the pension liability. The decrease in expenses in these areas were offset with a \$4.7 million increase in Human Services due to the implementation of a pre-kindergarten pilot program and the increase of \$2.0 million in interest on long-term debt. The remaining increase in expenses was due primarily to a moderate increase in employee compensation.

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

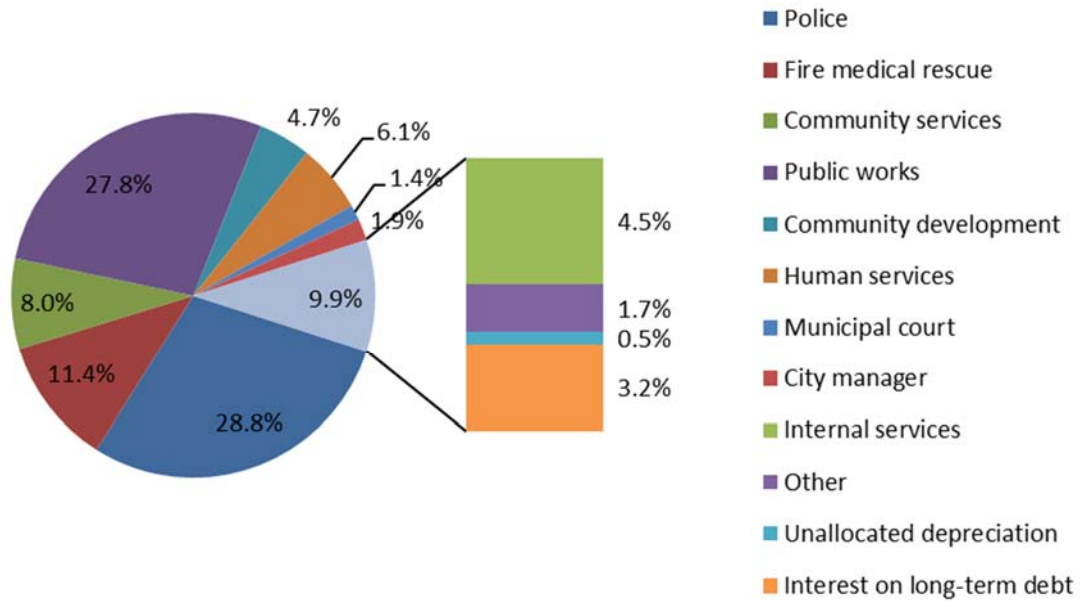
Fiscal Year 2018 Expenses and Program Revenues Governmental Activities



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 \$3.5 million (0.9%). The main functions which experienced the decreases were *Police* and *Fire Medical Rescue*.

	Fiscal Year Ended			
	June 30, 2018		June 30, 2017	
Police	\$107,357,688	29.0%	\$111,570,351	29.8%
Fire medical rescue	42,150,580	11.4	48,345,996	12.9
Community services	29,739,525	8.0	27,956,647	7.5
Public works	102,940,790	27.8	103,728,249	27.7
Community development	17,270,124	4.7	16,521,932	4.4
Human services	22,505,753	6.1	17,777,825	4.8
Internal services	16,749,283	4.5	18,821,669	5.1

Fiscal Year 2018 Expenses by Function- Governmental Activities



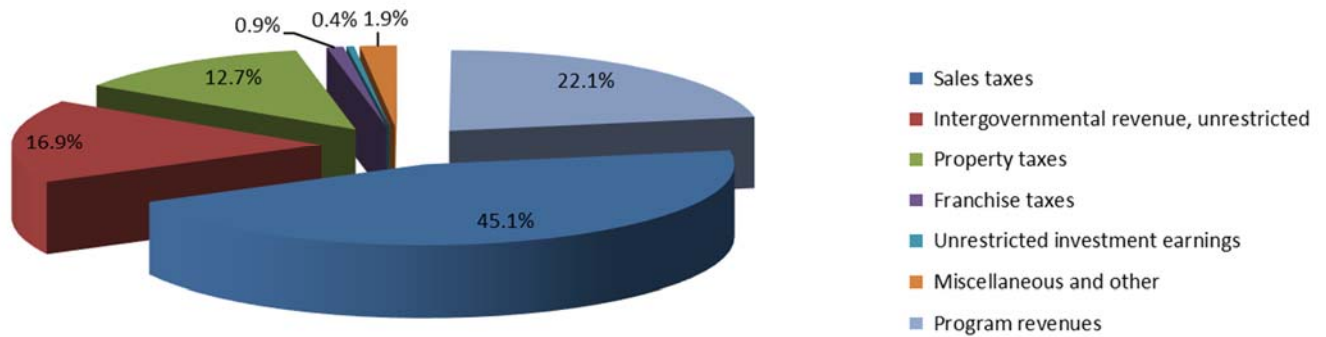
General revenues such as sales taxes, property taxes, intergovernmental revenue- unrestricted, miscellaneous and other and franchise taxes are not shown by program, but are effectively used to support program activities citywide.

For governmental activities overall, without regard to program, a comparison of the largest

	Fiscal Year Ended			
	June 30, 2018		June 30, 2017	
Sales taxes	\$168,650,143	45.1%	\$160,218,570	45.2%
Intergovernmental revenue- unrestricted	63,353,523	16.9	44,671,765	12.8
Property taxes	47,495,555	12.7	45,308,519	13.0
Unrestricted investment earnings	1,489,603	0.4	662,115	0.2
Miscellaneous and other	7,173,592	1.9	12,973,959	3.7
Franchise taxes	3,290,220	0.9	3,182,193	0.9

general revenues and their percentage of total revenues (excluding transfers) is presented. As stated previously, sales taxes, intergovernmental revenue- unrestricted, property taxes and unrestricted investment earnings each displayed growth. The category of miscellaneous and other decreased due to the prior year containing the sale of land.

Fiscal Year 2018 Revenues by Source- Governmental Activities



Business-type activities. Business-type activities increased the City’s net position by \$10.4 million for the year ended June 30, 2018 compared to an increase of \$14.2 million for the year ended June 30, 2017. Rate increases were implemented in January 2018 for the Water and Wastewater Fund and Solid Waste Fund.

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

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

For the Year Ended June 30, 2017

	Water and Wastewater	Solid Waste	Emergency Medical Transport	Golf	Total
Charges for services	\$86,273,324	\$16,274,287	\$ -	\$2,322,777	\$104,870,388
Unrestricted investment earnings/other	689,723	83,188	-	6,430	779,341
Total	\$86,963,047	\$16,357,475	\$ -	\$2,329,207	\$105,649,729

As shown in the *Analysis of Change in Net Position* schedules presented previously, the largest of the City's business-type activities, Water and Wastewater, had expenses of \$76.9 million for the fiscal year, followed by Solid Waste with \$17.5 million, Emergency Medical Transportation with \$1.8 million, and Golf with \$2.8 million.

Expenses for the Water and Wastewater Fund increased by \$6.5 million (9.3%) due to recognition of higher depreciation expense and net loss from joint venture. *Charges for services* increased by \$1.5 million (1.8%) due to a rate increase implemented in January 2018. The *change in net position* was \$10.8 million in fiscal year 2018 which is down from \$14.3 million in fiscal year 2017.

The Solid Waste Fund had increased expenses of \$1.6 million (9.8%) primarily due to the accrual of a large liability claim. *Charges for services* increased by \$0.4 million (2.7%) due to a rate increase implemented in January 2018. The *change in net position* decreased by \$0.6 million in fiscal year 2018 while prior year had an increase of \$0.1 million.

In Fiscal Year 2018, the City created the Emergency Medical Transportation Fund to provide ambulance services. The City put into service two advanced life support ambulances and one in reserve along with thirteen new positions to staff operations with anticipation to grow the service to six ambulances. Before transfers, the fund recorded operating income of \$1.0 million. Two of the ambulances were purchased prior to the fund's creation and therefore were transferred into this fund in the current year. This resulted in a gain on the transfer of asset of \$0.4 million. This transfer along with an operating transfer of \$0.2 million provided for the fund to have an ending net position of \$1.6 million.

In the Golf Fund, *charges for services* increased by \$0.1 million (2.8%) while operating expenses increased by \$0.3 million (10.1%). In the prior year, the Rolling Hills Golf Course was closed during the replacement of the irrigation system. In the current year, the golf course reopened thereby increasing charges for services and corresponding expenses. As total expenses increased in the current year by \$0.3 million, there was a decrease in net position of \$0.3 million compared to last year's net position change that was fairly flat.

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 \$242.4 million, an increase of \$13.6 million from the prior year. Approximately \$159.5 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 \$21.7 million over the prior year's combined balance of \$137.9 million. The increase is due primarily to a combination of increases in *sales taxes*, *property tax*, *intergovernmental revenues- unrestricted* and *licenses and permits*.

The remainder of fund balance contains two components: *non-spendable* and *restricted*. *Non-spendable* fund balance includes amounts that cannot be spent as they are not in a spendable form. At June 30, 2018, the non-spendable fund balance included amounts for *inventories* (\$1.3 million), *prepaid items* (\$0.7 million) and a *capital improvement note receivable* reserve (\$0.3 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (City Charter) that govern their use. The restricted portion of fund balance consists primarily of amounts for *debt service* (\$13.3 million), *Public Works* (\$57.4 million), *Fire Medical Rescue* (\$2.4 million) and *Community Development* (\$2.1 million).

Revenues for governmental functions overall totaled \$362.6 million in the fiscal year ended June 30, 2018, which represents a net increase of \$17.8 million (5.2%) from the fiscal year ended June 30, 2017. This change is primarily due to the increase in the following areas: \$7.9 million (5.3%) in *sales taxes*, \$2.3 million (5.0%) in *property taxes*, \$2.7 million in *state sales tax* (9.7%), \$1.1 million in *state income tax* (5.1%) and \$2.9 million (52.9%) in *licenses and permits*. On the other hand, there was a decrease in *federal grants* of \$3.8 million (18.7%) and in *finances and forfeitures* of \$1.3 million (14.6%).

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$110.2 million; the fund only had \$0.2 million in *restricted* fund balance. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

The total fund balance in the City's General Fund experienced an increase in the current year of \$14.1 million. In the prior year the net increase was \$6.2 million.

Total revenues increased by \$18.0 million (8.9%) from the prior year. *Sales taxes* increased by \$6.0 million (5.9%), *property taxes* increased by \$0.9 million (4.9%), *state sales taxes* by \$2.1 million (13.1%) and *state income tax* by \$1.1 million (5.1%), all of which was due to the growth in the economy. In addition,

Intergovernmental- other increased by \$3.3 million (544.0%) due to the revenue from the Tempe Sports Authority being moved from

	Fiscal Year Ended			
	June 30, 2018		June 30, 2017	
Revenues	\$ 220,762,808		\$ 202,726,086	
Total fund balance	110,198,374	49.9 %	96,076,703	47.4 %
Unassigned fund balance	93,995,709	42.6	80,099,820	39.5

the General Obligation Debt Service Fund to the General Fund. *Charges for services* increased by \$1.5 million (12.4%) in the area of buildings and trade fees. License and permits increased by \$2.9 million (52.9%) in the area of building permit fees and sales tax applications/renewals. On the other hand, fines and forfeitures decreased by \$1.3 million (15.5%) mainly for ambulance services revenue as they were moved into the newly established Emergency Medical Transportation Fund.

Expenditures increased by \$11.7 million (6.1%) due primarily to an increase in employee compensation and the implementation of the pre-kindergarten pilot program in Human Services costing \$3.0 million. Transfers in increased by \$3.2 million due to moving the Tempe Sports Authority (TSA) fund balance assignment from the General Obligation Debt Service Fund to the General Fund while proceeds from the sale of capital assets decreased by \$2.6 million due to prior year containing the sale of land for development. The combination of the increase in the *excess of revenues over expenditures* of \$6.3 million along with the decrease in *total other financing uses* of \$1.6 million resulted in *net change in fund balances* increasing from \$6.2 million to \$14.1 million.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues stayed fairly consistent increasing in the current year only by \$0.2 million due to an increase in sales tax revenue while expenditures increased by \$7.3 million. Only \$2.0 million was due to an increase in service expenditures; the remaining increase was predominately due to an \$8.0 million defeasance of Transit debt in the current year. Of that amount, \$5.2 million was a current defeasance and therefore included as an increase in expenditures. The remaining \$2.8 million was an advanced defeasance and therefore was recorded as a payment to defeased bonds escrow agent (see Debt Administration section).

The fund balance totaled \$47.5 million at June 30, 2018, compared to a \$46.9 million fund balance at June 30, 2017. The fund balance increased by \$0.6 million the current year as compared to a \$4.9 million increase in prior year. A transfer in from the Transit Capital Projects Fund covered the debt defeasance thereby reducing the impact on the Transit Special Revenue Fund.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance decreased by \$11.3 million from \$24.4 million at June 30, 2017 to \$13.1 million at June 30, 2018.

The decrease in fund balance was due predominately to a defeasance of General Obligation debt resulting in a *payment to defeased bonds escrow agent* of \$9.5 million (see Debt Administration section). There was an increase in *property tax* revenues (\$1.3 million) that was offset by a decrease in *intergovernmental- other* revenues (\$2.5 million) due to the Tempe Sports Authority revenue being recorded into the General Fund in the current year instead of this fund. This revenue source is unrestricted and not required to be used for general obligation debt service. In addition, there was a decrease in expenditures of \$0.5 million. The total debt service fund balance will be used for future debt service payments consistent with the City's *Debt Management Plan*.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt to which the City acts as a trustee for the established improvement districts. Total fund balance (restricted for special assessment debt service payments) decreased slightly by \$0.2 million for fiscal year ended June 30, 2018. There are only two remaining improvement districts with debt outstanding (refer to Note 9 of the *Notes to the Financial Statements*).

The **Transit Capital Projects Fund** accounts for the acquisition of buses, streetscapes, the East Valley Bus Maintenance Facility upgrades and other transit improvements. Total fund balance had a \$4.3 million decrease from \$21.3 million at June 30, 2017 to \$17.0 million at June 30, 2018. The decrease was due to \$2.1 more expenditures than revenues. The projects in this fund are mainly funded with grants and cash transfers from the Transit Special Revenue Fund. Expenditures will be more than revenues when cash is 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, 2018	June 30, 2017
Water and wastewater fund	\$ 262,017,940	\$ 251,190,490
Solid waste fund	2,309,224	2,884,569
Emergency Medical		
Transportation	1,634,680	-
Golf fund	(148,659)	175,225
Internal service funds	3,164,682	3,951,613

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund experienced an increase in total net position of \$10.8 million (4.3%) for the fiscal year ended June 30, 2018 versus an increase in net position of \$14.3 million (6.0%) for the fiscal year ended June 30, 2017. A rate increase was implemented in January 2018 resulting in *Charges for services* increasing by \$1.5 million (1.8%). Total expenses increased by \$6.5 million (9.3%) mainly due to the recognition of higher depreciation expense and net loss from joint venture.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. A rate increase was implemented in January 2018 resulting in *Charges for services* increasing by \$0.4 million (2.7%). Total expenses increased by \$1.6 million (9.9%) primarily due to the accrual of a large liability claim. Net position decreased by \$0.6 million (19.9%) compared to prior year's increase of \$0.1 million (6.0%).

The **Emergency Medical Transportation Fund** accounts for the operation of the City's ambulance services. As mentioned earlier, this fund was created in the current year. *Charges for Services* were \$2.3 million while total expenses were \$1.8 million. Net position ended at \$1.6 million due to a gain on the transfer of two ambulances and a transfer from the governmental funds.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund net position decreased by \$0.3 million (184.8%) compared to prior year's net position remaining fairly flat. *Charges for Services* increased by \$0.1 million (2.8%) and there was a corresponding increase in total expenses of \$0.3 million (11.2%). In the prior year, the Rolling Hills Golf Course was closed during the replacement of the irrigation system. In the current year, the golf course reopened thereby increasing charges for services and corresponding expenses.

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

FIDUCIARY FUND

The **Other Post-Employment Benefits Trust Fund** accounts for activities of the Other Post-Employment Benefits Plan and accumulates resources for health care benefit payments to qualified retirees. The change in net position stayed fairly consistent decreasing by \$0.1 million from \$1.2 million in prior year to a \$1.1 million increase in the current year.

BUDGET HIGHLIGHTS

The City's General Fund expenditure final budget of \$210.2 million differs from the original budget of \$212.3 million due to budget transfers to other funds.

During the year, actual revenues were greater than budgetary estimates by \$17.8 million (8.7% of total budgeted revenue) in the General Fund. This is due primarily to the positive variance in *taxes, charges for services and licenses and permits*. Actual expenditures were under budget by \$3.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2018 were \$1.2 billion (net of accumulated depreciation). Capital assets include *land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress*. The total decrease in the City's capital assets for the current fiscal year was \$8.0 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2018 and 2017, respectively.

Capital Assets, Net of Depreciation- June 30, 2018			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	162,987,428	22,819,217	185,806,645
Infrastructure	386,452,235	170,201,027	556,653,262
Improvements	120,891,695	122,763,036	243,654,731
Machinery and equipment	31,268,241	12,132,619	43,400,860
Construction in progress	21,988,411	29,751,645	51,740,056
Total	\$ 813,193,183	\$ 364,360,921	\$ 1,177,554,104

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

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

Governmental Activities

- The City completed several improvement projects including \$3.4 million in street resurfacing, \$0.6 million on the Rio Salado multi-path underpass, \$1.1 million on the Town Lake dam replacement and \$1.4 million on existing building upgrades. There were also various other infrastructure and improvement projects for parks and buildings.

Business-type Activities

- The enterprise funds (predominately the Water and Wastewater Fund) incurred \$27.8 million in construction in progress (CIP) costs in the current year. The major CIP projects completed and capitalized in the Water and Wastewater Fund included \$3.7 million in the filter rehabilitation at the water treatment plant, \$3.0 million in improvements for the main power building, \$1.5 million in site improvements at the water treatment plant, and \$0.5 million in water operation projects.
- The Emergency Medical Transportation Fund acquired an ambulance for \$0.2 million and received two additional ambulances valued at \$0.4 million that were transferred from other governmental funds.
- The Golf Fund capitalized \$0.2 million for the Rolling Hills golf course irrigation system and \$0.1 million for other improvements to the golf facilities.

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 \$1,157.8 million, which is a decrease of \$9.4 million over the prior fiscal year. In the current year, the City issued general obligation bonds. In addition, the City defeased general obligations and Transit excise tax obligations to reduce debt service.

The largest change in long-term liabilities was a \$28.6 million decrease in excise tax obligations due to the Transit defeasance and regularly scheduled debt service payments. This decrease was offset with a \$9.2 million increase in the pension liability, \$2.5 million net increase in OPEB liability, \$5.7 million net increase in general obligation bonds and a \$2.4 million increase in the bond premiums. There were additional decreases in the HUD 108 loan and WIFA loans.

Outstanding Long-term Obligations - June 30, 2018			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 180,435,000	\$ 191,635,000	\$ 372,070,000
Special assessment bonds	17,415,000	-	17,415,000
Excise tax obligations	97,994,000	69,876,000	167,870,000
Premium on debt payable	21,847,912	27,703,607	49,551,519
HUD Section 108 loan	3,389,000	-	3,389,000
WIFA loan	-	9,581,644	9,581,644
Capital Leases	65,610	213,267	278,877
Total debt payable	<u>321,146,522</u>	<u>299,009,518</u>	<u>620,156,040</u>
Compensated absences	31,362,690	-	31,362,690
Claims and judgments	8,576,085	-	8,576,085
OPEB	75,083,055	9,017,390	84,100,445
Pensions	392,248,852	21,371,300	413,620,152
Total long-term obligations	<u>\$ 828,417,204</u>	<u>\$ 329,398,208</u>	<u>\$1,157,815,412</u>

Outstanding Long-term Obligations - June 30, 2017

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 178,555,000	\$ 187,835,000	\$ 366,390,000
Special assessment bonds	18,730,000	-	18,730,000
Excise tax obligations	116,009,000	80,466,000	196,475,000
Premium on debt payable	20,515,300	26,648,171	47,163,471
HUD Section 108 loan	3,794,000	-	3,794,000
WIFA loan	-	10,347,660	10,347,660
Capital leases	34,743	318,834	353,577
Total debt payable	337,638,043	305,615,665	643,253,708
Compensated absences	31,187,868	-	31,187,868
Claims and judgments	6,704,534	-	6,704,534
OPEB, restated	72,921,914	8,723,528	81,645,442
Pensions	381,179,677	23,213,075	404,392,752
Total long-term obligations	\$ 829,632,036	\$ 337,552,268	\$ 1,167,184,304

The City issued \$47.6 million in general obligation debt with \$7.3 million premium allocated to the projects during the current fiscal year. The funding was for public safety, parks, municipal infrastructure preservation, street improvements and water and wastewater projects in the amounts of \$4.7 million, \$9.7 million, \$5.6 million, \$8.9 million and \$26 million, respectively.

The City defeased \$8.3 million of general obligation bonds. The primary purpose of the defeasance was to lower the fund balance and reduce debt service expenses in the debt service fund which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$5.1 million.

Likewise, the City defeased \$8.0 million of Transit excise tax revenue obligations. The primary purpose of the defeasance was to lower debt service in the Transit fund which resulted in an economic gain of \$7.1 million.

The City's total net general obligation bonded debt (total bonded debt, including the enterprise funds and Water Infrastructure Finance Authority loans, general obligation premiums less debt service reserves) outstanding increased by \$18.0 million from the fiscal year ended June 30, 2017 to the fiscal year ended June 30, 2018. The ratio of net general obligation bonded debt for governmental purposes to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. Additional information can be located in the *Statistical Section* (Exhibit S-15). A comparison of these indicators follows:

	Fiscal Year Ended	
	June 30, 2018	June 30, 2017
Net general bonded debt	\$ 400,760,799	\$ 382,798,272
Net general bonded debt per capita	2,166	2,098
Ratio of net general bonded debt to total assessed value	22.6%	22.9%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.57	\$ 1.59

The State constitution imposes certain debt limitations on the City of 6% and 20% of the assessed valuation of the City. The City's available debt margin at June 30, 2018 is \$103.3 million under the 20% capacity and \$59.9 million under the 6% limitation. Additional information on the statutory debt limitations may be found in Note 9 of the *Notes to the Financial Statements* and the *Statistical Section* (Exhibit S-19) of this report.

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

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

REQUESTS FOR INFORMATION

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



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



Statement of Net Position

June 30, 2018

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Pooled cash and investments	\$ 239,183,338	\$ 97,408,113	\$ 336,591,451
Receivables:			
Taxes	25,441,066	-	25,441,066
Accounts, net	6,680,978	15,252,009	21,932,987
Accrued interest	804,129	478,247	1,282,376
Due from other governments	7,854,392	-	7,854,392
Inventories	1,346,784	769,252	2,116,036
Prepaid items	698,908	-	698,908
Restricted cash and investments	36,286,016	34,952,642	71,238,658
Special assessment receivables	17,956,470	-	17,956,470
Capital improvement notes receivable	6,703,214	697,387	7,400,601
Equity in joint venture	275,852,791	113,669,762	389,522,553
Capital assets not being depreciated:			
Land	89,605,173	6,693,377	96,298,550
Construction in progress	21,988,411	29,751,645	51,740,056
Capital assets (net of accumulated depreciation):			
Buildings	162,987,428	22,819,217	185,806,645
Infrastructure	386,452,235	170,201,027	556,653,262
Improvements	120,891,695	122,763,036	243,654,731
Machinery and equipment	31,268,241	12,132,619	43,400,860
Total assets	<u>1,432,001,269</u>	<u>627,588,333</u>	<u>2,059,589,602</u>
Deferred Outflows of Resources			
Deferred charge on refundings	8,910,973	12,364,932	21,275,905
Deferred outflows from pensions	64,999,119	2,775,335	67,774,454
Deferred outflows from OPEB	3,139,299	382,408	3,521,707
Total outflow of resources	<u>77,049,391</u>	<u>15,522,675</u>	<u>92,572,066</u>
Liabilities			
Accounts payable	13,701,656	6,588,090	20,289,746
Deposits	5,640,367	865,073	6,505,440
Accrued expenses	16,333,666	3,468,090	19,801,756
Unearned revenue	1,740,539	173,223	1,913,762
Liabilities payable from restricted assets	30,484,118	34,953,680	65,437,798
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,380,000	-	1,380,000
Due in more than one year	16,035,000	-	16,035,000
Other long-term liabilities:			
Due within one year	40,384,441	30,822,869	71,207,310
Due in more than one year	770,617,763	298,575,339	1,069,193,102
Total liabilities	<u>896,317,550</u>	<u>375,446,364</u>	<u>1,271,763,914</u>
Deferred Inflows of Resources			
Deferred inflows from pensions	12,938,668	1,688,894	14,627,562
Deferred inflows from OPEB	1,479,284	162,565	1,641,849
Total inflow of resources	<u>14,417,952</u>	<u>1,851,459</u>	<u>16,269,411</u>
Net Position			
Net investment in capital assets	483,438,668	111,354,858	594,793,526
Restricted for:			
Police	1,802,271	-	1,802,271
Fire	2,443,036	-	2,443,036
Community services	1,997,853	-	1,997,853
Public works	56,158,449	-	56,158,449
Community development	1,908,465	-	1,908,465
Human services	1,098,397	-	1,098,397
Municipal court	406,998	-	406,998
City manager	127,702	-	127,702
Office of strategic management and diversity	2,000	-	2,000
Debt service	36,863,523	-	36,863,523
Unrestricted	12,067,796	154,458,327	166,526,123
Total net position	<u>\$ 598,315,158</u>	<u>\$ 265,813,185</u>	<u>\$ 864,128,343</u>

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

Statement of Activities

For the fiscal year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 107,357,688	\$ 977,914	\$ 3,755,909	\$ 1,439,827
Fire medical rescue	42,150,580	858,577	163,920	906,395
Community services	29,739,525	8,323,732	5,128,766	-
Public works	102,940,790	16,011,590	7,623,675	1,289,361
Community development	17,270,124	15,684,471	69,957	459,041
Human services	22,505,753	9,501	13,049,375	-
Municipal court	5,007,487	3,559,861	-	-
Mayor and council	405,716	-	-	-
City manager	7,045,025	-	393,960	-
City attorney	3,283,818	19,361	46,583	-
Internal audit office	476,584	-	-	-
Municipal budget office	288,182	-	-	-
Office of strategic management and diversity	981,169	-	3,000	-
City clerk and elections	979,356	3,140	-	-
Internal services	16,749,283	3,000,921	2,453	-
Unallocated depreciation	1,716,725	-	-	-
Interest on long-term debt	11,817,213	-	-	-
Total governmental activities	<u>370,715,018</u>	<u>48,449,068</u>	<u>30,237,598</u>	<u>4,094,624</u>
Business-type activities:				
Water and wastewater	76,903,243	87,807,953	-	-
Solid waste	17,494,354	16,706,706	-	-
Emergency medical transportation	1,776,367	2,280,247	-	-
Golf course	2,802,184	2,387,362	-	-
Total business-type activities	<u>98,976,148</u>	<u>109,182,268</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 469,691,166</u>	<u>\$ 157,631,336</u>	<u>\$ 30,237,598</u>	<u>\$ 4,094,624</u>

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

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
\$ (101,184,038)	\$ -	\$ (101,184,038)
(40,221,688)	-	(40,221,688)
(16,287,027)	-	(16,287,027)
(78,016,164)	-	(78,016,164)
(1,056,655)	-	(1,056,655)
(9,446,877)	-	(9,446,877)
(1,447,626)	-	(1,447,626)
(405,716)	-	(405,716)
(6,651,065)	-	(6,651,065)
(3,217,874)	-	(3,217,874)
(476,584)	-	(476,584)
(288,182)	-	(288,182)
(978,169)	-	(978,169)
(976,216)	-	(976,216)
(13,745,909)	-	(13,745,909)
(1,716,725)	-	(1,716,725)
(11,817,213)	-	(11,817,213)
<u>(287,933,728)</u>	<u>-</u>	<u>(287,933,728)</u>
-	10,904,710	10,904,710
-	(787,648)	(787,648)
-	503,880	503,880
-	(414,822)	(414,822)
<u>-</u>	<u>10,206,120</u>	<u>10,206,120</u>
<u>(287,933,728)</u>	<u>10,206,120</u>	<u>(277,727,608)</u>
168,650,143	-	168,650,143
63,353,523	-	63,353,523
47,495,555	-	47,495,555
3,290,220	-	3,290,220
1,489,603	697,388	2,186,991
5,506,328	651,500	6,157,828
1,667,264	33,015	1,700,279
(1,454,082)	(25,122)	(1,479,204)
<u>289,998,554</u>	<u>1,356,781</u>	<u>291,355,335</u>
2,064,826	11,562,901	13,627,727
596,250,332	254,250,284	850,500,616
<u>\$ 598,315,158</u>	<u>\$ 265,813,185</u>	<u>\$ 864,128,343</u>

Balance Sheet

Governmental Funds

June 30, 2018

	General	Transit Special Revenue	General Obligation Debt Service
Assets			
Pooled cash and investments	\$ 103,581,520	\$ 40,141,299	\$ 9,529,127
Receivables:			
Taxes	16,513,441	6,153,664	741,955
Accounts	6,111,454	-	285,861
Accrued interest	433,543	76,474	-
Due from other funds	1,102,219	-	-
Due from other governments	-	4,542,616	-
Inventories	461,093	-	-
Prepaid items	2,930	-	-
Restricted cash and investments	2,738,658	3,094,467	24,042,060
Special assessments	-	-	-
Capital improvement notes receivable	5,176,954	1,526,260	-
Total assets	<u>\$ 136,121,812</u>	<u>\$ 55,534,780</u>	<u>\$ 34,599,003</u>
Liabilities			
Accounts payable	\$ 6,456,557	\$ 3,249,561	\$ 52,245
Deposits	5,448,143	-	-
Accrued expenditures	3,779,143	46,762	-
Due to other funds	-	-	-
Unearned revenue	390,894	-	-
Matured bonds payable	-	2,050,000	17,230,000
Matured interest payable	-	1,033,424	3,759,745
Total liabilities	<u>16,074,737</u>	<u>6,379,747</u>	<u>21,041,990</u>
Deferred Inflows of Resources			
Unavailable revenue- courts	3,764,177	-	-
Unavailable revenue- federal grants	-	-	-
Unavailable revenue- grants	-	155,193	-
Unavailable revenue- notes receivable	4,926,954	1,526,260	-
Unavailable revenue- other	892,451	-	-
Unavailable revenue- property tax	265,119	-	442,034
Unavailable revenue- special assessments	-	-	-
Total deferred inflows of resources	<u>9,848,701</u>	<u>1,681,453</u>	<u>442,034</u>
Fund Balances			
Fund balances:			
Non-spendable	711,092	-	-
Restricted	154,667	28,238,205	13,114,979
Committed	-	11,201,499	-
Assigned	15,336,906	8,033,876	-
Unassigned	93,995,709	-	-
Total fund balances	<u>110,198,374</u>	<u>47,473,580</u>	<u>13,114,979</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 136,121,812</u>	<u>\$ 55,534,780</u>	<u>\$ 34,599,003</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
\$ 231,998	\$ 17,194,973	\$ 54,613,541	\$ 225,292,458
-	-	2,032,006	25,441,066
-	-	220,497	6,617,812
284,588	-	5,024	799,629
-	-	-	1,102,219
-	157,037	3,154,739	7,854,392
-	-	885,691	1,346,784
-	-	695,978	698,908
432,585	-	5,978,246	36,286,016
17,956,470	-	-	17,956,470
-	-	-	6,703,214
<u>\$ 18,905,641</u>	<u>\$ 17,352,010</u>	<u>\$ 67,585,722</u>	<u>\$ 330,098,968</u>
\$ -	\$ 386,909	\$ 3,406,642	\$ 13,551,914
-	-	192,224	5,640,367
-	-	444,028	4,269,933
-	-	1,102,219	1,102,219
93,500	-	1,256,145	1,740,539
-	-	5,545,000	24,825,000
432,585	-	433,364	5,659,118
<u>526,085</u>	<u>386,909</u>	<u>12,379,622</u>	<u>56,789,090</u>
-	-	-	3,764,177
-	-	526,483	526,483
-	-	135,917	291,110
-	-	-	6,453,214
-	-	50,586	943,037
-	-	-	707,153
18,241,058	-	-	18,241,058
<u>18,241,058</u>	<u>-</u>	<u>712,986</u>	<u>30,926,232</u>
-	-	1,553,045	2,264,137
138,498	16,965,101	21,977,639	80,589,089
-	-	28,031,381	39,232,880
-	-	3,227,804	26,598,586
-	-	(296,755)	93,698,954
<u>138,498</u>	<u>16,965,101</u>	<u>54,493,114</u>	<u>242,383,646</u>
<u>\$ 18,905,641</u>	<u>\$ 17,352,010</u>	<u>\$ 67,585,722</u>	<u>\$ 330,098,968</u>

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

City of Tempe, Arizona

Fund balances- total governmental funds	\$ 242,383,646
<p>Amounts reported for the governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Governmental capital assets	1,600,419,970
Accumulated depreciation	<u>(787,226,787)</u>
	813,193,183
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>	
	275,852,791
<p>Other assets are not available to pay current-period expenditures and, therefore, are offset by unavailable revenue.</p>	
Unavailable special assessment revenue	18,241,058
Unavailable tax and other revenue	1,650,190
Unavailable notes receivable revenue	6,453,214
Unavailable court revenue	3,764,177
Grant and contribution monies not received within 60 days	<u>817,593</u>
	30,926,232
<p>Bond premiums and the deferred charge on refundings are not financial resources and, therefore, are not reported in the funds.</p>	
	(1,786,939)
<p>CDBG settlement (see Note 22)</p>	
	(2,213,846)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>	
Compensated absences	(31,362,690)
Claims and judgments	(8,576,085)
Net pension liability (excluding internal service)	(339,481,488)
Other post employment benefits (excluding internal service)	(73,335,718)
Bonds, capital improvement notes and capital leases	<u>(310,448,610)</u>
	(763,204,591)
<p>Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.</p>	
	<u>3,164,682</u>
Net position of governmental activities	<u><u>\$ 598,315,158</u></u>

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



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Transit Special Revenue	General Obligation Debt Service
Revenues:			
Taxes:			
Sales taxes	\$ 107,251,413	\$ 41,074,434	\$ -
Property taxes	19,827,431	-	27,700,581
Franchise taxes	3,290,220	-	-
Intergovernmental:			
Federal grants	-	2,006,136	-
State grants	-	-	-
State sales tax	18,266,956	-	-
State income tax	22,604,114	-	-
Auto lieu tax	7,532,801	-	-
Other	3,869,434	5,635,976	-
Investment income	994,242	386,052	30,898
Charges for services	13,655,401	12,448,593	-
Fines and forfeitures	6,839,148	-	-
Other entities' participation	359,315	33,328	-
Special assessments	-	-	-
Licenses and permits	8,330,276	-	-
Miscellaneous	7,942,057	-	-
Total revenues	<u>220,762,808</u>	<u>61,584,519</u>	<u>27,731,479</u>
Expenditures:			
Current:			
Police	83,343,898	-	-
Fire medical rescue	32,993,517	-	-
Community services	20,149,424	-	-
Public works	13,599,389	49,706,853	-
Community development	13,822,031	-	-
Human services	7,415,773	-	-
Municipal court	4,639,330	-	-
Mayor and council	403,658	-	-
City manager	6,697,999	-	-
City attorney	3,215,260	-	-
Internal audit office	490,396	-	-
Municipal budget office	294,404	-	-
Office of strategic management and diversity	984,828	-	-
City clerk and elections	995,339	-	-
Internal services	16,263,613	-	-
Debt service:			
Principal	-	7,235,000	17,230,000
Interest	-	2,384,635	7,164,358
Fiscal fees	-	35,536	290,713
Capital outlay	-	-	-
Total expenditures	<u>205,308,859</u>	<u>59,362,024</u>	<u>24,685,071</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>15,453,949</u>	<u>2,222,495</u>	<u>3,046,408</u>
Other financing sources (uses):			
Transfers in	3,211,129	8,495,338	6,818,822
Transfers out	(6,274,028)	(6,987,432)	(11,896,382)
Issuance of debt	-	-	-
Premium on issuance of debt	-	-	228,395
Capital lease proceeds	87,798	-	-
Proceeds from sale of capital assets	1,642,823	8,690	-
Payment to defeased bonds escrow agent	-	(3,152,694)	(9,462,302)
Total other financing sources (uses)	<u>(1,332,278)</u>	<u>(1,636,098)</u>	<u>(14,311,467)</u>
Net change in fund balance	14,121,671	586,397	(11,265,059)
Fund balance at beginning of year	96,076,703	46,887,183	24,380,038
Fund balance (deficit) at end of year	<u>\$ 110,198,374</u>	<u>\$ 47,473,580</u>	<u>\$ 13,114,979</u>

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

City of Tempe, Arizona

Special Assessment Debt Service	Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,436,503	\$ 156,762,350
-	-	-	47,528,012
-	-	-	3,290,220
-	304,887	14,192,302	16,503,325
-	-	488,230	488,230
-	-	11,887,793	30,154,749
-	-	-	22,604,114
-	-	-	7,532,801
-	-	3,788,739	13,294,149
-	4,981	73,430	1,489,603
1,075	-	4,340,514	30,445,583
-	-	831,482	7,670,630
-	605,059	4,975,266	5,972,968
2,027,722	-	-	2,027,722
-	-	-	8,330,276
10,163	-	550,779	8,502,999
<u>2,038,960</u>	<u>914,927</u>	<u>49,565,038</u>	<u>362,597,731</u>
-	-	3,997,749	87,341,647
-	-	166,185	33,159,702
-	-	5,357,953	25,507,377
-	-	9,210,901	72,517,143
-	-	2,586,614	16,408,645
-	-	13,012,689	20,428,462
-	-	519,012	5,158,342
-	-	-	403,658
-	-	484,165	7,182,164
-	-	46,583	3,261,843
-	-	-	490,396
-	-	-	294,404
-	-	3,000	987,828
-	-	-	995,339
213	-	-	16,263,826
1,315,000	-	5,950,000	31,730,000
897,190	-	880,301	11,326,484
750	-	4,594	331,593
-	3,064,701	29,353,973	32,418,674
<u>2,213,153</u>	<u>3,064,701</u>	<u>71,573,719</u>	<u>366,207,527</u>
<u>(174,193)</u>	<u>(2,149,774)</u>	<u>(22,008,681)</u>	<u>(3,609,796)</u>
-	7,468,696	16,303,475	42,297,460
-	(9,649,588)	(8,564,973)	(43,372,403)
-	-	25,025,000	25,025,000
-	-	3,855,000	4,083,395
-	-	-	87,798
-	-	34,343	1,685,856
-	-	-	(12,614,996)
-	(2,180,892)	36,652,845	17,192,110
(174,193)	(4,330,666)	14,644,164	13,582,314
312,691	21,295,767	39,848,950	228,801,332
<u>\$ 138,498</u>	<u>\$ 16,965,101</u>	<u>\$ 54,493,114</u>	<u>\$ 242,383,646</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, 2018

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ 13,582,314

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	(4,260,219)
Other post employment benefits (excluding internal service)	(6,876,453)
	<u>(11,136,672)</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	120,642
Court revenue	(1,191,994)
Grants and contributions	(2,728,385)
Special assessments received/recognized	(1,180,985)
	<u>(4,980,722)</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	32,418,674
Miscellaneous net capital expenditures	16,538,384
Depreciation expense	(46,765,073)
	<u>2,191,985</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	30,534,210
Pension expense	(42,385,956)
	<u>(11,851,746)</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	56,931
Capital lease proceeds	(87,798)
	<u>(30,867)</u>

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

Amortization of deferred outflow- refunding	(1,444,923)
Amortization of bond premium	2,750,783
	<u>1,305,860</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	(13,875,000)
Premium on issuance of debt	(4,083,395)
Principal payments made	31,730,000
	<u>13,771,605</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.

(786,931)

Change in net position of governmental activities \$ 2,064,826

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, 2018

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues				
Taxes	\$ 125,126,695	\$ 125,126,695	\$ 130,369,064	\$ 5,242,369
Intergovernmental	50,300,349	50,300,349	52,273,305	1,972,956
Investment income	1,060,000	1,060,000	2,008,383	948,383
Charges for services	9,426,570	9,426,570	13,655,401	4,228,831
Fines and forfeitures	6,320,251	6,320,251	6,839,148	518,897
Licenses and permits	4,440,500	4,440,500	8,330,276	3,889,776
Other entities' participation	359,315	359,315	359,315	-
Miscellaneous	6,934,501	6,934,501	7,942,057	1,007,556
Total revenues	<u>203,968,181</u>	<u>203,968,181</u>	<u>221,776,949</u>	<u>17,808,768</u>
Expenditures				
Police	85,315,634	85,911,489	83,497,252	2,414,237
Fire medical rescue	34,177,796	33,943,778	33,034,416	909,362
Community services	19,481,214	19,574,112	19,715,801	(141,689)
Public works	14,405,624	14,446,641	14,470,382	(23,741)
Community development	15,184,489	15,184,489	14,120,373	1,064,116
Human services	8,373,773	8,541,046	8,292,533	248,513
Mayor and council	410,062	410,062	403,778	6,284
Municipal court	4,771,375	4,771,375	4,635,421	135,954
City manager	6,885,196	6,713,124	6,467,204	245,920
City attorney	3,190,684	3,199,249	3,213,360	(14,111)
Internal audit office	512,117	512,117	490,181	21,936
Municipal budget office	291,311	291,311	294,569	(3,258)
Office of strategic management and diversity	996,004	996,004	984,463	11,541
City clerk and elections	1,279,518	1,277,407	994,381	283,026
Internal services	30,877,774	28,799,697	31,859,021	(3,059,324)
Contingency	1,500,000	941,435	-	941,435
Interdepartmental charges	(15,941,468)	(15,941,468)	(15,510,408)	(431,060)
Total expenditures	<u>211,711,103</u>	<u>209,571,868</u>	<u>206,962,727</u>	<u>2,609,141</u>
Other financing sources (uses)				
Transfers from other funds	3,613,452	3,613,452	3,211,129	(402,323)
Transfers to other funds	(3,498,482)	(3,498,482)	(6,274,028)	(2,775,546)
Proceeds from sale of capital assets	338,975	338,975	1,642,823	1,303,848
Total other financing sources (uses)	<u>453,945</u>	<u>453,945</u>	<u>(1,420,076)</u>	<u>(1,874,021)</u>
Net change in fund balance	<u>\$ (7,288,977)</u>	<u>\$ (5,149,742)</u>	<u>13,394,146</u>	<u>\$ 18,543,888</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	(1,014,141)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	166,538
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	1,369,449
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	205,679
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ 14,121,671</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, 2018

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 37,198,207	\$ 37,198,207	\$ 41,074,434	\$ 3,876,227
Intergovernmental revenue	8,417,253	8,417,253	7,675,440	(741,813)
Investment income	512,000	512,000	740,332	228,332
Charges for services	12,966,580	12,966,580	12,448,593	(517,987)
Other entities' participation	130,000	130,000	-	(130,000)
Miscellaneous	570,875	570,875	-	(570,875)
Total revenues	<u>59,794,915</u>	<u>59,794,915</u>	<u>61,938,799</u>	<u>2,143,884</u>
Expenditures				
Current:				
Public works	54,527,146	54,527,146	49,989,265	4,537,881
Contingency	178,000	178,000	-	178,000
Debt service:				
Principal retirement	10,400,000	10,400,000	7,235,000	3,165,000
Interest and fiscal fees	2,763,813	2,763,813	2,420,171	343,642
Total expenditures	<u>67,868,959</u>	<u>67,868,959</u>	<u>59,644,436</u>	<u>8,224,523</u>
Other financing sources (uses)				
Transfers from other funds	-	-	8,495,338	8,495,338
Transfers to other funds	(7,642,813)	(7,642,813)	(6,987,432)	655,381
Proceeds from sale of capital assets	-	-	8,690	8,690
Payment to refunded bond escrow agent	-	-	(3,152,694)	(3,152,694)
Total other financing sources (uses)	<u>(7,642,813)</u>	<u>(7,642,813)</u>	<u>(1,636,098)</u>	<u>6,006,715</u>
Net change in fund balance	<u>\$ (15,716,857)</u>	<u>\$ (15,716,857)</u>	658,265	<u>\$ 16,375,122</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	(354,280)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	284,642
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(2,230)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 586,397</u>

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



Statement of Net Position

Proprietary Funds

June 30, 2018

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	\$ 93,440,324	\$ 3,967,789	\$ -	\$ -	\$ 97,408,113	\$ 13,890,880
Restricted cash and investments	34,952,642	-	-	-	34,952,642	-
Accounts receivable	12,882,847	1,246,434	1,122,728	-	15,252,009	63,166
Accrued interest receivable	433,747	32,235	-	12,265	478,247	4,500
Due from other funds	992,969	-	-	-	992,969	-
Inventories	769,252	-	-	-	769,252	-
Total current assets	<u>143,471,781</u>	<u>5,246,458</u>	<u>1,122,728</u>	<u>12,265</u>	<u>149,853,232</u>	<u>13,958,546</u>
Noncurrent assets:						
Advance to other funds	3,011,085	-	-	-	3,011,085	-
Notes receivable	697,387	-	-	-	697,387	-
Equity in joint venture	113,669,762	-	-	-	113,669,762	-
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	334,283,600	-	-	3,210,587	337,494,187	-
Improvements	206,579,758	-	-	1,368,293	207,948,051	-
Machinery and equipment	15,084,793	14,386,038	681,228	1,837,096	31,989,155	-
Construction in progress	29,676,926	74,719	-	-	29,751,645	-
Less accumulated depreciation	(286,359,628)	(9,190,949)	(69,494)	(3,698,090)	(299,318,161)	-
Total capital assets (net of accumulated depreciation)	<u>352,310,499</u>	<u>6,535,591</u>	<u>611,734</u>	<u>4,903,097</u>	<u>364,360,921</u>	<u>-</u>
Total noncurrent assets	<u>469,688,733</u>	<u>6,535,591</u>	<u>611,734</u>	<u>4,903,097</u>	<u>481,739,155</u>	<u>-</u>
Total assets	<u>613,160,514</u>	<u>11,782,049</u>	<u>1,734,462</u>	<u>4,915,362</u>	<u>631,592,387</u>	<u>13,958,546</u>
Deferred Outflows of Resources						
Deferred charge on refunding	12,364,932	-	-	-	12,364,932	-
Deferred outflows related to pensions	1,932,394	719,862	60,143	62,936	2,775,335	91,810
Deferred outflows related to OPEB	274,952	90,272	3,275	13,909	382,408	5,613
Total deferred outflows of resources	<u>14,572,278</u>	<u>810,134</u>	<u>63,418</u>	<u>76,845</u>	<u>15,522,675</u>	<u>97,423</u>

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	\$ 5,400,974	\$ 1,100,486	\$ 9,566	\$ 77,064	\$ 6,588,090	\$ 149,742
Deposits	810,796	54,277	-	-	865,073	-
Accrued expenses	2,491,619	827,950	34,016	114,505	3,468,090	9,849,887
Due to other funds	-	-	119,618	873,351	992,969	-
Unearned revenue	173,223	-	-	-	173,223	-
Accrued interest payable	5,628,680	-	-	-	5,628,680	-
General obligation bonds- current	18,735,000	-	-	-	18,735,000	-
Excise tax revenue obligations- current	10,590,000	-	-	-	10,590,000	-
WIFA loan payable- current	782,281	-	-	-	782,281	-
Capital leases payable- current	-	-	-	105,588	105,588	-
Total current liabilities	<u>44,612,573</u>	<u>1,982,713</u>	<u>163,200</u>	<u>1,170,508</u>	<u>47,928,994</u>	<u>9,999,629</u>
Noncurrent liabilities:						
Advance from other funds	-	-	-	3,011,085	3,011,085	-
General obligation bonds payable	209,439,034	-	-	-	209,439,034	-
Excise tax revenue obligations	79,775,573	-	-	-	79,775,573	-
WIFA loan payable	8,799,363	-	-	-	8,799,363	-
Capital leases payable	-	-	-	107,679	107,679	-
OPEB obligation	6,571,897	2,086,276	-	359,217	9,017,390	89,059
Pensions	15,198,498	5,720,875	-	451,927	21,371,300	740,226
Total noncurrent liabilities	<u>319,784,365</u>	<u>7,807,151</u>	<u>-</u>	<u>3,929,908</u>	<u>331,521,424</u>	<u>829,285</u>
Total liabilities	<u>364,396,938</u>	<u>9,789,864</u>	<u>163,200</u>	<u>5,100,416</u>	<u>379,450,418</u>	<u>10,828,914</u>
Deferred Inflows of Resources						
Deferred inflows related to pensions	1,201,082	452,099	-	35,713	1,688,894	58,497
Deferred inflows related to OPEB	116,832	40,996	-	4,737	162,565	3,876
Total deferred inflows of resources	<u>1,317,914</u>	<u>493,095</u>	<u>-</u>	<u>40,450</u>	<u>1,851,459</u>	<u>62,373</u>
Net Position						
Net investment in capital assets	102,528,788	6,535,591	611,734	1,678,745	111,354,858	-
Unrestricted	159,489,152	(4,226,367)	1,022,946	(1,827,404)	154,458,327	3,164,682
Total net position	<u>\$ 262,017,940</u>	<u>\$ 2,309,224</u>	<u>\$ 1,634,680</u>	<u>\$ (148,659)</u>	<u>\$ 265,813,185</u>	<u>\$ 3,164,682</u>

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

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2018

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	\$ 87,807,953	\$ 16,706,706	\$ 2,280,247	\$ 2,387,362	\$ 109,182,268	\$ 35,294,459
Miscellaneous	106,932	2,745	541,246	577	651,500	-
Total operating revenues	<u>87,914,885</u>	<u>16,709,451</u>	<u>2,821,493</u>	<u>2,387,939</u>	<u>109,833,768</u>	<u>35,294,459</u>
Operating expenses:						
Personnel services	13,826,928	5,224,691	792,855	487,457	20,331,931	-
Supplies and materials	5,240,202	873,089	229,028	423,933	6,766,252	-
Fees and services	20,823,001	10,046,020	727,117	1,453,806	33,049,944	37,583,820
Depreciation	20,627,696	1,329,019	27,367	399,023	22,383,105	-
Total operating expenses	<u>60,517,827</u>	<u>17,472,819</u>	<u>1,776,367</u>	<u>2,764,219</u>	<u>82,531,232</u>	<u>37,583,820</u>
Operating income (loss)	27,397,058	(763,368)	1,045,126	(376,280)	27,302,536	(2,289,361)
Nonoperating revenues (expenses):						
Investment income (loss)	682,974	14,414	-	-	697,388	23,225
Interest and fiscal fees	(10,192,707)	-	-	(37,965)	(10,230,672)	-
Gain (loss) on sale of capital assets	16,654	(21,535)	-	16,361	11,480	-
Gain on transfer of capital assets	-	-	379,140	-	379,140	-
Net loss from joint venture	(6,192,709)	-	-	-	(6,192,709)	-
Income (loss) before contributions and operating transfers	11,711,270	(770,489)	1,424,266	(397,884)	11,967,163	(2,266,136)
Transfers in	6,209,842	239,917	210,414	74,000	6,734,173	1,479,205
Transfers out	(7,093,662)	(44,773)	-	-	(7,138,435)	-
Change in net position	<u>10,827,450</u>	<u>(575,345)</u>	<u>1,634,680</u>	<u>(323,884)</u>	<u>11,562,901</u>	<u>(786,931)</u>
Total net position- beginning, restated	<u>251,190,490</u>	<u>2,884,569</u>	<u>-</u>	<u>175,225</u>	<u>254,250,284</u>	<u>3,951,613</u>
Total net position- ending	<u>\$ 262,017,940</u>	<u>\$ 2,309,224</u>	<u>\$ 1,634,680</u>	<u>\$ (148,659)</u>	<u>\$ 265,813,185</u>	<u>\$ 3,164,682</u>

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

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	\$ 88,904,826	\$ 16,644,210	\$ 1,698,765	\$ 2,387,939	\$ 109,635,740	\$ -
Receipts from other funds	-	-	-	-	-	35,802,744
Payments to employees for services	(14,374,105)	(5,417,194)	(822,257)	(552,061)	(21,165,617)	-
Payments to suppliers for goods and services	(25,232,682)	(10,465,144)	(946,579)	(1,892,320)	(38,536,725)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(35,209,220)
Net cash provided (used) by operating activities	49,298,039	761,872	(70,071)	(56,442)	49,933,398	593,524
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	(684,583)	-	119,618	564,965	-	-
Transfers in	6,209,842	239,917	210,414	74,000	6,734,173	1,479,205
Transfers out	(7,093,662)	(44,773)	-	-	(7,138,435)	-
Net cash provided (used) by noncapital financing activities	(1,568,403)	195,144	330,032	638,965	(404,262)	1,479,205
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	22,535,000	-	-	-	22,535,000	-
Principal paid on advances	-	-	-	(153,965)	(153,965)	-
Principal paid on long-term debt	(28,830,580)	-	-	-	(28,830,580)	-
Principal paid on capital leases	-	-	-	(105,567)	(105,567)	-
Interest and fiscal fees	(8,832,147)	-	-	(37,965)	(8,870,112)	-
Change in capital assets	(26,802,978)	(516,855)	(259,961)	(301,564)	(27,881,358)	-
Investment in joint venture	(3,283,719)	-	-	-	(3,283,719)	-
Deferred revenue	30,760	-	-	-	30,760	-
Proceeds from the sale of assets	18,837	57,810	-	16,361	93,008	-
Net cash provided (used) by capital and related financing activities	(45,164,827)	(459,045)	(259,961)	(582,700)	(46,466,533)	-
Cash flows from investing activities:						
Interest received	647,355	13,166	-	177	660,698	22,459
Issuance of notes receivable	341,644	-	-	-	341,644	-
Net cash provided (used) by investing activities	988,999	13,166	-	177	1,002,342	22,459
Net increase (decrease) in cash and cash equivalents	3,553,808	511,137	-	-	4,064,945	2,095,188
Cash and cash equivalents at beginning of year	124,839,158	3,456,652	-	-	128,295,810	11,795,692
Cash and cash equivalents at end of year	\$ 128,392,966	\$ 3,967,789	\$ -	\$ -	\$ 132,360,755	\$ 13,890,880
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 27,397,058	\$ (763,368)	\$ 1,045,126	\$ (376,280)	\$ 27,302,536	\$ (2,289,361)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	20,627,696	1,329,019	27,367	399,023	22,383,105	-
Change in assets and liabilities:						
(Increase) decrease in receivables	989,941	(65,241)	(1,122,728)	-	(198,028)	508,285
(Increase) decrease in inventories	(12,027)	-	-	-	(12,027)	-
Increase (decrease) in deposits	100,581	54,277	-	-	154,858	-
Increase (decrease) in payables	741,967	399,688	9,566	(14,581)	1,136,640	6,074
Increase (decrease) in accrued expenses	(207,724)	(100,606)	34,016	(5,207)	(279,521)	2,397,562
(Increase) decrease in deferred outflows	1,569,632	567,513	(63,418)	58,252	2,131,979	64,421
Increase (decrease) in deferred inflows	(809,855)	(296,942)	-	(31,434)	(1,138,231)	(38,774)
Increase (decrease) in pension	(1,313,836)	(429,555)	-	(208,406)	(1,951,797)	(56,980)
Increase (decrease) in net OPEB liability	214,606	67,087	-	122,191	403,884	2,297
Net cash provided (used) by operating activities	\$ 49,298,039	\$ 761,872	\$ (70,071)	\$ (56,442)	\$ 49,933,398	\$ 593,524
Noncash investing, capital, and financing activities:						
Net loss from joint venture	\$ (6,192,709)	\$ -	\$ -	\$ -	\$ (6,192,709)	\$ -
Total noncash investing, capital, and financing activities:	\$ (6,192,709)	\$ -	\$ -	\$ -	\$ (6,192,709)	\$ -

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

Statement of Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	<u>Other Post Employment Benefits Trust</u>
Assets	
Cash and investments	\$ 13,391,250
Total assets	<u>13,391,250</u>
Net Position	
Restricted for other post employment benefits	13,391,250
Total net position	<u>\$ 13,391,250</u>

Statement of Changes In Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	<u>Other Post Employment Benefits Trust</u>
Additions:	
Employer contributions	\$ 6,983,551
Investment earnings:	
Net increase in fair value of investments	424,609
Investment income	698,569
Investment expenses	<u>(60,508)</u>
Net investment earnings	1,062,670
Total additions	<u>8,046,221</u>
Deductions:	
Benefit payments	<u>6,983,551</u>
Total deductions	<u>6,983,551</u>
Change in net position	1,062,670
Net position- beginning	12,328,580
Net position- ending	<u>\$ 13,391,250</u>

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

A. Reporting Entity

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

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

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

B. Basic Financial Statements

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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

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

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

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

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

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

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

C. Basis of Presentation

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

The following fund categories are used by the City:

Governmental Funds

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Governmental Funds include the following fund types:

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

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

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

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

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

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

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

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

Proprietary Funds

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

Proprietary funds include the following fund types:

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

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

The following enterprise funds are used by the City:

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

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

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

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.

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

The following internal service funds are used by the City:

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fiduciary Funds

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

E. Budgetary Data

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

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimates Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-80 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2018 Expenditure Limitation is \$335,790,320.

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

G. Pooled Cash and Investments

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

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

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

H. Receivables

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

I. Inventories and Prepaid Items

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Balance Sheet, or Statement of Net Position, because they are maintained in trust accounts and their use is limited by applicable debt covenants. In addition, the Industrial Commission of Arizona requires a restricted security for self-insured entities. As the City is self-insured, a security of \$2.7 million is included in restricted assets in the General Fund.

K. Capital Assets

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

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

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

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

L. Deferred Outflows/Inflows of Resources

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

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

M. Compensated Absences

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

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

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

N. Pensions

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

O. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

P. Long-term Obligations

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

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

Q. 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. 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).

S. 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.

T. 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 3 - PROPERTY TAXES (Continued)

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

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

NOTE 4 - CASH AND INVESTMENTS

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

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$6,477,233 and the bank balance was \$5,104,672; \$4,604,672 of that amount was exposed to custodial risk because it was uninsured and is collateralized with securities held by the pledging financial institution.

Investments

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

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$414,744,126
Carrying amount of cash deposits	6,477,233
Total cash and investments	<u>\$421,221,359</u>
Pooled cash and investments – unrestricted	\$336,591,451
Restricted cash and investments	71,238,658
Investments in OPEB trust	13,391,250
Total cash and investments	<u>\$421,221,359</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The City had a net decrease in the fair value of investments during Fiscal Year 2018 of \$2,842,006. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

At June 30, 2018, the City maintained the following investments and maturities:

Investment Type	Category	Fair Value	Remaining Maturity in Months		
			12 Months or Less	13 - 24 Months	25 - 36 Months
US government treasuries	Level 2	\$ 140,488,143	\$ 30,444,811	\$ 63,522,534	\$46,520,798
US government agencies	Level 2	147,504,207	74,028,747	47,206,964	26,268,496
Money market	Level 1	83,330,521	83,330,521	-	-
Principal cash held with trustee	Level 1	27,479	27,479	-	-
State investment pool	N/A	30,036,814	30,036,814	-	-
Mutual funds	Level 1	13,356,962	13,356,962	-	-
		<u>\$ 414,744,126</u>	<u>\$231,225,334</u>	<u>\$110,729,498</u>	<u>\$72,789,294</u>

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

Credit risk. The City addresses credit risk through the investment policy by restricting the allowable investment instruments. The investments in the US agency obligations and US government treasuries were rated AA+ and money market funds were rated AAAm by Standard & Poor's. The Arizona Local Government Investment Pool 5 is currently rated AAAf/S1+ by Standard & Poor's. The mutual funds in the OPEB Trust ranged from A 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, 2018, 33.87% of the City's investments are in US Treasuries, 16.39% of the City's investments are in Fannie Mae, 8.23% of the City's investments are in Federal Home Loan Bank, 8.21% of the City's investments are in Federal Home Loan Mortgage Corporation securities, 20.09% in money market funds and 7.24% of the City's investments are in the State of Arizona Local Government Investment Pool 5.

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

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

Due to/from other funds consisted of the following at June 30, 2018:

	Due to	Due from
General fund	\$ -	\$ 1,102,219
Non-major governmental fund	1,102,219	-
Total governmental funds	<u>\$ 1,102,219</u>	<u>\$ 1,102,219</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 992,969
Emergency medical transportation fund	119,618	
Golf fund	873,351	-
Total enterprise funds	<u>\$ 992,969</u>	<u>\$ 992,969</u>

The interfund balances at June 30, 2018 are short-term transfers to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2018 are expected to be repaid within one year.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

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

Transfers Out

Transfers In

	General	Transit Special Revenue	General Obligation Debt Service	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Solid Waste	Total
General	\$ -	\$ -	\$ 2,923,129	\$ 267,250	\$ -	\$ 20,750	\$ -	\$ 3,211,129
Transit Special Revenue	-	-	-	8,495,338	-	-	-	8,495,338
General Obligation Debt Service	648,058	-	-	-	17,199	6,148,709	4,856	6,818,822
Transit Capital Projects	267,250	6,701,446	-	-	500,000	-	-	7,468,696
Non-major Governmental	4,036,160	235,367	2,918,578	887,000	7,536,250	650,203	39,917	16,303,475
Water and Wastewater	-	-	6,054,675	-	155,167	-	-	6,209,842
Solid Waste	-	-	-	-	39,917	200,000	-	239,917
Golf	-	-	-	-	-	74,000	-	74,000
Emergency Medical Transportation	-	-	-	-	210,414	-	-	210,414
Health	1,322,560	50,619	-	-	106,026	-	-	1,479,205
Total	\$ 6,274,028	\$ 6,987,432	\$ 11,896,382	\$ 9,649,588	\$ 8,564,973	\$ 7,093,662	\$ 44,773	\$ 50,510,838

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

Interfund Advance. In two installment payments in Fiscal Year 2016, the Water and Wastewater Enterprise Fund advanced the Golf Enterprise Fund a total of \$2.5 million for an irrigation system at Rolling Hills Golf Course. In Fiscal Year 2017, an additional \$825,000 was advanced. Currently the interest rate is .90% and can fluctuate based on the City's average earnings on its investments. The advance is repaid in an annual installment of \$182,450 commencing June 30, 2017 through June 30, 2038. The advance balance in the Water and Wastewater Enterprise Fund at June 30, 2018 was \$3,011,085.

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE

On November 10, 2004, the City entered into an intergovernmental agreement with the Arizona Tourism and Sports Authority ("TSA") for the renovation of the Tempe Diablo Stadium Complex. On September 1, 2005, the City funded the project through the issuance of municipal bonds (see Note 9). The TSA agreed to reimburse the City \$12,000,000 for their contribution, plus interest at the bond rate (3.50% to 5.00%). A note receivable was recorded in the General Fund for the TSA's portion. Payments are received semi-annually and any unpaid interest is capitalized. Due to capitalizing interest, at June 30, 2018 the note receivable balance is \$4,926,954.

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

During the construction of the light rail, the City entered into two development agreements to add a light rail station at Washington and Center Parkway. Each agreement has a total contribution to the City of \$1.3 million, payable at \$130,000 annually over a five and six year period with the remaining balance due the following year. In addition, there is an option for a prepayment equal to the net present value of the unpaid balance calculated using a 4.50% discount rate. At June 30, 2018 the note receivable balance in the Transit Special Revenue fund is \$1,526,260 and the corresponding revenue has been reported as a deferred inflow of resources.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE (Continued)

In accordance with a development agreement, the City has deferred certain water and sewer development fees. Commencing in August 2011, the City receives \$12,324 monthly over a 10 year period with an interest rate of 4.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2018 was \$428,310.

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, 2018 was \$269,077.

NOTE 7 - JOINT VENTURE

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

Subregional Operating Group (SROG)

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

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

As of June 30, 2017 (the latest information available), the City has a 15.54% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, excise tax bonds, development fees and grants. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2017 (the latest information available) is as follows (in thousands):

Total assets	\$ 729,343
Total liabilities	(33,872)
Total net position	<u>\$ 695,471</u>
Total revenues	\$ 57,529
Total expenses	(83,760)
Total non-operating revenues (expenses)	(202)
Net decrease in net position	<u>(\$ 26,433)</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Subregional Operating Group (SROG) (Continued)

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2018, was \$ 113,669,762. The City's net loss from joint venture was \$ 6,192,709 for the fiscal year ended June 30, 2018. 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, 2018, the City has a 18.88% (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, 2017 (the latest information available) is as follows:

Total assets	\$ 1,423,466,229
Total liabilities	(104,880,784)
Total net position	<u>\$ 1,318,585,445</u>
Operating revenues	\$ 14,507,213
Operating expenses	(89,976,554)
Non-operating revenues	39,371,400
Non-operating expenses	(18,118,210)
Capital Contributions	127,938,184
Net increase in net position	<u>\$ 73,722,033</u>

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project and related improvements less any federal reimbursements and operating fares. The equity interests will be determined, and periodically adjusted, based on the number of rail mileage located within each city. The City's equity in joint venture at June 30, 2018 was \$ 264,671,875. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Regional Wireless Cooperative (RWC)

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

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

The City records its share of contributions to the RWC and the equity in the joint venture in the government-wide financial statements. The City made current year contributions \$1,006,480. As of June 30, 2018, the City's net investment in RWC was \$11,180,916 (unaudited), or 12.74% of the RWC's total net position.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2017 (the latest information available) is as follows (in thousands):

Total assets	\$ 87,096
Total liabilities	<u>(5,418)</u>
Total net position	<u>\$ 81,678</u>
Total revenues	\$ 9,333
Total expenses	<u>(16,307)</u>
Net decrease in net position	<u>(\$ 6,974)</u>

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017, for the RWC may be obtained from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003-1611.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2018 is as follows:

	Balances June 30, 2017	Additions	Retirements	Transfers in (out)	Balances June 30, 2018
Governmental activities:					
Non-depreciable assets:					
Land	\$ 89,605,173	\$ -	\$ -	\$ -	\$ 89,605,173
Construction-in-progress	6,419,133	31,412,189	(2,634,930)	(13,207,981)	21,988,411
Total non-depreciable assets	96,024,306	31,412,189	(2,634,930)	(13,207,981)	111,593,584
Depreciable assets:					
Buildings	310,644,847	-	-	-	310,644,847
Infrastructure	803,130,276	-	-	7,857,914	810,988,190
Improvements	200,136,402	670,000	-	4,387,857	205,194,259
Machinery and equipment	158,943,165	3,879,686	(1,406,833)	540,944	161,956,962
Total depreciable assets	1,472,854,690	4,549,686	(1,406,833)	12,786,715	1,488,784,258
Accumulated depreciation:					
Buildings	(136,646,077)	(11,011,342)	-	-	(147,657,419)
Infrastructure	(406,133,391)	(18,402,564)	-	-	(424,535,955)
Improvements	(75,286,284)	(9,016,280)	-	-	(84,302,564)
Machinery and equipment	(123,784,203)	(8,334,886)	1,388,241	42,127	(130,688,721)
Total accumulated depreciation	(741,849,955)	(46,765,072)	1,388,241	42,127	(787,184,659)
Governmental activities capital assets, net	<u>\$ 827,029,041</u>	<u>\$(10,803,197)</u>	<u>\$ (2,653,522)</u>	<u>\$ (379,139)</u>	<u>\$ 813,193,183</u>

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

Police	\$ 4,725,447
Fire medical rescue	2,082,682
Community services	3,893,018
Public works	32,090,597
Community development	1,406,192
Human services	82,926
Municipal court	91,568
City manager	5,296
City attorney	659
Internal services	669,962
Unallocated depreciation	1,716,725
Total depreciation expense	<u>\$ 46,765,072</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2017	Additions	Retirements	Transfers in (out)	Balances June 30, 2018
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	12,638,580	27,839,904	(1,117,644)	(9,609,195)	29,751,645
Total non-depreciable assets	19,331,957	27,839,904	(1,117,644)	(9,609,195)	36,445,022
Depreciable assets:					
Buildings	49,802,667	-	-	-	49,802,667
Infrastructure	336,910,914	-	-	583,273	337,494,187
Improvements	199,132,543	-	-	8,815,508	207,948,051
Machinery and equipment	30,779,072	1,159,100	(580,697)	631,680	31,989,155
Total depreciable assets	616,625,196	1,159,100	(580,697)	10,030,461	627,234,060
Accumulated depreciation:					
Buildings	(25,721,267)	(1,262,183)	-	-	(26,983,450)
Infrastructure	(156,615,595)	(10,677,565)	-	-	(167,293,160)
Improvements	(77,467,321)	(7,717,694)	-	-	(85,185,015)
Machinery and equipment	(17,587,914)	(2,725,664)	499,169	(42,127)	(19,856,536)
Total accumulated depreciation	(277,392,097)	(22,383,106)	499,169	(42,127)	(299,318,161)
Business-type activities capital assets, net	\$ 358,565,056	\$ 6,615,898	\$ (1,199,172)	\$ 379,139	\$364,360,921

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

Water and wastewater	\$ 20,627,697
Solid waste	1,329,019
Emergency medical transportation	27,367
Golf course	399,023
Total depreciation expense	<u>\$ 22,383,106</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In the current year, \$47,560,000 was issued to finance improvements for Street Improvements and Infrastructure Preservation, Community Services, Parks, Public Safety and Water and Wastewater improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2018, were as follows (the 7/1/2018 principal payment was deducted as the Fiscal Year 2018 resources were dedicated):

\$66,365,000 2008A Capital Improvement Serial Bonds due in annual installments of \$1,870,000 to \$5,080,000 beginning July 1, 2009 through July 1, 2028; interest at 3.375% to 4.375%	\$ 3,270,000
\$56,055,000 2009A Capital Improvement Serial Bonds due in annual installments of \$1,760,000 to \$4,200,000 beginning July 1, 2011 through July 1, 2029; interest at 3.00% to 4.375%	5,340,000
\$16,755,000 2010A Capital Improvement Serial Bonds due in annual installments of \$500,000 to \$2,160,000 beginning July 1, 2011 through July 1, 2030; interest at 2.50% to 5.00%	2,160,000
\$28,410,000 2010B Capital Improvement Serial Bonds due in annual installments of \$2,250,000 to \$2,295,000 beginning July 1, 2020 through July 1, 2030; interest at 4.21% to 5.719%, net of 35% federal credit	28,410,000
\$60,280,000 2010C Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$1,225,000 to \$7,735,000 through July 1, 2022; interest at 1.25% to 5.00%	21,240,000
\$5,375,000 2011A Capital Improvement Serial Bonds due in annual installments of \$475,000 to \$605,000 beginning July 1, 2013 through July 1, 2021; interest at 2.00% to 4.00%	1,765,000
\$7,005,000 2012A Capital Improvement Serial Bonds due in annual installments of \$635,000 to \$765,000 beginning July 1, 2013 through July 1, 2022; interest at 2.00% to 2.25%	2,970,000
\$12,765,000 2012B Capital Improvement Refunding Serial Bonds due in annual installments of \$1,055,000 to \$3,320,000 beginning July 1, 2013 through July 1, 2023; interest at 2.00% to 3.50%	9,530,000
\$13,675,000 2013A Capital Improvement Serial Bonds due in annual installments of \$515,000 to \$940,000 beginning July 1, 2014 through July 1, 2033; interest at 1.00% to 4.00%	10,970,000
\$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%	31,490,000
\$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%	44,580,000
\$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%	34,440,000
\$13,630,000 2016A Capital Improvement Serial Bonds due in annual installments of \$540,000 to \$880,000 beginning July 1, 2017 through July 1, 2036; interest at 2.00% to 3.00%	12,540,000
\$86,440,000 2016B Capital Improvement Refunding Serial Bonds due in annual installments of \$3,550,000 to \$17,935,000 beginning July 1, 2017 through July 1, 2029; interest at 2.00% to 4.00%	82,715,000
\$32,810,000 2017 Capital Improvement Serial Bonds due in annual installments of \$970,000 to \$2,390,000 beginning July 1, 2018 through July 1, 2037; interest at 2.00% to 5.00%	27,770,000
\$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%	47,560,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 372,070,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 33,470,000	\$ 14,291,868	\$ 47,761,868
2020	34,860,000	13,031,703	47,891,703
2021	36,395,000	11,713,580	48,108,580
2022	35,210,000	10,487,917	45,697,917
2023	34,305,000	9,265,275	43,570,275
2024-2028	119,755,000	29,300,936	149,055,936
2029-2033	51,875,000	11,896,594	63,771,594
2034-2038	26,200,000	3,488,188	29,688,188
	<u>\$ 372,070,000</u>	<u>\$ 103,476,061</u>	<u>\$ 475,546,061</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
2019	\$ 14,545,000	\$ 6,671,031	\$ 21,216,031
2020	15,130,000	6,145,285	21,275,285
2021	15,735,000	5,627,977	21,362,977
2022	14,880,000	5,122,399	20,002,399
2023	14,110,000	4,652,197	18,762,197
2024-2028	57,075,000	16,197,040	73,272,040
2029-2033	36,170,000	6,720,328	42,890,328
2034-2038	12,790,000	1,561,188	14,351,188
	<u>\$ 180,435,000</u>	<u>\$ 52,697,445</u>	<u>\$ 233,132,445</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 18,925,000	\$ 7,620,837	\$ 26,545,837
2020	19,730,000	6,886,418	26,616,418
2021	20,660,000	6,085,603	26,745,603
2022	20,330,000	5,365,519	25,695,519
2023	20,195,000	4,613,078	24,808,078
2024-2028	62,680,000	13,103,895	75,783,895
2029-2033	15,705,000	5,176,266	20,881,266
2034-2038	13,410,000	1,927,000	15,337,000
	<u>\$ 191,635,000</u>	<u>\$ 50,778,616</u>	<u>\$ 242,413,616</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Special Assessment Bonds Payable with Governmental Commitment. As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2018, the special assessments receivable of \$17,406,959, 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, 2018, there is \$144,475 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 \$405,035 in special assessments that are due to be received upon meeting the conditions in the development agreement.

Special assessment bonds payable with governmental commitment outstanding at June 30, 2018, were as follows (the 7/1/2018 principal payment was deducted as the Fiscal Year 2018 resources were dedicated):

\$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of \$220,000 to \$385,000; interest at 4.10%	\$ 620,000
\$25,190,000 ID 180 Special Assessment Bonds Payable with Governmental Commitment issued February 27, 2008; maturing January 1, 2029; due in annual installments of \$760,000 to \$1,925,000; interest at 5.00%	<u>16,795,000</u>
Total special assessment bonds outstanding	<u><u>\$ 17,415,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,380,000	\$ 831,570	\$ 2,211,570
2020	1,445,000	762,768	2,207,768
2021	1,520,000	690,533	2,210,533
2022	1,370,000	619,250	1,989,250
2023	1,435,000	549,125	1,984,125
2024-2028	8,340,000	1,564,250	9,904,250
2029	1,925,000	48,125	1,973,125
	<u>\$ 17,415,000</u>	<u>\$ 5,065,621</u>	<u>\$ 22,480,621</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations

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

The City covenants and agrees that, so long as any of the Parity Obligations remain outstanding and the principal and interest shall be unpaid, it will not further encumber the Transit Excise Taxes on a parity basis unless the Transit Excise Taxes collected in the immediately preceding fiscal year shall have amounted to at least two times the highest combined principal and interest debt service payments, or any required deposits, for any succeeding fiscal year for with respect to the transit excise tax revenue Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 resources were dedicated.

On May 9, 2018, the City defeased \$5,185,000 of these obligations (see Note 10).

\$30,170,000 2008 Excise Tax Revenue Obligations due in annual installments of \$480,000 to \$1,120,000 through July 1, 2019; interest at 3.50% to 5.00%	\$ 760,000
--	------------

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 760,000	\$ 30,400	\$ 790,400
	\$ 760,000	\$ 30,400	\$ 790,400

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 resources were dedicated.

\$14,300,000 2009A Excise Tax Revenue Obligations due in annual installments of \$770,000 to \$1,340,000 through July 1, 2023; interest at 3.00% to 5.00%	\$ 2,285,000
\$9,315,000 2009B Excise Tax Revenue Obligations due in annual installments of \$1,400,000 to \$1,715,000 through July 1, 2029; interest at 4.23%, net of 35.00% federal credit	9,315,000
Total	<u>\$ 11,600,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,115,000	\$ 507,808	\$ 1,622,808
2020	1,170,000	452,059	1,622,059
2021	-	393,559	393,559
2022	-	393,559	393,559
2023	-	393,559	393,559
2023-2028	7,600,000	1,351,577	8,951,577
2029	1,715,000	72,459	1,787,459
	<u>\$ 11,600,000</u>	<u>\$ 3,564,580</u>	<u>\$ 15,164,580</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 325,000	\$ 148,215	\$ 473,215
2020	340,000	131,961	471,961
2021	-	114,941	114,941
2022	-	114,956	114,956
2023	-	114,937	114,937
2024-2028	2,220,000	394,404	2,614,404
2029	500,000	21,125	521,125
	<u>\$ 3,385,000</u>	<u>\$ 1,040,539</u>	<u>\$ 4,425,539</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 790,000	\$ 359,593	\$ 1,149,593
2020	830,000	320,098	1,150,098
2021	-	278,617	278,617
2022	-	278,603	278,603
2023	-	278,622	278,622
2024-2028	5,380,000	957,174	6,337,174
2029	1,215,000	51,334	1,266,334
	<u>\$ 8,215,000</u>	<u>\$ 2,524,041</u>	<u>\$ 10,739,041</u>

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 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%	\$ 5,850,000
\$7,300,000 2011B Excise Tax Revenue Obligations due in one installment of \$7,300,000 on July 1, 2025; interest due semi-annually at 4.87%, net of 72.38% federal credit	7,300,000
Total	<u>\$ 13,150,000</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
2019	\$ 1,355,000	\$ 390,758	\$ 1,745,758
2020	1,425,000	323,008	1,748,008
2021	1,500,000	251,758	1,751,758
2022	1,570,000	176,758	1,746,758
2023	-	98,258	98,258
2024-2025	7,300,000	196,516	7,496,516
	<u>\$ 13,150,000</u>	<u>\$ 1,437,056</u>	<u>\$ 14,587,056</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 35,000	\$ 105,758	\$ 140,758
2020	35,000	104,008	139,008
2021	35,000	102,258	137,258
2022	40,000	100,258	140,258
2023	-	98,258	98,258
2024-2025	7,300,000	196,516	7,496,516
	<u>\$ 7,445,000</u>	<u>\$ 707,056</u>	<u>\$ 8,152,056</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,320,000	\$ 285,000	\$ 1,605,000
2020	1,390,000	219,000	1,609,000
2021	1,465,000	149,500	1,614,500
2022	1,530,000	76,500	1,606,500
	<u>\$ 5,705,000</u>	<u>\$ 730,000</u>	<u>\$ 6,435,000</u>

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 resources were dedicated.

\$18,300,000 2011 Excise Tax Revenue Refunding Obligations due in annual installments
of \$100,000 to \$3,295,000 through July 1, 2020; interest at 2.00% to 5.00% \$ 6,440,000

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,145,000	\$ 283,100	\$ 3,428,100
2020	3,295,000	138,850	3,433,850
	<u>\$ 6,440,000</u>	<u>\$ 421,950</u>	<u>\$ 6,861,950</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

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

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

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed so that the amount of Excise Taxes for any fiscal year of the City shall be equal to at least three times the total of the Debt Service on all Parity Obligations in such Fiscal Year. The City further covenants and agrees that if receipts for any current Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations, and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 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%

\$ 22,020,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,895,000	\$ 1,037,125	\$ 2,932,125
2020	1,995,000	942,375	2,937,375
2021	2,090,000	842,625	2,932,625
2022	2,195,000	738,125	2,933,125
2023	5,125,000	628,375	5,753,375
2024-2028	6,475,000	949,150	7,424,150
2029-2032	2,245,000	196,963	2,441,963
	<u>\$ 22,020,000</u>	<u>\$ 5,334,738</u>	<u>\$ 27,354,738</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,550,000	\$ 772,750	\$ 2,322,750
2020	1,630,000	695,250	2,325,250
2021	1,710,000	613,750	2,323,750
2022	1,795,000	528,250	2,323,250
2023	4,705,000	438,500	5,143,500
2024-2025	4,065,000	307,250	4,372,250
	<u>\$ 15,455,000</u>	<u>\$ 3,355,750</u>	<u>\$ 18,810,750</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 345,000	\$ 264,375	\$ 609,375
2020	365,000	247,125	612,125
2021	380,000	228,875	608,875
2022	400,000	209,875	609,875
2023	420,000	189,875	609,875
2024-2028	2,410,000	641,900	3,051,900
2029-2032	2,245,000	196,963	2,441,963
	<u>\$ 6,565,000</u>	<u>\$ 1,978,988</u>	<u>\$ 8,543,988</u>

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

Such lien on and pledge of the Transit Excise Taxes is on parity with that for the City's Transit Excise Tax Revenue Obligations, Series 2008, currently outstanding in the aggregate principal amount of \$760,000. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 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%

\$ 32,485,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,215,000	\$ 1,406,394	\$ 2,621,394
2020	1,265,000	1,357,794	2,622,794
2021	1,310,000	1,307,194	2,617,194
2022	1,375,000	1,241,694	2,616,694
2023	1,445,000	1,172,944	2,617,944
2024-2028	8,405,000	4,704,219	13,109,219
2029-2033	10,415,000	2,697,044	13,112,044
2034-2037	7,055,000	625,719	7,680,719
	<u>\$ 32,485,000</u>	<u>\$ 14,513,002</u>	<u>\$ 46,998,002</u>

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 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%

\$ 22,325,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,045,000	\$ 1,067,875	\$ 2,112,875
2020	1,090,000	1,026,075	2,116,075
2021	1,140,000	971,575	2,111,575
2022	1,200,000	914,575	2,114,575
2023	1,260,000	854,575	2,114,575
2024-2028	7,315,000	3,261,875	10,576,875
2029-2033	9,275,000	1,297,925	10,572,925
	<u>\$ 22,325,000</u>	<u>\$ 9,394,475</u>	<u>\$ 31,719,475</u>

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 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% \$ 28,225,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 7,510,000	\$ 1,411,250	\$ 8,921,250
2020	-	1,035,750	1,035,750
2021	1,135,000	1,035,750	2,170,750
2022	1,190,000	979,000	2,169,000
2023	2,830,000	919,500	3,749,500
2024-2028	9,040,000	3,023,000	12,063,000
2029-2031	<u>6,520,000</u>	<u>662,500</u>	<u>7,182,500</u>
	<u>\$ 28,225,000</u>	<u>\$ 9,066,750</u>	<u>\$ 37,291,750</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 57,950	\$ 57,950
2020	-	57,950	57,950
2021	332,000	57,950	389,950
2022	345,000	41,350	386,350
2023	400,000	24,100	424,100
2024-2025	<u>82,000</u>	<u>6,250</u>	<u>88,250</u>
	<u>\$ 1,159,000</u>	<u>\$ 245,550</u>	<u>\$ 1,404,550</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 7,510,000	\$ 1,353,300	\$ 8,863,300
2020	-	977,800	977,800
2021	803,000	977,800	1,780,800
2022	845,000	937,650	1,782,650
2023	2,430,000	895,400	3,325,400
2024-2028	8,958,000	3,016,750	11,974,750
2029-2031	6,520,000	662,500	7,182,500
	<u>\$ 27,066,000</u>	<u>\$ 8,821,200</u>	<u>\$ 35,887,200</u>

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

The City covenants and agrees that, so long as any of the Parity Obligations remain outstanding and the principal and interest shall be unpaid, it will not further encumber the Transit Excise Taxes on a parity basis unless the Transit Excise Taxes collected in the immediately preceding fiscal year shall have amounted to at least two times the highest combined principal and interest debt service payments, or any required deposits, for any succeeding fiscal year for with respect to the transit excise tax revenue Parity Obligations. In the following outstanding balance, the 7/1/2018 principal payment was deducted as the fiscal year 2018 resources were dedicated.

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

\$ 19,155,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 155,000	\$ 549,749	\$ 704,749
2020	950,000	545,300	1,495,300
2021	980,000	518,035	1,498,035
2022	1,010,000	489,909	1,499,909
2023	1,035,000	460,922	1,495,922
2024-2028	5,650,000	1,840,675	7,490,675
2029-2033	6,500,000	982,832	7,482,832
2034-2035	2,875,000	124,415	2,999,415
	<u>\$ 19,155,000</u>	<u>\$ 5,511,837</u>	<u>\$ 24,666,837</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue and Refunding Obligations (Continued)

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

The 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 7/1/2018 principal payment was deducted as the fiscal year 2018 resources were dedicated.

\$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% \$ 11,710,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 3,145,000	\$ 230,687	\$ 3,375,687
2020	3,200,000	168,731	3,368,731
2021	2,655,000	105,691	2,760,691
2022	<u>2,710,000</u>	<u>53,387</u>	<u>2,763,387</u>
	<u>\$ 11,710,000</u>	<u>\$ 558,496</u>	<u>\$ 12,268,496</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 1.25% to 2.35% \$ 3,389,000

The following discloses debt service requirements as of June 30, 2018 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 423,000	\$ 74,348	\$ 497,348
2020	442,000	67,380	509,380
2021	462,000	58,651	520,651
2022	482,000	48,414	530,414
2023	504,000	36,576	540,576
2024-2025	1,076,000	30,847	1,106,847
	<u>\$ 3,389,000</u>	<u>\$ 316,216</u>	<u>\$ 3,705,216</u>

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

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

\$1,884,503 Water Infrastructure Finance Authority Loan #92A174-10 due in annual installments of \$69,678 to \$123,631 through July 1, 2029; interest at 1.56% and administrative fee at 1.50% \$ 1,174,791

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Water Infrastructure Finance Authority Loans (Continued)

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2018 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
2019	\$ 91,423	\$ 35,996	\$ 127,419
2020	94,225	33,194	127,419
2021	97,112	30,307	127,419
2022	100,087	27,332	127,419
2023	103,154	24,265	127,419
2024-2028	565,160	71,935	637,095
2029	123,630	3,788	127,418
	<u>\$ 1,174,791</u>	<u>\$ 226,817</u>	<u>\$ 1,401,608</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%

\$ 8,406,853

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2018 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
2019	\$ 690,858	\$ 168,137	\$ 858,995
2020	704,675	154,320	858,995
2021	718,769	140,226	858,995
2022	733,144	125,851	858,995
2023	747,807	111,188	858,995
2024-2028	3,969,449	325,526	4,294,975
2029	842,151	16,843	858,994
	<u>\$ 8,406,853</u>	<u>\$ 1,042,091</u>	<u>\$ 9,448,944</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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

The governmental assets acquired through capital leases are for equipment with an original cost of \$217,590. Accumulated depreciation as of June 30, 2018 totaled \$89,462. 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, 2018. These amounts will be paid for by the General Fund.

Fiscal Year Ending June 30,	Total
2019	\$ 24,682
2020	17,560
2021	17,560
2022	5,853
	65,655
Less: remaining interest at 0% to 6.33%	(44)
Present value of future minimum lease payments	\$ 65,611

The proprietary assets acquired through capital leases are for equipment with an original cost of \$395,432. Accumulated depreciation as of June 30, 2018 totaled \$83,243. 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, 2018. These amounts will be paid for by the Golf Fund.

Fiscal Year Ending June 30,	Total
2019	\$ 109,811
2020	109,811
Total minimum lease payments	219,622
Less: remaining interest at 1.24% to 2.90%	(6,355)
Present value of future minimum lease payments	\$ 213,267

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, 2018, the 20 percent debt limitation was \$457,098,588 with \$353,760,024 of outstanding debt. This provided a 20 percent debt margin of \$103,338,564. The 6 percent debt limitation was \$137,129,577 with \$77,206,874 of outstanding debt. This provided a 6 percent debt margin of \$59,922,703. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2018, was \$263,829,698.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2018.

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 \$180,435,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 76.54% of total 2018 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$233,132,445. Principal and interest paid for the current year and total ad valorem tax revenues were \$21,202,298 and \$27,700,581 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 \$191,635,000 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, 2038. Annual principal and interest payments on the bonds are expected to require less than 29.77% of 2018 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$242,413,616. Principal and interest paid for the current year and water and wastewater system revenues were \$26,139,098 and \$87,807,953, respectively

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$39,154,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 3.57% of total 2018 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$45,061,390. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$6,382,873 and \$178,992,195, 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 \$69,876,000 in outstanding business-type activities excise tax obligations. Proceeds of the bonds were used for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2033. Annual principal and interest payments on the bonds are expected to require less than 8.02% of total 2018 excise taxes. The total principal and interest remaining to be paid on the bonds is \$93,324,703. Principal and interest paid for the current year and total excise taxes were \$14,360,816 and \$178,992,195, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Debt Service Coverage for Transit Excise Tax Obligations. For the repayment of transit excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 0.50% transportation excise tax. Proceeds of the bonds were used for the construction of the City's portion of the light rail system. The current balance outstanding is \$52,400,000. The bonds are payable through July 1, 2037. Annual principal and interest payments on the bonds are expected to require less than 10.50% of total 2018 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$72,455,235. Principal and interest paid for the current year and transit excise taxes were \$4,311,491 and \$41,074,434 respectively.

Debt Service Coverage for Performing Arts Center Excise Taxes. For repayment of performing arts excise tax obligations, the City has pledged all future excise taxes collected and paid under a 0.10% performing arts center tax. Proceeds of the bonds were used for the construction of the Tempe Performing Arts Center. The bonds are payable primarily from performing arts excise taxes and are secured by a subordinate lien pledge of all future unrestricted excise taxes. The current balance outstanding is \$6,440,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be less than 40.64% of total 2018 performing arts excise taxes. The total principal and interest remaining to be paid on the bonds is \$6,861,950. Principal and interest paid for the current year and total available excise taxes were \$3,428,850 and \$166,685,009, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2018 (the ending balance does not include 7/1/2018 "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	\$178,555,000	\$ 25,025,000	\$ (23,145,000)	\$180,435,000	\$14,545,000
Special assessments	18,730,000	-	(1,315,000)	17,415,000	1,380,000
2008 Excise tax obligations	6,675,000	-	(5,915,000)	760,000	760,000
2009 Excise tax obligations	3,695,000	-	(310,000)	3,385,000	325,000
2011 Excise tax obligations	7,475,000	-	(30,000)	7,445,000	35,000
2011 Excise tax refunding obligations	9,465,000	-	(3,025,000)	6,440,000	3,145,000
2012 Excise tax obligations	16,930,000	-	(1,475,000)	15,455,000	1,550,000
2012 Excise tax refunding obligations	36,515,000	-	(4,030,000)	32,485,000	1,215,000
2016 Excise tax refunding obligations	1,159,000	-	-	1,159,000	-
2017 Excise tax refunding obligations	19,305,000	-	(150,000)	19,155,000	155,000
2017 Excise tax refunding obligations	14,790,000	-	(3,080,000)	11,710,000	3,145,000
Premium on debt payable	20,515,300	4,083,395	(2,750,783)	21,847,912	-
2004 HUD Section 108 loan	3,794,000	-	(405,000)	3,389,000	423,000
Capital leases	34,743	87,798	(56,931)	65,610	24,639
	<u>337,638,043</u>	<u>29,196,193</u>	<u>(45,687,714)</u>	<u>321,146,522</u>	<u>26,702,639</u>
Compensated absences	31,187,868	12,087,432	(11,912,610)	31,362,690	12,133,780
Claims and judgments	6,704,534	4,753,551	(2,882,000)	8,576,085	2,928,022
OPEB, restated	72,921,914	2,161,141	-	75,083,055	-
Net pension liability	381,179,677	11,069,175	-	392,248,852	-
Governmental activities long-term	<u>\$829,632,036</u>	<u>\$ 59,267,492</u>	<u>\$ (60,482,324)</u>	<u>\$828,417,204</u>	<u>\$41,764,441</u>
Business-type activities:					
General obligation bonds payable	\$187,835,000	\$ 22,535,000	\$ (18,735,000)	\$191,635,000	\$18,925,000
General obligation premium	15,884,742	3,670,412	(1,751,120)	17,804,034	-
2009 Excise tax obligations	8,965,000	-	(750,000)	8,215,000	790,000
2011 Excise tax obligations	6,975,000	-	(1,270,000)	5,705,000	1,320,000
2012 Excise tax obligations	6,895,000	-	(330,000)	6,565,000	345,000
2013 Excise tax obligations	23,355,000	-	(1,030,000)	22,325,000	1,045,000
2016 Excise tax obligations	34,276,000	-	(7,210,000)	27,066,000	7,510,000
Excise premium	10,763,429	-	(863,856)	9,899,573	-
2010 WIFA Loan	1,263,495	-	(88,704)	1,174,791	91,423
2010 WIFA Loan	9,084,165	-	(677,312)	8,406,853	690,858
Capital leases	318,834	-	(105,567)	213,267	105,588
OPEB, restated	8,723,528	293,862	-	9,017,390	-
Net pension liability	23,213,075	-	(1,841,775)	21,371,300	-
Business-type activities long-term	<u>\$337,552,268</u>	<u>\$ 26,499,274</u>	<u>\$ (34,653,334)</u>	<u>\$329,398,208</u>	<u>\$30,822,869</u>

The long-term liabilities at June 30, 2018 have been reduced by deposits made with the City's fiscal agent for July 1, 2018 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

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

Advance Bond Refundings

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

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

Advance Bond Refundings (Continued)

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

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

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2018 are as follows:

\$23,615,000 excise tax revenue obligations issued in 2009 and partially refunded in 2016 (final redemption date is 7/1/2019)	\$ 3,860,000
\$31,825,000 excise tax revenue obligations issued in 2011 and partially refunded in 2016 (final redemption date is 7/1/2021)	17,850,000
\$66,365,000 general obligation bonds issued in 2008 and partially refunded in 2016 (final redemption date is 7/1/2018)	37,920,000
\$56,055,000 general obligation bonds issued in 2009 and partially refunded in 2016 (final redemption date is 7/1/2019)	31,190,000
\$30,170,000 Transit excise tax revenue obligations issued in 2008 and partially refunded in 2017 (final redemption date is 7/1/2018)	18,050,000
\$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
Total bonds advance refunded	<u>\$120,020,000</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).

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

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

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

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

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

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

As of June 30, 2018, 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, 2018, the aggregate balance is 42.58% of General Fund revenues.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
Fund balances:							
Non-spendable:							
Inventories	\$ 461,092	\$ -	\$ -	\$ -	\$ -	\$ 885,691	\$ 1,346,783
Prepaid items	-	-	-	-	-	667,354	667,354
Capital improvements notes receivable	250,000	-	-	-	-	-	250,000
	711,092	-	-	-	-	1,553,045	2,264,137
Restricted:							
Debt Service reserve	-	-	13,114,979	138,498	-	-	13,253,477
Police	-	-	-	-	-	1,802,271	1,802,271
Fire	-	-	-	-	-	2,443,036	2,443,036
Community services	-	-	-	-	-	1,997,853	1,997,853
Public works	-	28,238,205	-	-	16,965,101	12,190,917	57,394,223
Community development	154,667	-	-	-	-	1,908,465	2,063,132
Human services	-	-	-	-	-	1,098,397	1,098,397
Municipal court	-	-	-	-	-	406,998	406,998
City manager	-	-	-	-	-	127,702	127,702
Strategic Mgmt + Diversity	-	-	-	-	-	2,000	2,000
	154,667	28,238,205	13,114,979	138,498	16,965,101	21,977,639	80,589,089
Committed to:							
Police	-	-	-	-	-	323,501	323,501
Fire	-	-	-	-	-	800,969	800,969
Public works	-	11,201,499	-	-	-	19,422,062	30,623,561
Community development	-	-	-	-	-	6,958,936	6,958,936
Municipal court	-	-	-	-	-	525,913	525,913
	-	11,201,499	-	-	-	28,031,381	39,232,880
Assigned to:							
Self-insurance purposes	6,841,391	-	-	-	-	-	6,841,391
Capital projects	2,191,983	-	-	-	-	-	2,191,983
ROW revenue	54,667	-	-	-	-	-	54,667
Other	100,000	-	-	-	-	3,227,804	3,327,804
Transit	-	8,033,876	-	-	-	-	8,033,876
TSA	6,148,865	-	-	-	-	-	6,148,865
	15,336,906	8,033,876	-	-	-	3,227,804	26,598,586
Unassigned:							
	93,995,709	-	-	-	-	(296,755)	93,698,954
Total fund balances	\$ 110,198,374	\$ 47,473,580	\$ 13,114,979	\$ 138,498	\$ 16,965,101	\$ 54,493,114	\$ 242,383,646

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 12 - COMMITMENTS

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

At June 30, 2018 the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
Governmental funds:		
Transit	\$ 5,997,255	\$ 2,342,154
Non-major funds	21,916,118	19,646,257
	<u>\$ 27,913,373</u>	<u>\$ 21,988,411</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
Proprietary funds:		
Water/wastewater	\$ 9,872,528	\$ 29,676,926
Solid waste	58,476	74,719
	<u>\$ 9,931,004</u>	<u>\$ 29,751,645</u>

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

	<u>Commitment</u>
Governmental funds:	
General	\$ 1,369,449
Non-major funds	298,219
	<u>\$ 1,667,668</u>
	<u>Commitment</u>
Proprietary funds:	
Water/wastewater	\$ 412,766
Solid waste	1,984,382
Golf	104,736
	<u>\$ 2,501,884</u>

NOTE 13 - OPERATING LEASES

The City leases copiers under certain non-cancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Current year lease costs for the fiscal year ended June 30, 2018 were \$87,959. The following is a schedule by year of future minimum lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 86,827
2020	25,535
2021	1,408
2022	1,056
Total minimum payments required	<u>\$ 114,826</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS

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

The City reported \$26,079,223 of pension expenditures related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits

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

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 \$150 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50% (11.34% for retirement and 0.16% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.50% (10.90% for retirement, 0.44% for health insurance premium benefit, and 0.16% for long-term disability) of the members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2018 were \$8,163,497.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49% (9.26% for retirement, 0.10% for health supplement and 0.13% for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

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

Fiscal Year Ending June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2018	\$ 324,876	\$ 122,148
2017	404,502	106,304
2016	352,392	86,816

Pension Liability. At June 30, 2018, the City reported a liability of \$ 118,500,674 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.76%, which was an decrease of 0.02% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2018, the City recognized pension expense for ASRS of \$ 3,291,310 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 3,553,305
Changes of assumptions and other inputs	5,146,756	3,543,383
Net difference between projected and actual earnings on pension plan investments	850,753	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	1,019,563	2,267,993
City contributions subsequent to the measurement date	8,163,497	-
Total	<u>\$ 15,180,569</u>	<u>\$ 9,364,681</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

The \$ 8,163,497 reported as deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflow (Inflows) of Resources
2019	\$ (4,929,626)
2020	4,062,009
2021	1,245,877
2022	(2,725,869)

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Discount rate	8.00%
Projected salary increases	3.00-6.75%
Inflation	3.00%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.00%, which is less than the long-term expected rate of return of 8.70%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
The City's Proportionate share of the net pension liability	\$ 152,097,675	\$ 118,500,674	\$ 90,427,503

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

B. Public Safety Personnel Retirement System

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

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

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Retirees and beneficiaries	245	130
Inactive, non-retired members	57	29
Active members	336	132
Total	638	291

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members – pension	7.65%	7.65%
City:		
Pension	55.67	64.60
Health insurance	0.90	.25

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

In addition, the City was required by statute to contribute at the actuarially determined rate of 41.16% for police and 47.98% for fire of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

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

	PSPRS Police	PSPRS Fire
Pension:		
Contributions made	\$ 11,464,549	\$ 6,451,177
Health insurance premium benefit:		
Annual OPEB cost	185,344	24,966
Contributions made	185,344	24,966

Pension Liability. At June 30, 2018, the City reported \$187,448,327 for police and \$107,671,151 for fire in net pension liability. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

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

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

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

	PSPRS
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Asset valuation	Market Value of Assets
Discount rate	7.40%
Projected salary increases	3.50 – 7.50%
Inflation	2.50%
Permanent benefit increase	Included
Mortality rates	RP-2014 mortality table, 110% of female healthy annuitant mortality table

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

Pension Discount Rates. The discount rate of 7.40% was used to measure the total pension liability.

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

Changes in the Agent Plans Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Police:			
Balances at June 30, 2017	\$ 285,510,601	\$ 106,649,093	\$ 178,861,508
Changes for the year:			
Service cost	6,639,904	-	6,639,904
Interest on the total pension liability	21,145,695	-	21,145,695
Changes of benefit terms	2,664,893	-	2,664,893
Differences between expected and actual experience in the measurement of the pension liability	(215,490)	-	(215,490)
Changes of assumptions or other inputs	7,860,019	-	7,860,019
Contributions – employer		12,486,872	(12,486,872)
Contributions – employee	-	3,579,664	(3,579,664)
Net investment income	-	13,507,120	(13,507,120)
Benefit payments, including refunds of employee contributions	(13,775,904)	(13,775,904)	-
Administrative expense	-	(119,915)	119,915
Other changes	-	54,461	(54,461)
Net changes	24,319,117	15,732,298	8,586,819
Balances at June 30, 2018	\$ 309,829,718	\$ 122,381,391	\$ 187,448,327

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Changes in the Agent Plans Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Fire:			
Balances at June 30, 2017	\$ 168,637,813	\$ 69,151,674	\$ 99,486,139
Changes for the year:			
Service cost	3,288,107	-	3,288,107
Interest on the total pension liability	12,435,795	-	12,435,795
Changes of benefit terms	1,132,919	-	1,132,919
Differences between expected and actual experience in the measurement of the pension liability	2,381,447	-	2,381,447
Changes of assumptions or other inputs	6,731,555	-	6,731,555
Contributions – employer	-	7,629,875	(7,629,875)
Contributions – employee	-	1,711,846	(1,711,846)
Net investment income	-	8,517,929	(8,517,929)
Benefit payments, including refunds of employee contributions	(8,942,533)	(8,942,533)	-
Administrative expense	-	(75,769)	75,769
Other changes	-	930	(930)
Net changes	<u>17,027,290</u>	<u>8,842,278</u>	<u>8,185,012</u>
Balances at June 30, 2018	<u>\$ 185,665,103</u>	<u>\$ 77,993,952</u>	<u>\$ 107,671,151</u>

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

	1% Decrease	Current Discount Rate	1% Increase
	Police:		
Rate	6.40%	7.40%	8.40%
Net pension liability	\$ 231,017,941	\$ 187,448,327	\$ 152,097,309
Fire:			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$ 131,831,304	\$ 107,671,151	\$ 87,861,338

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Pension Expense. For the year ended June 30, 2018, the City's recognized \$ 25,959,839 as pension expense for police and \$ 13,260,271 as pension expense for fire.

Pension Deferred Outflows/Inflows of Resources. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Police:		
Differences between expected and actual experience	\$ -	\$ 5,262,881
Changes of assumptions or other inputs	18,256,674	-
Net difference between projected and actual earnings on pension plan investments	931,888	-
Contributions subsequent to the measurement date	11,464,549	-
Total	<u>\$ 30,653,111</u>	<u>\$ 5,262,881</u>
Fire:		
Differences between expected and actual experience	\$ 967,122	\$ -
Changes of assumptions or other inputs	13,693,374	-
Net difference between projected and actual earnings on pension plan investments	829,104	-
Contributions subsequent to the measurement date	6,451,177	-
Total	<u>\$ 21,940,777</u>	<u>\$ -</u>

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PSPRS Police	PSPRS Fire
2019	\$ 6,739,696	\$ 4,247,143
2020	3,868,521	4,985,771
2021	2,930,335	2,984,182
2022	387,129	1,782,638
2023	-	1,489,867
Total	<u>\$ 13,925,681</u>	<u>\$ 15,489,601</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

Police:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2018	\$ 185,344	100%	\$ -
2017	214,548	100	-
2016	191,805	100	-

Fire:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2018	\$ 24,966	100%	\$ -
2017	-	100	-
2016	-	100	-

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

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

The significant actuarial methods and assumptions used are the same for both PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2018 contribution requirements, are as follows:

	PSPRS
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases includes inflation at	4.0%-8.0%
	4.0%

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

The funded status of both the PSPRS health insurance premium benefit plans in the June 30, 2017, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	PSPRS
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability
Remaining amortization period	19 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.4%
Projected salary increases includes inflation at	3.5%-7.5%
	3.5%

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2017.

	PSPRS Police	PSPRS Fire
Actuarial value of assets	\$ 4,221,444	\$ 3,791,670
Actuarial accrued liability	6,779,619	3,432,367
Unfunded actuarial accrued liability (funding excess)	2,558,175	(359,303)
Funded ratio	62.3%	110.5%
Annual covered payroll	\$ 29,173,568	\$ 13,548,032
funded actuarial accrued liability (funding excess) as a percentage of covered payroll	8.77%	- %

Aggregate Amounts. At June 30, 2018, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

	Pension	OPEB
Net Asset	\$ -	\$ (141,993)
Net Liability	413,620,152	84,242,438
Deferred outflows	41,695,233	2,864,036
Deferred inflows	14,627,562	1,641,849
Expense	42,511,419	657,615
Contributions	26,079,221	657,691

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS

Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. 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 offers (through a single-employer defined contribution plan, the "City of Tempe Post-Employment Health Plan") the continuation of group health insurance benefits administered by the City's Human Resources Division, in accordance with Resolution 2009.86 of the City Council, to all retired, benefitted employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Due to changes effective July 1, 2009, benefitted employees hired after June 30, 1999 are not eligible to participate in the post-employment benefit plan.

As of June 30, 2018, 937 retirees met those eligibility requirements to receive post-employment healthcare benefits. Total membership in the program is as follows:

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

B. Basis of Accounting and Valuation of Investments

An irrevocable trust fund (Other Post Employment Benefit Trust) has been established for the purpose of advance funding the OPEB liability; the trust has an \$13.4 million balance as of June 30, 2018. 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

C. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability at June 30, 2018 were as follows:

Total OPEB liability	\$95,154,294
Plan fiduciary net position	<u>13,391,250</u>
Net OPEB liability	<u>\$81,763,044</u>
Plan fiduciary net position as a percentage of total OPEB liability	14.10%

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

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Actuarial assumptions:	
Salary increases	3.00% per annum
Investment rate of return	6.50%
Discount rate	6.50%
Healthcare cost trend	ASRS/PSPRS Pre-Medicare, 5.00% to 16.00%; ASRS/PSPRS Medicare Supplement, 2.50% to 19.90%; City Medicare Supplement, 2.50% to 7.80%; City High/Low PPO, 5.00% to 14.05%
Mortality rates	For active employees, based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2017 for males/females. For retired employees, based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2017 for males/females.

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

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

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.13%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

C. Net OPEB Liability (Continued)

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%	Not applicable
Equity	65%	7.50%
Fixed Income	35%	5.00%
Real Estate	0%	6.00%
Other	0%	Not applicable
Total	100%	6.63%

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

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 6/30/2017	\$ 90,707,176	\$ 12,328,580	\$ 78,378,596
Changes for the year:			
Service cost	321,229	-	321,229
Interest	5,689,881	-	5,689,881
Differences between expected and actual experience	4,915,943	-	4,915,943
Changes in Assumptions/Inputs	503,616	-	503,616
Contributions- employer	-	6,983,551	(6,983,551)
Net Investment income	-	1,062,670	(1,062,670)
Benefit payments	(6,983,551)	(6,983,551)	-
Net changes	4,447,118	1,062,670	3,384,448
Balance at 6/30/2018	\$ 95,154,294	\$ 13,391,250	\$ 81,763,044

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

D. Changes in the Net OPEB Liability (Continued)

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:

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Discount Rate:	\$90,450,342	\$81,763,044	\$74,260,954
Healthcare Cost Trend Rates:	73,292,973	81,763,044	99,058,467

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$7,725,643. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Expense		
Service Cost		\$ 321,229
Interest (on Liabilities)		5,689,882
Interest (on Assets)		(801,358)
Difference between Actual and Expected Experience		2,457,971
Changes in Assumptions/Inputs		251,808
Difference between Actual and Expected Investment Earnings		<u>(193,889)</u>
		<u>\$ 7,725,643</u>
	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 2,457,971	\$ -
Changes of assumptions or other inputs	251,808	-
Difference between actual and expected investment earnings	-	633,928
Total	<u>\$ 2,709,779</u>	<u>\$ 633,928</u>

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Deferred</u> <u>Outflow (Inflows)</u> <u>of Resources</u>
2019	\$ 2,515,891
2020	2,515,891
2021	(193,889)
2022	(193,889)
2023	(52,262)

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 16 - DEFERRED COMPENSATION PLANS

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

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

NOTE 17 - RISK FINANCING ACTIVITIES

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

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

The City is a self-insured entity with excess commercial insurance coverage purchased for general and automobile liability, property, workers' compensation/employers' liability, crime and group health coverage. The coverage is as follows: for general and automobile liability the first \$2.0 million per occurrence is self-insured and excess coverage of \$40.0 million is provided; for property the self-insurance retention is the first \$100,000 per occurrence of all perils with a policy limit of \$850 million; for workers' compensation the first \$750,000 for police, firefighters, and EMTs' and \$500,000 for all others of each claim is self-insured, with excess coverage per the Arizona statutory workers' compensation requirements and \$2.0 million per occurrence in employer's liability; and for group health the self-insurance retention is \$275,000 per individual, with no aggregate stop loss deductible limit. During the year there were no significant reductions in the amounts of excess coverage purchased.

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2018, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

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

At June 30, 2018, the Risk Management Fund accrued expenses totaled \$4,216,805. This balance includes the general liability, automobile liability and property liability of \$4,207,802 and other accrued expenses of \$9,003. The Worker's Compensation Fund had accrued expenses totaling \$2,504,377. The Health Fund had accrued expenses totaling \$3,128,705. Additionally, at June 30, 2018, the City had \$6,841,391 of General Fund assigned fund balance for self-insurance purposes.

NOTE 18 - CONTINGENT LIABILITIES

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

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

NOTE 19 - RELATED ORGANIZATION

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

NOTE 20 - TAX ABATEMENTS

The City has made commitments as part of our economic development programs to reimburse certain public improvement costs through transaction privilege taxes generated out of the respective development area. The total amount rebated in FY 2018 is \$3,948,602. Detailed information on such commitments is prohibited from disclosure under Arizona Revised Statute 42-2002 *Disclosure of Confidential Information Prohibited*.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

NOTE 20 – TAX ABATEMENTS (Continued)

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, 2018, the difference between property taxes assessed and the GPLET collected totaled \$1,619,506 under this program, including the following tax abatement agreements that each exceed 10% of the total amount:

- A 30.5% property tax GPLET to a retail development for constructing a retail complex in the City. The GPLET amounted to \$494,435.
- A 10.6% property tax GPLET to a retail development in the downtown area. The difference between property taxes assessed and the GPLET collected amounted to \$171,988.
- An 11.2% property tax abatement to a retail development in the downtown area. The property tax abated was \$181,945.

NOTE 21 - DEFICIT IN NET POSITION AND FUND BALANCE

The Golf Course Fund had a deficit net position of \$148,659. The deficit will be covered by future financing sources. The Grants Fund had a deficit fund balance of \$294,932. The deficit will be covered by future grant revenues.

NOTE 22 – CLAIMS AND JUDGEMENTS

On October 18, 2017 HUD issued Notice CPD-17-09 providing further clarification and guidance on the Management of Community Development Block Grant Assisted Real Property. This notice defines the expectations for the acquisition, management and disposition of Real Property. The City must be in compliance and have all currently held properties fulfilling a National Objective within the specified timeframes or the expenditures would be deemed invalid and the City would be required to reimburse HUD. This resulted in a disallowed expenditure for the purchase of land in the amount of \$2,213,846 which was recorded as a claims and judgement expense in the Government-wide statements.

NOTE 23 – PRIOR PERIOD ADJUSTMENTS

Beginning Net Position Restatement. The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits other than Pensions*, represents a change in accounting principle. Net position as of July 1, 2017 has been restated as follows for this change in accounting principle:

	Statement of Activities- Governmental	Statement of Activities- Business-type	Statement of Activities- Total
Net position, June 30, 2017, as previously reported	\$ 615,260,525	\$ 256,291,853	\$ 871,552,378
Net OPEB liability	(25,393,708)	(2,808,496)	(28,202,204)
Deferred outflows – contributions during fiscal year 2017	6,887,364	829,583	7,716,947
Deferred Inflows	(503,849)	(62,656)	(566,505)
Net position, July 1, 2017, as restated	<u>\$ 596,250,332</u>	<u>\$ 254,250,284</u>	<u>\$ 850,500,616</u>



Required Supplementary Information

Schedule of Contributions

All Pension Plans

Last Four Fiscal Years

City of Tempe, Arizona

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:				
Actuarially determined contribution	\$ 8,163,494	\$ 7,887,785	\$ 7,731,482	\$ 7,738,771
Contributions in relation to the actuarially determined contribution	<u>8,163,494</u>	<u>7,887,785</u>	<u>7,731,482</u>	<u>7,738,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 74,894,440	\$ 73,170,548	\$ 71,257,899	\$ 71,063,096
Contributions as a percentage of covered-employee payroll	10.90%	10.78%	10.85%	10.89%
Public Safety Personnel Retirement System- Police:				
Actuarially determined contribution	\$ 11,464,549	\$ 12,852,861	\$ 12,604,739	\$ 9,727,183
Contributions in relation to the actuarially determined contribution	<u>11,464,549</u>	<u>12,852,861</u>	<u>12,604,739</u>	<u>9,727,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 20,593,765	\$ 28,606,412	\$ 28,627,615	\$ 28,889,762
Contributions as a percentage of covered-employee payroll	55.67%	44.93%	44.03%	33.67%
Public Safety Personnel Retirement System- Fire:				
Actuarially determined contribution	\$ 6,451,177	\$ 6,621,730	\$ 6,067,633	\$ 4,066,636
Contributions in relation to the actuarially determined contribution	<u>6,451,177</u>	<u>6,621,730</u>	<u>6,067,633</u>	<u>4,066,636</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 9,986,342	\$ 12,337,861	\$ 12,215,891	\$ 10,958,329
Contributions as a percentage of covered-employee payroll	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 Four Fiscal Years

City of Tempe, Arizona

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.76%	0.78%	0.77%	0.76%
City's proportion share of the net pension liability	\$ 118,500,674	\$ 126,045,105	\$ 119,185,001	\$ 112,524,308
City's covered-employee payroll	\$ 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-employee payroll	161.95%	176.89%	167.72%	162.65%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

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

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Police

Last Four Fiscal Years

City of Tempe, Arizona

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 6,639,904	\$ 5,378,159	\$ 5,468,695	\$ 5,447,093
Interest	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	(215,490)	(5,746,957)	(2,753,278)	(2,351,309)
Changes of assumptions	7,860,019	10,622,755	-	25,455,442
Benefit payments, including refunds	<u>(13,775,904)</u>	<u>(15,820,570)</u>	<u>(14,604,348)</u>	<u>(13,685,124)</u>
Net change in total pension liability	24,319,117	27,463,794	7,426,211	35,830,241
Total pension liability- beginning	285,510,601	258,046,807	250,620,596	214,790,355
Total pension liability- ending	<u>\$ 309,829,718</u>	<u>\$ 285,510,601</u>	<u>\$ 258,046,807</u>	<u>\$ 250,620,596</u>
Plan fiduciary net position				
Contributions- employer	\$ 12,486,872	\$ 12,552,708	\$ 9,804,542	\$ 9,132,346
Contributions- employee	3,579,664	3,597,316	3,641,788	3,253,980
Net investment income	13,507,120	653,674	3,769,779	12,456,186
Benefit payments, including refunds	(13,775,904)	(15,820,570)	(14,604,348)	(13,685,124)
Administrative expense	(119,915)	(94,459)	(92,360)	-
Other	54,461	(173,159)	(36,082)	(3,260,002)
Net change in plan fiduciary net position	\$ 15,732,298	\$ 715,510	\$ 2,483,319	\$ 7,897,386
Plan fiduciary net position- beginning	106,649,093	105,933,583	103,450,264	95,552,878
Plan fiduciary net position- ending	<u>\$ 122,381,391</u>	<u>\$ 106,649,093</u>	<u>\$ 105,933,583</u>	<u>\$ 103,450,264</u>
Net pension liability- ending	<u>\$ 187,448,327</u>	<u>\$ 178,861,508</u>	<u>\$ 152,113,224</u>	<u>\$ 147,170,332</u>
Plan fiduciary net position as a percentage of the total pension liability	39.50%	37.35%	41.05%	41.28%
Covered-employee payroll	\$ 29,173,568	\$ 28,069,721	\$ 29,044,518	\$ 28,717,534
Net pension liability as a percentage of covered-employee payroll	642.53%	637.20%	523.72%	512.48%

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

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Fire

Last Four Fiscal Years

City of Tempe, Arizona

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 3,288,107	\$ 2,601,714	\$ 2,527,186	\$ 2,541,502
Interest	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	2,381,447	177,366	(1,631,037)	(861,599)
Changes of assumptions	6,731,555	5,723,255	-	12,031,993
Benefit payments, including refunds	(8,942,533)	(10,767,917)	(8,554,561)	(9,805,679)
Net change in total pension liability	17,027,290	18,635,062	3,597,802	16,162,860
Total pension liability- beginning	168,637,813	150,002,751	146,404,949	130,242,089
Total pension liability- ending	\$ 185,665,103	\$ 168,637,813	\$ 150,002,751	\$ 146,404,949
Plan fiduciary net position				
Contributions- employer	\$ 7,629,875	\$ 6,665,926	\$ 4,553,293	\$ 4,587,619
Contributions- employee	1,711,846	1,620,334	1,627,959	1,461,331
Net investment income	8,517,929	420,827	2,537,356	8,786,886
Benefit payments, including refunds	(8,942,533)	(10,767,917)	(8,554,561)	(9,805,679)
Administrative expense	(75,769)	(60,954)	(62,287)	-
Other	930	64,490	(36,284)	(3,124,665)
Net change in plan fiduciary net position	\$ 8,842,278	\$ (2,057,294)	\$ 65,476	\$ 1,905,492
Plan fiduciary net position- beginning	69,151,674	71,208,968	71,143,492	69,238,000
Plan fiduciary net position- ending	\$ 77,993,952	\$ 69,151,674	\$ 71,208,968	\$ 71,143,492
Net pension liability- ending	\$ 107,671,151	\$ 99,486,139	\$ 78,793,783	\$ 75,261,457
Plan fiduciary net position as a percentage of the total pension liability	42.01%	41.01%	47.47%	48.59%
Covered-employee payroll	\$ 13,548,032	\$ 12,995,575	\$ 12,133,956	\$ 12,719,039
Net pension liability as a percentage of covered-employee payroll	794.74%	765.54%	649.37%	591.72%

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 Two Fiscal Years

City of Tempe, Arizona

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 6,984,000	\$ 7,171,851
Contributions in relation to the actuarially determined contribution	<u>6,983,551</u>	<u>6,759,218</u>
Contribution deficiency (excess)	<u>\$ 449</u>	<u>\$ 412,633</u>
City's covered payroll	\$ 34,716,792	\$ 41,444,730
Contributions as a percentage of covered-employee payroll	20.12%	16.31%

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

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Two Fiscal Years

City of Tempe, Arizona

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 321,229	\$ 300,495
Interest	5,689,881	5,742,386
Changes of benefit terms	-	-
Differences between expected and actual	4,915,943	-
Changes of assumptions	503,616	-
Benefit payments, including refunds	(6,983,551)	(6,759,218)
Net change in total OPEB liability	<u>4,447,118</u>	<u>(716,337)</u>
Total OPEB liability- beginning	<u>90,707,176</u>	<u>91,423,513</u>
Total OPEB liability- ending	<u>\$ 95,154,294</u>	<u>\$ 90,707,176</u>
Plan fiduciary net position		
Contributions- employer	\$ 6,983,551	\$ 6,759,218
Net investment income	1,062,670	1,211,093
Benefit payments, including refunds	(6,983,551)	(6,759,218)
Administrative expense	-	-
Other	-	-
Net change in plan fiduciary net position	<u>1,062,670</u>	<u>1,211,093</u>
Plan fiduciary net position- beginning	<u>12,328,580</u>	<u>11,117,487</u>
Plan fiduciary net position- ending	<u>\$ 13,391,250</u>	<u>\$ 12,328,580</u>
Net OPEB liability- ending	<u>\$ 81,763,044</u>	<u>\$ 78,378,596</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.07%	13.59%
Covered-employee payroll	\$ 34,716,792	\$ 41,444,730
Net OPEB liability as a percentage of covered-employee payroll	235.51%	189.12%

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

Schedule of Investment Returns

OPEB Plan

Last Two Fiscal Years

City of Tempe, Arizona

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	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, 2018

City of Tempe, Arizona

Factors that Affect Trends - Pensions. The actuarial assumptions used in the June 30, 2016 valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2017 valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

Schedule of Changes in Net OPEB Liability. *Mortality Rates.* Mortality tables were updated from the RP-2000 Employee and Healthy Annuitant mortality tables projected to 2017 using scale AA to the RPH-2014 Employee and Healthy Annuitant mortality tables, with generational mortality improvement using Scale MP-2017. This resulted in an increase in the Total OPEB Liability of approximately \$1.03 million. *Retirement Rates.* The retirement rates were updated to those used in the June 30, 2017 pension valuations. This change resulted in a decrease in the Total OPEB Liability of approximately \$2.25 million. *Turnover Rates.* The turnover rates were updated to those used in the June 30, 2017 pension valuations. This change resulted in an increase in the Total OPEB Liability of approximately \$0.40 million. *Medical Trend.* Increases in the medical plan premiums impact the City's HRA contributions. The medical trend for the underlying plans has been higher than expected. Therefore, we adjusted the assumed future increases in the premiums. This change resulted in an increase in the Total OPEB Liability of approximately \$1.31 million.

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

Measurement date	June 30, 2018
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry age normal
Asset valuation method	Market value
Actuarial assumptions:	
Salary increases	3.00% per annum
Investment rate of return	6.50%
Discount rate	6.50%
Healthcare cost trend	ASRS/PSPRS Pre-Medicare, 5.00% to 16.00%; ASRS/PSPRS Medicare Supplement, 2.50% to 19.90%; City Medicare Supplement, 2.50% to 7.80%; City High/Low PPO, 5.00% to 14.05%
Mortality rates	For active employees, based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2017 for males/females. For retired employees, based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2017 for males/females.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2018

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
Assets				
Pooled cash and investments	\$ 772,838	\$ 8,166,390	\$ 498,728	\$ 499,144
Receivables:				
Taxes	959,141	1,072,865	-	-
Accounts	-	-	-	56,703
Accrued interest	-	-	-	-
Due from other governments	-	-	111,946	-
Inventories	-	885,691	-	-
Prepaid items	-	-	15,908	667,354
Restricted cash and investments	3,226,925	-	16,037	-
Total assets	<u>\$ 4,958,904</u>	<u>\$ 10,124,946</u>	<u>\$ 642,619</u>	<u>\$ 1,223,201</u>
Liabilities				
Accounts payable	\$ 37,364	\$ 235,227	\$ 48,476	\$ 2,870
Deposits	-	-	-	-
Accrued expenditures	175,694	73,919	12,163	181,128
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Matured bonds payable	3,025,000	-	-	-
Matured interest payable	201,925	-	32,150	-
Total liabilities	<u>3,439,983</u>	<u>309,146</u>	<u>92,789</u>	<u>183,998</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>
Fund Balances				
Fund balance:				
Non-spendable	-	885,691	-	667,354
Restricted	1,518,921	8,930,109	549,830	371,849
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>1,518,921</u>	<u>9,815,800</u>	<u>549,830</u>	<u>1,039,203</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,958,904</u>	<u>\$ 10,124,946</u>	<u>\$ 642,619</u>	<u>\$ 1,223,201</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ 51,072	\$ 2,378,589	\$ -	\$ 1,975,931	\$ 14,342,692
-	-	-	-	2,032,006
-	-	-	-	56,703
74	4,950	-	-	5,024
-	11,057	2,912,364	-	3,035,367
-	-	-	-	885,691
-	-	12,716	-	695,978
-	15,995	-	2,719,289	5,978,246
<u>\$ 51,146</u>	<u>\$ 2,410,591</u>	<u>\$ 2,925,080</u>	<u>\$ 4,695,220</u>	<u>\$ 27,031,707</u>
\$ -	\$ 41,314	\$ 125,643	\$ 70,966	\$ 561,860
-	-	192,224	-	192,224
-	315	809	-	444,028
-	-	1,102,219	-	1,102,219
-	-	1,256,089	-	1,256,089
-	-	-	2,520,000	5,545,000
-	-	-	199,289	433,364
-	<u>41,629</u>	<u>2,676,984</u>	<u>2,790,255</u>	<u>9,534,784</u>
-	-	407,111	-	407,111
-	-	135,917	-	135,917
-	-	-	-	-
-	-	<u>543,028</u>	-	<u>543,028</u>
-	-	-	-	1,553,045
51,146	1,235,528	1,823	1,904,965	14,564,171
-	1,036,825	-	-	1,036,825
-	96,609	-	-	96,609
-	-	(296,755)	-	(296,755)
<u>51,146</u>	<u>2,368,962</u>	<u>(294,932)</u>	<u>1,904,965</u>	<u>16,953,895</u>
<u>\$ 51,146</u>	<u>\$ 2,410,591</u>	<u>\$ 2,925,080</u>	<u>\$ 4,695,220</u>	<u>\$ 27,031,707</u>

(continued)

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2018

Capital Projects

	Streets	Police	Fire	Storm Sewers	Parks
Assets					
Pooled cash and investments	\$ 10,988,144	\$ 2,492,524	\$ 3,164,945	\$ 24,621	\$ 13,780,000
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	113,208	-	-	50,586
Accrued interest	-	-	-	-	-
Due from other governments	119,372	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 11,107,516</u>	<u>\$ 2,605,732</u>	<u>\$ 3,164,945</u>	<u>\$ 24,621</u>	<u>\$ 13,830,586</u>
Liabilities					
Accounts payable	\$ 927,351	\$ 178,748	\$ 4,732	\$ 16,645	\$ 491,653
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	56
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>927,351</u>	<u>178,748</u>	<u>4,732</u>	<u>16,645</u>	<u>491,709</u>
Deferred Inflows of Resources					
Unavailable revenue- federal grants	119,372	-	-	-	-
Unavailable revenue- grants	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	50,586
Total deferred inflows of resources	<u>119,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,586</u>
Fund Balances					
Fund balance:					
Non-spendable	-	-	-	-	-
Restricted	224,181	1,800,448	2,354,052	-	2,808,167
Committed	9,818,970	323,501	800,969	-	9,603,092
Assigned	17,642	303,035	5,192	7,976	877,032
Unassigned	-	-	-	-	-
Total fund balances	<u>10,060,793</u>	<u>2,426,984</u>	<u>3,160,213</u>	<u>7,976</u>	<u>13,288,291</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,107,516</u>	<u>\$ 2,605,732</u>	<u>\$ 3,164,945</u>	<u>\$ 24,621</u>	<u>\$ 13,830,586</u>

Capital Projects

Rio Salado	Community Development	Signals	Community Facilities District	Total	Total Non-major Governmental Funds
\$ 195,391	\$ 6,369,205	\$ 1,264,353	\$ 1,991,666	\$ 40,270,849	\$ 54,613,541
-	-	-	-	-	2,032,006
-	-	-	-	163,794	220,497
-	-	-	-	-	5,024
-	-	-	-	119,372	3,154,739
-	-	-	-	-	885,691
-	-	-	-	-	695,978
-	-	-	-	-	5,978,246
<u>\$ 195,391</u>	<u>\$ 6,369,205</u>	<u>\$ 1,264,353</u>	<u>\$ 1,991,666</u>	<u>\$ 40,554,015</u>	<u>\$ 67,585,722</u>
\$ 2,028	\$ 915,933	\$ 304,485	\$ 3,207	\$ 2,844,782	\$ 3,406,642
-	-	-	-	-	192,224
-	-	-	-	-	444,028
-	-	-	-	-	1,102,219
-	-	-	-	56	1,256,145
-	-	-	-	-	5,545,000
-	-	-	-	-	433,364
<u>2,028</u>	<u>915,933</u>	<u>304,485</u>	<u>3,207</u>	<u>2,844,838</u>	<u>\$ 12,379,622</u>
-	-	-	-	119,372	526,483
-	-	-	-	-	135,917
-	-	-	-	50,586	50,586
-	-	-	-	169,958	712,986
-	-	-	-	-	1,553,045
-	-	226,620	-	7,413,468	21,977,639
85,821	5,284,325	-	1,077,878	26,994,556	28,031,381
107,542	168,947	733,248	910,581	3,131,195	3,227,804
-	-	-	-	-	(296,755)
<u>193,363</u>	<u>5,453,272</u>	<u>959,868</u>	<u>1,988,459</u>	<u>37,539,219</u>	<u>54,493,114</u>
<u>\$ 195,391</u>	<u>\$ 6,369,205</u>	<u>\$ 1,264,353</u>	<u>\$ 1,991,666</u>	<u>\$ 40,554,015</u>	<u>\$ 67,585,722</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Special Revenue			
	Performing Arts	Highway User Revenue	Community Development	Housing Assistance
Revenues:				
Sales taxes	\$ 8,436,503	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	2,809,331	9,863,006
State grants	-	-	-	-
State sales tax	-	11,887,793	-	-
Other	-	-	-	14,851
Investment income	-	-	46	1,015
Charges for services	952,961	193,127	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	204,389	-	-	-
Miscellaneous	9,060	7,097	482,429	-
Total revenues	<u>9,602,913</u>	<u>12,088,017</u>	<u>3,291,806</u>	<u>9,878,872</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire medical rescue	-	-	-	-
Community services	4,503,797	-	-	-
Public works	-	9,166,644	-	-
Community development	-	-	-	-
Human services	-	-	2,376,120	9,542,260
Municipal court	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Office of strategic management and diversity	-	-	-	-
Debt service:				
Principal retirement	3,025,000	-	405,000	-
Interest	409,123	-	77,474	-
Fiscal fees	2,376	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,940,296</u>	<u>9,166,644</u>	<u>2,858,594</u>	<u>9,542,260</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>1,662,617</u>	<u>2,921,373</u>	<u>433,212</u>	<u>336,612</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	1,500,000	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
Special revenue funds	-	-	-	-
Debt service funds	-	(4,856)	-	-
Capital projects funds	(694,783)	(5,917,008)	-	-
Enterprise funds	-	-	-	-
Internal service funds	(34,564)	(71,461)	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	34,343	-	-
Total other financing sources (uses)	<u>(729,347)</u>	<u>(4,458,982)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	933,270	(1,537,609)	433,212	336,612
Fund balance at beginning of year	585,651	11,353,409	116,618	702,591
Fund balance at end of year	<u>\$ 1,518,921</u>	<u>\$ 9,815,800</u>	<u>\$ 549,830</u>	<u>\$ 1,039,203</u>

Special Revenue

Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,436,503
-	-	1,304,271	-	13,976,608
-	-	488,230	-	488,230
-	-	-	-	11,887,793
-	41,658	3,732,230	-	3,788,739
338	9,709	306	-	11,414
-	271,785	8,360	2,365,981	3,792,214
-	459,936	371,546	-	831,482
-	377,235	36,075	-	617,699
-	24,755	11,904	-	535,245
<u>338</u>	<u>1,185,078</u>	<u>5,952,922</u>	<u>2,365,981</u>	<u>44,365,927</u>
-	-	3,997,749	-	3,997,749
-	15,349	150,836	-	166,185
-	189,979	664,177	-	5,357,953
-	-	44,257	-	9,210,901
-	76,944	860	2,508,810	2,586,614
-	203,866	890,443	-	13,012,689
-	449,915	69,097	-	519,012
-	114,165	370,000	-	484,165
-	-	46,583	-	46,583
-	-	3,000	-	3,000
-	-	-	2,520,000	5,950,000
-	-	-	393,704	880,301
-	-	-	2,218	4,594
-	-	-	-	-
-	<u>1,050,218</u>	<u>6,237,002</u>	<u>5,424,732</u>	<u>42,219,746</u>
<u>338</u>	<u>134,860</u>	<u>(284,080)</u>	<u>(3,058,751)</u>	<u>2,146,181</u>
-	-	-	-	1,500,000
-	-	-	-	-
-	-	-	2,918,578	2,918,578
-	-	-	-	-
-	-	-	-	-
-	-	(465,999)	-	(465,999)
-	-	-	(6,690)	(11,546)
-	-	-	-	(6,611,791)
-	-	-	-	-
-	-	-	-	(106,025)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	34,343
-	-	<u>(465,999)</u>	<u>2,911,888</u>	<u>(2,742,440)</u>
338	134,860	(750,079)	(146,863)	(596,259)
50,808	2,234,102	455,147	2,051,828	17,550,154
<u>\$ 51,146</u>	<u>\$ 2,368,962</u>	<u>\$ (294,932)</u>	<u>\$ 1,904,965</u>	<u>\$ 16,953,895</u>

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Capital Projects			
	Streets	Police	Fire	Storm Sewers
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
State sales tax	-	-	-	-
Other	-	-	-	-
Investment income	3,702	14,856	12,549	-
Charges for services	44,755	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	724,424	1,439,827	906,395	-
Miscellaneous	-	-	-	-
Total revenues	<u>772,881</u>	<u>1,454,683</u>	<u>918,944</u>	<u>-</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire medical rescue	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Human services	-	-	-	-
Municipal court	-	-	-	-
City manager	-	-	-	-
City attorney	-	-	-	-
Office of strategic management and diversity	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Fiscal fees	-	-	-	-
Capital outlay	7,110,878	2,156,909	1,823,952	147,110
Total expenditures	<u>7,110,878</u>	<u>2,156,909</u>	<u>1,823,952</u>	<u>147,110</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(6,337,997)</u>	<u>(702,226)</u>	<u>(905,008)</u>	<u>(147,110)</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	466,000	-	-
Special revenue funds	5,012,684	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	887,000	-	20,720	-
Enterprise funds	-	195,084	-	-
Transfers out:				
Special revenue funds	-	-	-	-
Debt service funds	(2,230)	(197)	(5,530)	-
Capital projects funds	-	-	(1,109)	-
Enterprise funds	-	(195,084)	(210,414)	-
Internal service funds	-	-	-	-
Issuance of debt	6,320,030	1,625,000	2,435,000	126,518
Premium on issuance of debt	1,185,000	250,000	380,000	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>13,402,484</u>	<u>2,340,803</u>	<u>2,618,667</u>	<u>126,518</u>
Net change in fund balances	7,064,487	1,638,577	1,713,659	(20,592)
Fund balance at beginning of year	2,996,306	788,407	1,446,554	28,568
Fund balance at end of year	<u>\$ 10,060,793</u>	<u>\$ 2,426,984</u>	<u>\$ 3,160,213</u>	<u>\$ 7,976</u>

Capital Projects

Capital Projects						Total	Total Non-major Governmental Funds
Parks	Rio Salado	Community Development	Signals	Community Facilities District			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,436,503
-	-	-	215,694	-	-	215,694	14,192,302
-	-	-	-	-	-	-	488,230
-	-	-	-	-	-	-	11,887,793
-	-	-	-	-	-	-	3,788,739
28,012	1,161	748	988	-	-	62,016	73,430
-	-	-	44,504	459,041	-	548,300	4,340,514
-	-	-	-	-	-	-	831,482
1,132,483	-	83,900	70,538	-	-	4,357,567	4,975,266
2,266	-	13,268	-	-	-	15,534	550,779
<u>1,162,761</u>	<u>1,161</u>	<u>97,916</u>	<u>331,724</u>	<u>459,041</u>		<u>5,199,111</u>	<u>49,565,038</u>
-	-	-	-	-	-	-	3,997,749
-	-	-	-	-	-	-	166,185
-	-	-	-	-	-	-	5,357,953
-	-	-	-	-	-	-	9,210,901
-	-	-	-	-	-	-	2,586,614
-	-	-	-	-	-	-	13,012,689
-	-	-	-	-	-	-	519,012
-	-	-	-	-	-	-	484,165
-	-	-	-	-	-	-	46,583
-	-	-	-	-	-	-	3,000
-	-	-	-	-	-	-	5,950,000
-	-	-	-	-	-	-	880,301
-	-	-	-	-	-	-	4,594
8,134,008	583,772	7,498,717	1,863,336	35,291	-	29,353,973	29,353,973
<u>8,134,008</u>	<u>583,772</u>	<u>7,498,717</u>	<u>1,863,336</u>	<u>35,291</u>		<u>29,353,973</u>	<u>71,573,719</u>
<u>(6,971,247)</u>	<u>(582,611)</u>	<u>(7,400,801)</u>	<u>(1,531,612)</u>	<u>423,750</u>		<u>(24,154,862)</u>	<u>(22,008,681)</u>
1,020,104	550,000	966,056	-	-	-	3,002,160	4,502,160
-	-	934,474	400,000	-	-	6,347,158	6,347,158
-	-	-	-	-	-	-	2,918,578
887,122	48,000	2,562	56	-	-	1,845,460	1,845,460
40,000	-	455,035	-	-	-	690,119	690,119
-	-	-	-	-	-	-	(465,999)
(390)	-	(1,439)	-	-	-	(9,786)	(21,332)
(71,338)	(860,815)	(20,777)	(289)	-	-	(954,328)	(7,566,119)
-	-	-	-	-	-	(405,498)	(405,498)
-	-	-	-	-	-	-	(106,025)
8,365,000	-	4,895,000	1,258,452	-	-	25,025,000	25,025,000
1,285,000	-	755,000	-	-	-	3,855,000	3,855,000
-	-	-	-	-	-	-	34,343
<u>11,525,498</u>	<u>(262,815)</u>	<u>7,985,911</u>	<u>1,658,219</u>	<u>-</u>		<u>39,395,285</u>	<u>36,652,845</u>
4,554,251	(845,426)	585,110	126,607	423,750	-	15,240,423	14,644,164
8,734,040	1,038,789	4,868,162	833,261	1,564,709	-	22,298,796	39,848,950
<u>\$ 13,288,291</u>	<u>\$ 193,363</u>	<u>\$ 5,453,272</u>	<u>\$ 959,868</u>	<u>\$ 1,988,459</u>		<u>\$ 37,539,219</u>	<u>\$ 54,493,114</u>

INTERNAL SERVICE FUNDS

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

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

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Assets				
Current assets:				
Pooled cash and investments	\$ 6,547,408	\$ 2,529,078	\$ 4,814,394	\$ 13,890,880
Accounts receivable	-	-	63,166	63,166
Accrued interest receivable	-	4,500	-	4,500
Total assets	<u>6,547,408</u>	<u>2,533,578</u>	<u>4,877,560</u>	<u>13,958,546</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	91,810	-	-	91,810
Deferred outflows related to OPEB	5,613	-	-	5,613
Total deferred outflows of resources	<u>97,423</u>	<u>-</u>	<u>-</u>	<u>97,423</u>
Liabilities				
Current liabilities:				
Accounts payable	5,702	15,171	128,869	149,742
Accrued expenses and claims payable	4,216,805	2,504,377	3,128,705	9,849,887
Total current liabilities	<u>4,222,507</u>	<u>2,519,548</u>	<u>3,257,574</u>	<u>9,999,629</u>
Noncurrent liabilities:				
Net OPEB liability	89,059	-	-	89,059
Net pension liability	740,226	-	-	740,226
Total noncurrent liabilities	<u>829,285</u>	<u>-</u>	<u>-</u>	<u>829,285</u>
Total liabilities	<u>5,051,792</u>	<u>2,519,548</u>	<u>3,257,574</u>	<u>10,828,914</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	58,497	-	-	58,497
Deferred inflows related to OPEB	3,876	-	-	3,876
Total deferred inflows of resources	<u>62,373</u>	<u>-</u>	<u>-</u>	<u>62,373</u>
Net Position				
Unrestricted	<u>1,530,666</u>	<u>14,030</u>	<u>1,619,986</u>	<u>3,164,682</u>
Total net position	<u>\$ 1,530,666</u>	<u>\$ 14,030</u>	<u>\$ 1,619,986</u>	<u>\$ 3,164,682</u>

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	<u>Risk Management</u>	<u>Worker's Compensation</u>	<u>Health</u>	<u>Total</u>
Operating revenues:				
Contributions	<u>\$ 3,233,977</u>	<u>\$ 1,691,574</u>	<u>\$ 30,368,908</u>	<u>\$ 35,294,459</u>
Total operating revenues	<u>3,233,977</u>	<u>1,691,574</u>	<u>30,368,908</u>	<u>35,294,459</u>
Operating expenses:				
Fees and services	<u>3,233,977</u>	<u>1,691,574</u>	<u>32,658,269</u>	<u>37,583,820</u>
Total operating expenses	<u>3,233,977</u>	<u>1,691,574</u>	<u>32,658,269</u>	<u>37,583,820</u>
Operating income (loss)	-	-	(2,289,361)	(2,289,361)
Nonoperating revenues				
Investment income	-	23,225	-	23,225
Total nonoperating revenues	<u>-</u>	<u>23,225</u>	<u>-</u>	<u>23,225</u>
Transfers in	<u>-</u>	<u>-</u>	<u>1,479,205</u>	<u>1,479,205</u>
Changes in net position	-	23,225	(810,156)	(786,931)
Total net position - beginning as restated	<u>1,530,666</u>	<u>(9,195)</u>	<u>2,430,142</u>	<u>3,951,613</u>
Total net position - ending	<u>\$ 1,530,666</u>	<u>\$ 14,030</u>	<u>\$ 1,619,986</u>	<u>\$ 3,164,682</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Cash flows from operating activities:				
Receipts from other funds	\$ 3,233,977	\$ 1,691,574	\$ 30,877,193	\$ 35,802,744
Reduction in (payments for) settlement of claims	(2,542,595)	(1,874,873)	(30,791,752)	(35,209,220)
Net cash provided by (used) in operating activities	<u>691,382</u>	<u>(183,299)</u>	<u>85,441</u>	<u>593,524</u>
Cash flows from non-capital financing activities:				
Transfers in	-	-	1,479,205	1,479,205
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>1,479,205</u>	<u>1,479,205</u>
Cash flows from investing activities:				
Interest received	-	22,459	-	22,459
Net cash provided (used) by investing activities	<u>-</u>	<u>22,459</u>	<u>-</u>	<u>22,459</u>
Net increase (decrease) in cash and cash equivalents	691,382	(160,840)	1,564,646	2,095,188
Cash and cash equivalents, beginning of year	<u>5,856,026</u>	<u>2,689,918</u>	<u>3,249,748</u>	<u>11,795,692</u>
Cash and cash equivalents, end of year	<u>\$ 6,547,408</u>	<u>\$ 2,529,078</u>	<u>\$ 4,814,394</u>	<u>\$ 13,890,880</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ -	\$ -	\$ (2,289,361)	\$ (2,289,361)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in receivables	-	-	508,285	508,285
Increase (decrease) in accounts payable	(79,771)	(5,696)	91,541	6,074
Increase (decrease) in accrued expenses	800,189	(177,603)	1,774,976	2,397,562
(Increase) decrease in deferred outflows	64,421	-	-	64,421
Increase (decrease) in deferred inflows	(38,774)	-	-	(38,774)
Increase (decrease) in net pension liability	(56,980)	-	-	(56,980)
Increase (decrease) in net OPEB liability	2,297	-	-	2,297
Net cash provided (used) by operating activities	<u>\$ 691,382</u>	<u>\$ (183,299)</u>	<u>\$ 85,441</u>	<u>\$ 593,524</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, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 208,914,553	\$ 219,468,375	\$ 10,553,822
Intergovernmental	98,662,025	79,344,245	(19,317,780)
Investment income	2,342,000	4,161,736	1,819,736
Charges for services	129,738,335	137,490,779	7,752,444
Fines and forfeitures	8,422,683	9,950,877	1,528,194
Licenses and permits	4,440,500	8,330,276	3,889,776
Other entities' participation	2,821,758	4,835,331	2,013,573
Miscellaneous	11,218,995	12,293,484	1,074,489
Contingency	7,741,231	-	(7,741,231)
Total revenues	<u>474,302,080</u>	<u>475,875,103</u>	<u>1,573,023</u>
Expenditures			
Current:			
Police	93,505,497	90,196,687	3,308,810
Fire medical rescue	43,671,140	43,122,215	548,925
Community services	53,213,807	39,812,299	13,401,508
Public works	268,358,707	209,175,997	59,182,710
Community development	31,150,395	17,634,545	13,515,850
Human services	17,824,107	21,532,948	(3,708,841)
Mayor and council	410,062	403,778	6,284
Municipal court	6,240,185	5,154,433	1,085,752
City manager	10,836,773	6,951,369	3,885,404
City attorney	3,377,724	3,259,943	117,781
Internal audit office	512,117	490,181	21,936
Municipal budget office	291,311	294,569	(3,258)
Office of strategic management and diversity	1,017,166	987,463	29,703
City clerk and elections	1,277,407	994,381	283,026
Internal services	28,799,697	31,859,021	(3,059,324)
Contingency	10,700,503	-	10,700,503
Interdepartmental charges	(15,941,468)	(15,510,408)	(431,060)
Debt Service:			
Principal	75,150,727	61,821,017	13,329,710
Interest and fiscal fees	23,928,861	24,465,760	(536,899)
Total expenditures	<u>654,324,718</u>	<u>542,646,198</u>	<u>111,678,520</u>
Other financing sources (uses)			
Transfers from other funds	39,236,708	49,202,633	9,965,925
Transfers to other funds	(39,908,708)	(50,647,274)	(10,738,566)
Issuance of debt	97,495,002	47,560,000	(49,935,002)
Premium on issuance of debt	-	6,698,371	6,698,371
Payment to refunded bond escrow agent	-	(12,614,996)	(12,614,996)
Gain (loss) from transfer of capital assets	-	379,140	379,140
Proceeds (loss) from sale of capital assets	368,975	1,778,864	1,409,889
Total other financing sources (uses)	<u>97,191,977</u>	<u>42,356,738</u>	<u>(54,835,239)</u>
Net change in fund balance	<u>\$ (82,830,661)</u>	<u>\$ (24,414,357)</u>	<u>\$ 58,416,304</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, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 27,834,225	\$ 27,700,581	\$ (133,644)
Investment income	-	30,898	30,898
Total revenues	<u>27,834,225</u>	<u>27,731,479</u>	<u>(102,746)</u>
Expenditures:			
Debt service:			
Principal	27,680,183	17,230,000	10,450,183
Interest and fiscal fees	7,576,832	7,455,071	121,761
Total expenditures	<u>35,257,015</u>	<u>24,685,071</u>	<u>10,571,944</u>
Excess (deficiency) of revenues over expenditures	(7,422,790)	3,046,408	10,469,198
Other financing sources (uses):			
Transfers in	6,925,070	6,818,822	(106,248)
Transfers out	(12,810,117)	(11,896,382)	913,735
Premium on issuance of debt	-	228,395	228,395
Payment to refunded bond escrow agent	-	(9,462,302)	(9,462,302)
Total other financing sources (uses)	<u>(5,885,047)</u>	<u>(14,311,467)</u>	<u>(8,426,420)</u>
Net change in fund balance	<u>\$ (13,307,837)</u>	<u>\$ (11,265,059)</u>	<u>\$ 2,042,778</u>

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

Special Assessment Debt Service

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 1,075	\$ 1,075
Special assessments	1,992,875	2,027,722	34,847
Miscellaneous	-	10,163	10,163
Total revenues	<u>1,992,875</u>	<u>2,038,960</u>	<u>46,085</u>
Expenditures:			
Current:			
Public works	-	213	(213)
Debt service:			
Principal	1,125,000	1,315,000	(190,000)
Interest and fiscal fees	867,875	897,940	(30,065)
Total expenditures	<u>1,992,875</u>	<u>2,213,153</u>	<u>(220,278)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (174,193)</u>	<u>\$ (174,193)</u>

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 7,776,305	\$ 8,436,503	\$ 660,198
Investment income	-	8,941	8,941
Charges for services	1,233,275	952,961	(280,314)
Miscellaneous	240,000	213,449	(26,551)
Total revenues	<u>9,249,580</u>	<u>9,611,854</u>	<u>362,274</u>
Expenditures:			
Current:			
Community services	4,763,763	4,492,181	271,582
Debt service:			
Principal	3,025,000	3,025,000	-
Interest and fiscal fees	407,250	411,499	(4,249)
Total expenditures	<u>8,196,013</u>	<u>7,928,680</u>	<u>267,333</u>
Excess (deficiency) of revenues over expenditures	1,053,567	1,683,174	629,607
Other financing uses:			
Transfers out	(694,783)	(694,783)	-
Proceeds on sale of assets	-	-	-
Total other financing uses	<u>(694,783)</u>	<u>(694,783)</u>	<u>-</u>
Net change in fund balance	<u>\$ 358,784</u>	<u>\$ 988,391</u>	<u>\$ 629,607</u>

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

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental revenue	\$ 450,000	\$ -	\$ (450,000)
State sales tax	10,979,121	11,887,793	908,672
Charges for services	72,500	193,127	120,627
Miscellaneous	1,750	7,097	5,347
Total revenues	<u>11,503,371</u>	<u>12,088,017</u>	<u>584,646</u>
Expenditures:			
Current:			
Public works	10,063,925	8,989,263	1,074,662
Total expenditures	<u>10,063,925</u>	<u>8,989,263</u>	<u>1,074,662</u>
Excess (deficiency) of revenues over expenditures	1,439,446	3,098,754	1,659,308
Other financing sources (uses):			
Transfers in	1,500,000	1,500,000	-
Transfers out	(7,375,931)	(5,993,325)	1,382,606
Proceeds from sale of capital assets	-	34,343	34,343
Total other financing sources (uses)	<u>(5,875,931)</u>	<u>(4,458,982)</u>	<u>1,416,949</u>
Net change in fund balance	<u>\$ (4,436,485)</u>	<u>\$ (1,360,228)</u>	<u>\$ 3,076,257</u>

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

Community Development Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 6,842,363	\$ 2,809,331	\$ (4,033,032)
Investment income	-	46	46
Miscellaneous	934,044	482,429	(451,615)
Total revenues	<u>7,776,407</u>	<u>3,291,806</u>	<u>(4,484,601)</u>
Expenditures:			
Current:			
Community development	6,898,961	2,573,687	4,325,274
Debt service:			
Principal	405,000	405,000	-
Interest and fiscal fees	79,044	77,474	1,570
Total expenditures	<u>7,383,005</u>	<u>3,056,161</u>	<u>4,326,844</u>
 Net change in fund balance	 <u>\$ 393,402</u>	 <u>\$ 235,645</u>	 <u>\$ (157,757)</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 10,607,423	\$ 9,863,006	\$ (744,417)
Intergovernmental other	-	14,851	14,851
Investment income	-	1,015	1,015
Miscellaneous	60,000	-	(60,000)
Total revenues	<u>10,667,423</u>	<u>9,878,872</u>	<u>(788,551)</u>
Expenditures:			
Current:			
Human services	10,667,423	9,543,622	1,123,801
Total expenditures	<u>10,667,423</u>	<u>9,543,622</u>	<u>1,123,801</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 335,250</u>	<u>\$ 335,250</u>

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

Housing Affordability Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ -	\$ -	\$ -
Investment income	-	634	634
Total revenues	<u>-</u>	<u>634</u>	<u>634</u>
Expenditures:			
Current:			
Human services	51,000	-	51,000
Total expenditures	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Net change in fund balance	<u>\$ (51,000)</u>	<u>\$ 634</u>	<u>\$ 51,634</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, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ 30,858	\$ 41,658	\$ 10,800
Investment income	-	13,384	13,384
Charges for services	153,000	271,785	118,785
Fines and forfeitures	481,435	459,936	(21,499)
Other entities' participation	533,000	377,235	(155,765)
Miscellaneous	500	24,755	24,255
Contingency	598,758	-	(598,758)
Total revenues	<u>1,797,551</u>	<u>1,188,753</u>	<u>(608,798)</u>
Expenditures:			
Current:			
Fire medical rescue	91,248	15,349	75,899
Community services	820,704	189,979	630,725
Public works	1,860	-	1,860
Community development	503,823	76,944	426,879
Human services	391,208	203,866	187,342
Municipal court	1,378,810	449,915	928,895
City manager	369,307	114,165	255,142
Office of strategic management and diversity	2,000	-	2,000
Contingency	598,758	-	598,758
Total expenditures	<u>4,157,718</u>	<u>1,050,218</u>	<u>3,107,500</u>
Net change in fund balance	<u>\$ (2,360,167)</u>	<u>\$ 138,535</u>	<u>\$ 2,498,702</u>

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

Grants Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 2,160,643	\$ 1,730,940	\$ (429,703)
State grants	633,941	488,975	(144,966)
Intergovernmental other	7,778,766	3,721,009	(4,057,757)
Investment income	-	306	306
Charges for services	3,000	8,360	5,360
Fines and forfeitures	663,795	371,546	(292,249)
Other entities' participation	5,000	36,075	31,075
Miscellaneous	7,000	11,904	4,904
Contingency	7,142,473	-	(7,142,473)
Total revenues	18,394,618	6,369,115	(12,025,503)
Expenditures:			
Current:			
Police	4,324,114	3,999,572	324,542
Fire medical rescue	674,168	150,836	523,332
Community services	825,519	664,177	161,342
Public works	237,885	44,257	193,628
Community development	40,712	860	39,852
Human services	1,941,892	919,240	1,022,652
Municipal court	90,000	69,097	20,903
City manager	3,754,342	370,000	3,384,342
City attorney	178,475	46,583	131,892
Office of strategic management and diversity	19,162	3,000	16,162
Contingency	7,142,473	-	7,142,473
Total expenditures	19,228,742	6,267,622	12,961,120
Excess (deficiency) of revenues over expenditures	(834,124)	101,493	935,617
Other financing uses:			
Transfers out	(466,000)	(465,999)	1
Total other financing uses	(466,000)	(465,999)	1
Net change in fund balance	\$ (1,300,124)	\$ (364,506)	\$ 935,618

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

Community Facilities District Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,524,467	\$ 2,365,981	\$ (158,486)
Miscellaneous	200,000	-	(200,000)
Total revenues	<u>2,724,467</u>	<u>2,365,981</u>	<u>(358,486)</u>
Expenditures:			
Current:			
Community development	2,934,750	2,508,810	425,940
Contingency	200,000	-	200,000
Debt service:			
Principal	2,295,000	2,520,000	(225,000)
Interest and fiscal fees	751,250	395,922	355,328
Total expenditures	<u>6,181,000</u>	<u>5,424,732</u>	<u>756,268</u>
Deficiency of revenues over expenditures	(3,456,533)	(3,058,751)	397,782
Other financing sources (uses):			
Transfers in	3,041,450	2,918,578	(122,872)
Transfers out	-	(6,690)	(6,690)
Total other financing sources (uses)	<u>3,041,450</u>	<u>2,911,888</u>	<u>(129,562)</u>
Net change in fund balance	<u>\$ (415,083)</u>	<u>\$ (146,863)</u>	<u>\$ 268,220</u>

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

Transit Capital Projects Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 6,830,941	\$ 304,887	\$ (6,526,054)
Intergovernmental other	908,061	-	(908,061)
Investment income	-	4,981	4,981
Other entities' participation	48,720	605,059	556,339
Total revenues	<u>7,787,722</u>	<u>914,927</u>	<u>(6,872,795)</u>
Expenditures:			
Current:			
Public works	23,957,252	9,061,956	14,895,296
Total expenditures	<u>23,957,252</u>	<u>9,061,956</u>	<u>14,895,296</u>
Deficiency of revenues over expenditures	(16,169,530)	(8,147,029)	8,022,501
Other financing sources (uses):			
Transfers in	7,701,446	7,468,696	(232,750)
Transfers out	-	(9,649,588)	(9,649,588)
Total other financing sources (uses)	<u>7,701,446</u>	<u>(2,180,892)</u>	<u>(9,882,338)</u>
Net change in fund balance	<u>\$ (8,468,084)</u>	<u>\$ (10,327,921)</u>	<u>\$ (1,859,837)</u>

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

Streets Capital Projects Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 922,869	\$ -	\$ (922,869)
Investment income	-	3,702	3,702
Charges for services	-	44,755	44,755
Other entities' participation	1,225,234	-	(1,225,234)
Miscellaneous	-	724,424	724,424
Total revenues	<u>2,148,103</u>	<u>772,881</u>	<u>(1,375,222)</u>
Expenditures:			
Current:			
Public works	20,252,772	11,248,798	9,003,974
Total expenditures	<u>20,252,772</u>	<u>11,248,798</u>	<u>9,003,974</u>
Deficiency of revenues over expenditures	(18,104,669)	(10,475,917)	7,628,752
Other financing sources (uses):			
Transfers in	6,466,676	5,899,684	(566,992)
Transfers out	-	(2,230)	(2,230)
Issuance of debt	9,500,548	6,320,030	(3,180,518)
Premium on issuance of debt	-	1,185,000	1,185,000
Total other financing sources (uses)	<u>15,967,224</u>	<u>13,402,484</u>	<u>(2,564,740)</u>
Net change in fund balance	<u>\$ (2,137,445)</u>	<u>\$ 2,926,567</u>	<u>\$ 5,064,012</u>

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

Police Capital Projects Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ 220,000	\$ 220,000	\$ -
Investment income	-	14,856	14,856
Other entities' participation	-	1,219,827	1,219,827
Total revenues	<u>220,000</u>	<u>1,454,683</u>	<u>1,234,683</u>
Expenditures:			
Current:			
Police	3,269,894	2,699,863	570,031
Total expenditures	<u>3,269,894</u>	<u>2,699,863</u>	<u>570,031</u>
Deficiency of revenues over expenditures	(3,049,894)	(1,245,180)	1,804,714
Other financing sources (uses):			
Transfers in	195,084	661,084	466,000
Transfers out	-	(195,281)	(195,281)
Issuance of debt	2,272,408	1,625,000	(647,408)
Premium on issuance of debt	-	250,000	250,000
Total other financing sources (uses)	<u>2,467,492</u>	<u>2,340,803</u>	<u>(126,689)</u>
Net change in fund balance	<u>\$ (582,402)</u>	<u>\$ 1,095,623</u>	<u>\$ 1,678,025</u>

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

Fire Capital Projects Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 12,549	\$ 12,549
Other entities' participation	215,637	906,395	690,758
Total revenues	<u>215,637</u>	<u>918,944</u>	<u>703,307</u>
Expenditures:			
Current:			
Fire medical rescue	8,961,946	7,873,848	1,088,098
Total expenditures	<u>8,961,946</u>	<u>7,873,848</u>	<u>1,088,098</u>
Deficiency of revenues over expenditures	(8,746,309)	(6,954,904)	1,791,405
Other financing sources:			
Transfers in	-	20,720	20,720
Transfers out	-	(217,053)	(217,053)
Issuance of debt	7,782,288	2,435,000	(5,347,288)
Premium on issuance of debt	-	380,000	380,000
Total other financing sources	<u>7,782,288</u>	<u>2,618,667</u>	<u>(5,163,621)</u>
Net change in fund balance	<u>\$ (964,021)</u>	<u>\$ (4,336,237)</u>	<u>\$ (3,372,216)</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, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Public works	747,110	327,258	419,852
Total expenditures	<u>747,110</u>	<u>327,258</u>	<u>419,852</u>
Deficiency of revenues over expenditures	(747,110)	(327,258)	419,852
Other financing sources (uses):			
Issuance of debt	740,381	126,518	(613,863)
Total other financing sources (uses)	<u>740,381</u>	<u>126,518</u>	<u>(613,863)</u>
Net change in fund balance	<u>\$ (6,729)</u>	<u>\$ (200,740)</u>	<u>\$ (194,011)</u>

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

Parks Capital Projects Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental other	\$ -	\$ -	\$ -
Investment income	-	28,012	28,012
Other entities' participation	304,852	1,132,483	827,631
Miscellaneous	-	2,266	2,266
Total revenues	<u>304,852</u>	<u>1,162,761</u>	<u>857,909</u>
Expenditures:			
Current:			
Community services	<u>27,229,709</u>	<u>14,750,161</u>	<u>12,479,548</u>
Total expenditures	<u>27,229,709</u>	<u>14,750,161</u>	<u>12,479,548</u>
Deficiency of revenues over expenditures	(26,924,857)	(13,587,400)	13,337,457
Other financing sources (uses):			
Transfers in	417,000	1,947,226	1,530,226
Transfers out	-	(71,728)	(71,728)
Issuance of debt	16,533,048	8,365,000	(8,168,048)
Premium on issuance of debt	-	1,285,000	1,285,000
Total other financing sources (uses)	<u>16,950,048</u>	<u>11,525,498</u>	<u>(5,424,550)</u>
Net change in fund balance	<u>\$ (9,974,809)</u>	<u>\$ (2,061,902)</u>	<u>\$ 7,912,907</u>

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

Rio Salado Capital Projects Fund
For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 1,161	\$ 1,161
Total revenues	<u>-</u>	<u>1,161</u>	<u>1,161</u>
Expenditures:			
Current:			
Community development	585,047	585,047	-
Total expenditures	<u>585,047</u>	<u>585,047</u>	<u>-</u>
Deficiency of revenues over expenditures	(585,047)	(583,886)	1,161
Other financing sources (uses):			
Transfers in	-	598,000	598,000
Transfers out	-	(860,815)	(860,815)
Total other financing sources (uses)	<u>-</u>	<u>(262,815)</u>	<u>(262,815)</u>
Net change in fund balance	<u>\$ (585,047)</u>	<u>\$ (846,701)</u>	<u>\$ (261,654)</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, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 748	\$ 748
Other entities' participation	-	83,900	83,900
Miscellaneous	-	13,268	13,268
Total revenues	<u>-</u>	<u>97,916</u>	<u>97,916</u>
Expenditures:			
Current:			
Public works	15,656,174	8,770,033	6,886,141
Total expenditures	<u>15,656,174</u>	<u>8,770,033</u>	<u>6,886,141</u>
Deficiency of revenues over expenditures	(15,656,174)	(8,672,117)	6,984,057
Other financing sources (uses):			
Transfers in	2,355,565	2,358,127	2,562
Transfers out	-	(22,216)	(22,216)
Issuance of debt	10,209,248	4,895,000	(5,314,248)
Premium on issuance of debt	-	755,000	755,000
Total other financing sources (uses)	<u>12,564,813</u>	<u>7,985,911</u>	<u>(4,578,902)</u>
Net change in fund balance	<u>\$ (3,091,361)</u>	<u>\$ (686,206)</u>	<u>\$ 2,405,155</u>

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

Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Federal grants	\$ 2,558,558	\$ 215,694	\$ (2,342,864)
Investment income	-	988	988
Other entities' participation	-	115,042	115,042
Total revenues	<u>2,558,558</u>	<u>331,724</u>	<u>(2,226,834)</u>
Expenditures:			
Current:			
Public works	5,725,927	4,672,572	1,053,355
Total expenditures	<u>5,725,927</u>	<u>4,672,572</u>	<u>1,053,355</u>
Deficiency of revenues over expenditures	(3,167,369)	(4,340,848)	(1,173,479)
Other financing sources (uses) :			
Transfers in	400,000	400,056	56
Transfers out	-	(289)	(289)
Issuance of debt	2,577,402	1,258,452	(1,318,950)
Total other financing sources (uses)	<u>2,977,402</u>	<u>1,658,219</u>	<u>(1,319,183)</u>
Net change in fund balance	<u>\$ (189,967)</u>	<u>\$ (2,682,629)</u>	<u>\$ (2,492,662)</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, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 459,041	\$ 459,041	\$ -
Total revenues	<u>459,041</u>	<u>459,041</u>	<u>-</u>
Expenditures:			
Current:			
Community development	1,234,151	342,511	891,640
Total expenditures	<u>1,234,151</u>	<u>342,511</u>	<u>891,640</u>
Net change in fund balance	<u>\$ (775,110)</u>	<u>\$ 116,530</u>	<u>\$ 891,640</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 83,928,584	\$ 87,995,632	\$ 4,067,048
Investment income	735,000	1,242,540	507,540
Fines and forfeitures	68,500	-	(68,500)
Miscellaneous	277,450	289,382	11,932
Total revenues	<u>85,009,534</u>	<u>89,527,554</u>	<u>4,518,020</u>
Expenditures:			
Current:			
Public works	99,285,234	80,744,709	18,540,525
Contingency	1,000,000	-	1,000,000
Debt service:			
Principal	30,220,544	30,091,017	129,527
Interest and fiscal fees	11,482,797	12,807,683	(1,324,886)
Total expenditures	<u>141,988,575</u>	<u>123,643,409</u>	<u>18,345,166</u>
Excess (deficiency) of revenues over expenditures	(56,979,041)	(34,115,855)	22,863,186
Other financing sources (uses):			
Transfers in	6,175,965	6,209,842	33,877
Transfers out	(7,204,734)	(7,093,662)	111,072
Issuance of debt	47,879,679	22,535,000	(25,344,679)
Premium on issuance of debt	-	2,614,976	2,614,976
Proceeds from sale of capital assets	-	18,837	18,837
Total other financing sources (uses)	<u>46,850,910</u>	<u>24,284,993</u>	<u>(22,565,917)</u>
Net change in fund balance	<u>\$ (10,128,131)</u>	<u>\$ (9,830,862)</u>	<u>\$ 297,269</u>

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

Solid Waste Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 16,035,730	\$ 16,706,706	\$ 670,976
Investment income	35,000	48,260	13,260
Miscellaneous	-	2,745	2,745
Total revenues	<u>16,070,730</u>	<u>16,757,711</u>	<u>686,981</u>
Expenditures:			
Current:			
Public works	18,059,366	17,745,675	313,691
Contingency	500,000	-	500,000
Total expenditures	<u>18,559,366</u>	<u>17,745,675</u>	<u>813,691</u>
Deficiency of revenues over expenditures	(2,488,636)	(987,964)	1,500,672
Other financing sources (uses):			
Transfers in	371,000	410,917	39,917
Transfers out	(215,848)	(215,773)	75
Proceeds from sale of capital assets	30,000	57,810	27,810
Total other financing sources (uses)	<u>185,152</u>	<u>252,954</u>	<u>67,802</u>
Net change in fund balance	<u>\$ (2,303,484)</u>	<u>\$ (735,010)</u>	<u>\$ 1,568,474</u>

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

Emergency Medical Transportation Fund
For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ -	\$ -
Fines and forfeitures	957,202	809,685	(147,517)
Miscellaneous	-	541,246	541,246
Total revenues	<u>957,202</u>	<u>1,350,931</u>	<u>393,729</u>
Expenditures:			
Current:			
Fire medical rescue	2,042,350	1,699,932	342,418
Contingency	139,837	-	139,837
Total expenditures	<u>2,182,187</u>	<u>1,699,932</u>	<u>482,255</u>
Deficiency of revenues over expenditures	(1,224,985)	(349,001)	875,984
Other financing sources:			
Transfers in	-	210,414	210,414
Gain (loss) on transfer of assets	-	379,140	379,140
Total other financing sources	<u>-</u>	<u>589,554</u>	<u>589,554</u>
Net change in fund balance	<u>\$ (1,224,985)</u>	<u>\$ 240,553</u>	<u>\$ 1,465,538</u>

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

Golf Fund

For the Fiscal Year Ended June 30, 2018

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ -	\$ -
Charges for services	2,935,588	2,387,362	(548,226)
Miscellaneous	-	577	577
Total revenues	<u>2,935,588</u>	<u>2,387,939</u>	<u>(547,649)</u>
Expenditures:			
Current:			
Public works	3,260,761	3,111,616	149,145
Total expenditures	<u>3,260,761</u>	<u>3,111,616</u>	<u>149,145</u>
Deficiency of revenues over expenditures	(325,173)	(723,677)	(398,504)
Other financing sources:			
Transfers in	74,000	74,000	-
Proceeds from sale of capital assets	-	16,361	16,361
Total other financing sources	<u>74,000</u>	<u>90,361</u>	<u>16,361</u>
Net change in fund balance	<u>\$ (251,173)</u>	<u>\$ (633,316)</u>	<u>\$ (382,143)</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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Governmental activities										
Net investment in capital assets	\$ 483,438,668	\$ 519,530,983	\$ 564,120,959	\$ 519,040,090	\$ 537,940,057	\$ 548,739,169	\$ 560,427,507	\$ 571,925,061	\$ 562,958,494	\$ 574,872,877
Restricted (a)	102,808,694	117,866,229	102,095,778	141,565,366	148,338,902	119,845,935	124,800,334	114,643,888	142,947,736	181,241,102
Unrestricted	12,067,796	(22,136,687)	(26,820,571)	(18,763,531)	236,990,748	253,302,947	248,936,397	259,250,692	241,371,774	237,470,312
Total governmental activities net position	<u>\$ 598,315,158</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>\$ 934,164,237</u>	<u>\$ 945,819,641</u>	<u>\$ 947,278,004</u>	<u>\$ 993,584,291</u>
Business-type activities										
Net investment in capital assets	\$ 111,354,858	\$ 104,387,674	\$ 69,467,178	\$ 142,208,059	\$ 137,971,614	\$ 149,782,240	\$ 162,774,388	\$ 175,625,967	\$ 144,245,429	\$ 151,096,394
Unrestricted	154,458,327	151,904,179	170,405,834	90,577,933	118,726,035	105,207,407	92,951,764	73,018,010	102,511,794	100,251,937
Total business-type activities net position	<u>\$ 265,813,185</u>	<u>\$ 256,291,853</u>	<u>\$ 239,873,012</u>	<u>\$ 232,785,992</u>	<u>\$ 256,697,649</u>	<u>\$ 254,989,647</u>	<u>\$ 255,726,152</u>	<u>\$ 248,643,977</u>	<u>\$ 246,757,223</u>	<u>\$ 251,348,331</u>
Primary government										
Net investment in capital assets	\$ 594,793,526	\$ 623,918,657	\$ 633,588,137	\$ 661,248,149	\$ 675,911,671	\$ 698,521,409	\$ 723,201,895	\$ 747,551,028	\$ 707,203,923	\$ 725,969,271
Restricted (a)	102,808,694	117,866,229	102,095,778	141,565,367	148,338,902	119,845,935	124,800,334	114,643,888	142,947,736	181,241,102
Unrestricted	166,526,123	129,767,492	143,585,263	71,814,402	355,716,783	358,510,354	341,888,161	332,268,702	343,883,568	337,722,249
Total primary government net position	<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>\$ 1,189,890,389</u>	<u>\$ 1,194,463,618</u>	<u>\$ 1,194,035,227</u>	<u>\$ 1,244,932,622</u>

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

Changes in Net Position (Exhibit S-2a)

Last Ten Fiscal Years

Accrual Basis of Accounting

	<i>City of Tempe, Arizona</i>									
	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
Police	\$ 107,357,688	\$ 111,570,351	\$ 93,057,663	\$ 92,214,451	\$ 78,658,426	\$ 76,585,163	\$ 76,799,591	\$ 72,492,475	\$ 78,283,021	\$ 86,126,079
Fire medical rescue	42,150,580	48,345,996	34,319,479	32,914,994	31,103,237	32,594,512	28,156,863	27,499,884	30,542,829	30,850,700
Community services	29,739,525	27,956,647	27,402,656	29,239,583	29,363,339	28,592,571	31,069,618	27,031,973	21,891,886	30,402,447
Public works	102,940,790	103,728,249	112,589,913	107,411,254	102,892,245	103,586,986	98,915,390	94,687,386	115,283,119	101,674,714
Community development	17,270,124	16,521,932	18,372,515	18,832,177	30,234,017	26,757,509	25,113,273	30,778,689	23,494,471	20,445,243
Human services(h)	22,505,753	17,777,825	17,430,250	13,374,117	-	-	-	-	-	-
Municipal court	5,007,487	4,909,370	4,354,299	4,028,068	4,288,787	3,900,928	3,934,716	4,179,694	5,245,105	5,496,374
Mayor and council	405,716	473,324	337,046	330,042	408,196	223,472	356,468	316,531	387,723	418,851
City manager	7,045,025	6,815,022	7,371,101	7,045,783	477,964	615,451	78,458	556,354	369,153	265,531
City attorney	3,283,818	3,160,056	2,961,497	3,712,245	2,844,965	2,963,058	2,854,168	2,659,312	3,101,845	2,933,734
Internal audit office	476,584	376,249	425,674	433,339	392,629	393,471	338,059	477,080	427,828	484,460
Municipal budget office (h)	288,182	261,313	259,133	415,774	-	-	-	-	-	-
Office of strategic management and diversity (i)	981,169	1,055,075	-	-	-	-	-	-	-	-
City clerk and elections	979,356	815,016	868,596	751,331	844,934	481,374	910,616	403,792	739,884	684,875
Internal services	16,749,283	18,821,669	8,252,013	6,403,407	-	-	-	-	-	-
Parks and recreation (a)	-	-	-	-	-	-	-	-	21,238,479	20,431,433
Community relations	-	-	-	-	6,416,085	7,039,462	7,456,756	4,463,790	4,210,261	3,137,349
Diversity program (h)	-	-	-	-	463,969	449,428	476,011	447,287	531,651	583,563
Tempe learning center (d)(f)	-	-	-	-	-	354,866	462,817	467,763	-	-
Economic development (g)	-	-	-	-	326,433	-	-	-	-	-
Development services (b)	-	-	-	-	-	-	-	-	7,107,213	6,338,984
Finance and technology (c)(h)	-	-	-	-	4,128,800	4,063,048	5,325,401	8,321,853	-	-
Financial services (c)	-	-	-	-	-	-	-	-	3,923,486	4,458,557
Human resources (h)	-	-	-	-	3,214,557	2,036,621	2,102,617	2,037,261	3,443,660	3,157,288
Information technology(c)	-	-	-	-	-	-	-	-	2,149,363	1,817,517
Non-departmental	-	-	-	-	-	-	-	-	2,383,904	1,297,669
Unallocated depreciation	1,716,725	1,777,887	1,785,487	1,955,520	1,331,649	3,662,321	2,301,194	5,733,128	-	-
Interest on long-term debt	11,817,213	9,847,278	12,924,841	12,882,924	17,153,207	14,347,644	14,894,293	18,453,487	16,185,139	16,247,598
Total governmental activities expenses	370,715,018	374,213,259	342,712,163	331,945,009	314,543,439	308,647,885	301,546,309	301,007,739	340,940,020	337,252,966
Business-type activities:										
Water and wastewater	76,903,243	70,364,126	75,515,527	73,548,319	73,208,373	72,352,330	72,156,412	67,505,481	73,045,936	64,720,725
Solid waste	17,494,354	15,918,430	14,881,636	15,868,498	15,379,174	14,758,133	14,626,578	13,784,106	13,730,227	14,499,308
Emergency medical transportation	1,776,367	-	-	-	-	-	-	-	-	-
Golf course	2,802,184	2,520,474	2,734,351	2,685,634	2,799,922	2,724,422	2,658,416	2,011,316	2,269,182	2,324,208
Cemetery (e)	-	-	-	-	-	-	129,849	176,553	312,525	218,447
Total business-type activities expenses	98,976,148	88,803,030	93,131,514	92,102,451	91,387,469	89,834,885	89,571,255	83,477,456	89,357,870	81,762,688
Total primary government expenses	\$ 469,691,166	\$ 463,016,289	\$ 435,843,677	\$ 424,047,460	\$ 405,930,908	\$ 398,482,770	\$ 391,117,564	\$ 384,485,195	\$ 430,297,890	\$ 419,015,654

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

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

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

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

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

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

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

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

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

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

Changes in Net Position (Exhibit S-2b)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Program Revenues										
Governmental activities:										
Charges for services:										
Police	\$ 977,914	\$ 1,021,670	\$ 1,444,986	\$ 1,712,306	\$ 1,320,177	\$ 1,506,807	\$ 1,649,775	\$ 1,657,335	\$ 1,052,723	\$ 1,201,962
Fire medical rescue	858,577	1,869,840	1,536,642	334,158	268,938	153,903	1,642,702	2,107,133	912,000	314,969
Community services	8,323,732	8,283,698	7,812,755	7,589,603	7,445,319	6,988,375	7,101,043	6,453,226	6,173,870	7,122,650
Public works	16,011,590	16,585,374	17,740,856	19,786,216	19,681,176	18,536,983	18,136,860	19,582,397	19,596,611	20,461,847
Community development	15,684,471	13,250,819	12,665,828	13,065,445	12,035,033	6,815,190	7,088,168	4,484,572	1,938,184	592,236
Human services (d)	9,501	7,820	13,926	80,237	-	-	-	-	-	-
Municipal court	3,559,861	5,852,849	6,372,719	8,302,032	6,747,891	6,426,389	7,826,823	8,413,798	5,868,369	8,912,739
City manager	-	7,597	-	-	-	-	-	-	-	-
City attorney	19,361	16,940	14,174	-	-	13,310	-	8,682	-	-
City clerk and elections	3,140	-	-	-	-	-	-	-	-	-
Internal services	3,000,921	1,797,928	2,186,635	2,212,402	-	-	-	-	-	-
Parks and recreation (a)	-	-	-	-	-	-	-	-	126,455	9,348
Community relations	-	-	-	-	-	-	-	-	-	24,070
Development services	-	-	-	-	-	-	-	-	3,710,512	5,090,280
Finance and technology (b)	-	-	-	-	2,224,489	2,140,898	2,623,338	2,624,190	-	-
Financial services (b)	-	-	-	-	-	-	-	-	1,997,614	1,781,809
Non-departmental	-	-	-	-	-	-	-	-	-	130,492
Operating grants and contributions	30,237,598	27,582,362	26,831,238	19,784,859	24,668,792	27,287,325	22,450,002	22,131,520	18,222,849	16,052,299
Capital grants and contributions	4,094,624	6,355,742	8,091,341	7,258,243	5,933,017	6,551,849	15,961,785	24,708,317	38,709,299	35,955,254
Total governmental activities program revenues	82,781,290	82,632,639	84,711,100	80,125,501	80,324,832	76,421,029	84,480,496	92,171,170	98,308,486	97,649,955
Business-type activities:										
Charges for services:										
Water and wastewater	87,807,953	86,273,324	81,265,973	78,043,384	80,989,551	74,979,069	73,392,328	70,094,034	62,511,102	55,504,216
Solid waste	16,706,706	16,274,287	15,319,833	14,216,743	14,400,476	14,341,827	14,866,281	15,326,780	15,242,801	15,130,988
Emergency medical transportation (e)	2,280,247	-	-	-	-	-	-	-	-	-
Golf course	2,387,362	2,322,777	2,575,908	2,755,966	2,661,519	2,480,815	2,344,355	1,562,489	1,574,081	1,813,578
Cemetery (c)	-	-	-	-	-	-	144,242	110,196	116,643	98,356
Capital grants and contributions	-	-	-	-	-	-	1,988,550	1,691,429	4,765,839	59,867
Total business-type activities program revenues	109,182,268	104,870,388	99,161,714	95,016,093	98,051,546	91,801,711	92,735,756	88,784,928	84,210,466	72,607,005
Total primary government program revenues	\$ 191,963,558	\$ 187,503,027	\$ 183,872,814	\$ 175,141,594	\$ 178,376,378	\$ 168,222,740	\$ 177,216,252	\$ 180,956,098	\$ 182,518,952	\$ 170,256,960
Net (expense)/revenue										
Governmental activities	\$ (287,933,728)	\$ (291,580,620)	\$ (258,001,063)	\$ (251,819,508)	\$ (234,218,607)	\$ (232,226,856)	\$ (217,065,813)	\$ (208,836,569)	\$ (242,631,534)	\$ (239,603,011)
Business-type activities	10,206,120	16,067,358	6,030,200	2,913,642	6,664,077	1,966,826	3,164,501	5,307,472	(5,147,404)	(9,155,683)
Total primary government net expense	\$ (277,727,608)	\$ (275,513,262)	\$ (251,970,863)	\$ (248,905,866)	\$ (227,554,530)	\$ (230,260,030)	\$ (213,901,312)	\$ (203,529,097)	\$ (247,778,938)	\$ (248,758,694)

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

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

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

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

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

Changes in Net Position (Exhibit S-2c)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010 (a)	Fiscal Year 2009
General revenues and other changes in net position										
Governmental activities:										
General revenues:										
Sales taxes	\$ 168,650,143	\$ 160,218,570	\$ 152,492,065	\$ 147,787,315	\$ 147,815,825	\$ 149,078,044	\$ 142,985,910	\$ 141,844,739	\$ 125,186,698	\$ 134,382,181
State shared income taxes, unrestricted (b)	-	-	-	-	32,102,103	16,519,248	13,649,203	16,137,383	21,406,004	24,832,128
Intergovernmental revenue, unrestricted (b)	63,353,523	44,671,765	41,472,528	40,571,933	-	-	-	-	-	-
Property taxes	47,495,555	45,308,519	43,316,151	41,457,646	40,074,441	38,644,241	35,899,010	35,501,233	37,183,541	35,891,803
Franchise taxes	3,290,220	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125	3,821,436	3,559,615	3,976,956
Auto-licu taxes (b)	-	-	-	-	6,053,172	5,165,072	5,437,201	5,424,902	5,560,791	6,024,595
Unrestricted investment earnings	1,489,603	662,115	1,683,445	889,594	725,099	278,102	822,900	1,229,447	97,660	7,410,643
Miscellaneous	5,506,328	5,435,113	7,419,129	5,042,875	4,114,557	2,987,769	3,199,954	2,991,971	3,429,435	4,348,126
Gain on sale of capital assets	1,667,264	7,538,846	5,298,681	2,170,917	657,224	261,764	496,911	133,677	17,160	1,491,079
Transfers	(1,454,082)	427,858	509,690	479,071	746,902	3,763,255	(508,805)	293,418	(115,657)	615,463
Total governmental activities	<u>289,998,554</u>	<u>267,444,979</u>	<u>255,555,304</u>	<u>241,332,590</u>	<u>235,600,263</u>	<u>219,950,670</u>	<u>205,410,409</u>	<u>207,378,206</u>	<u>196,325,247</u>	<u>218,972,974</u>
Business-type activities:										
Unrestricted investment earnings	697,388	351,831	841,726	488,477	436,821	115,362	335,297	459,759	10,698	1,940,956
Miscellaneous	651,500	299,116	152,428	142,914	1,643,570	923,413	3,032,990	1,976,132	332,955	262,728
Gain (loss) on sale of capital assets	33,015	128,394	572,356	247,296	52,947	21,149	40,582	(5,563,191)	96,986	231,811
Transfers	(25,122)	(427,858)	(509,690)	(479,071)	(746,902)	(3,763,255)	508,805	(293,418)	115,657	(615,463)
Total business-type activities	<u>1,356,781</u>	<u>351,483</u>	<u>1,056,820</u>	<u>399,616</u>	<u>1,386,436</u>	<u>(2,703,331)</u>	<u>3,917,674</u>	<u>(3,420,718)</u>	<u>556,296</u>	<u>1,820,032</u>
Total primary government	<u>\$ 291,355,335</u>	<u>\$ 267,796,462</u>	<u>\$ 256,612,124</u>	<u>\$ 241,732,206</u>	<u>\$ 236,986,699</u>	<u>\$ 217,247,339</u>	<u>\$ 209,328,083</u>	<u>\$ 203,957,488</u>	<u>\$ 196,881,543</u>	<u>\$ 220,793,006</u>
Changes in net position										
Governmental activities	\$ 2,064,826	\$ (24,135,641)	\$ (2,445,759)	\$ (10,486,918)	\$ 1,381,656	\$ (12,276,186)	\$ (11,655,404)	\$ (1,458,363)	\$ (46,306,287)	\$ (20,630,037)
Business-type activities	11,562,901	16,418,841	7,087,020	3,313,258	8,050,513	(736,505)	7,082,175	1,886,754	(4,591,108)	(7,335,651)
Total primary government	<u>\$ 13,627,727</u>	<u>\$ (7,716,800)</u>	<u>\$ 4,641,261</u>	<u>\$ (7,173,660)</u>	<u>\$ 9,432,169</u>	<u>\$ (13,012,691)</u>	<u>\$ (4,573,229)</u>	<u>\$ 428,391</u>	<u>\$ (50,897,395)</u>	<u>\$ (27,965,688)</u>

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

(b) In Fiscal Year 2015, *State shared income taxes, unrestricted* and *Auto-licu 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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011 (b)	Fiscal Year 2010	Fiscal Year 2009
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981,529	\$ 1,322,728
Unreserved	-	-	-	-	-	-	-	-	42,832,205	75,647,216
Nonspendable	711,092	638,685	782,276	346,364	653,365	643,980	634,526	650,506	-	-
Restricted	154,667	100,000	100,000	-	-	-	-	-	-	-
Committed	-	475,531	147,036	520,770	338,193	-	-	-	-	-
Assigned	15,336,906	14,762,667	10,291,768	8,800,833	9,884,517	8,127,268	9,967,268	13,783,790	-	-
Unassigned	93,995,709	80,099,820	78,629,198	73,879,480	63,878,841	52,658,705	50,954,570	39,604,103	-	-
Total general fund	<u>\$ 110,198,374</u>	<u>\$ 96,076,703</u>	<u>\$ 89,950,278</u>	<u>\$ 83,547,447</u>	<u>\$ 74,754,916</u>	<u>\$ 61,429,953</u>	<u>\$ 61,556,364</u>	<u>\$ 54,038,399</u>	<u>\$ 43,813,734</u>	<u>\$ 76,969,944</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,324,494	\$ 59,067,648
Unreserved, reported in:										
Debt service funds (a)	-	-	-	-	-	-	-	-	-	(45,374)
Special revenues funds	-	-	-	-	-	-	-	-	32,742,748	23,220,030
Capital projects funds	-	-	-	-	-	-	-	-	63,078,330	71,685,317
Nonspendable	1,553,045	1,623,799	1,594,761	1,952,950	1,947,082	1,733,749	1,765,739	1,826,335	-	-
Restricted	80,434,422	88,581,119	82,863,821	80,049,732	77,724,151	75,566,724	76,139,830	75,275,738	-	-
Committed	39,232,880	26,744,884	20,404,290	21,925,153	14,295,999	19,054,131	67,195,597	75,446,158	-	-
Assigned	11,261,680	15,774,827	15,186,266	15,935,817	15,326,386	14,817,549	11,707,666	10,614,331	-	-
Unassigned (b)	(296,755)	-	(2,856,351)	(2,922,001)	(673,217)	(571,299)	(1,733,419)	(1,097,095)	-	-
Total all other governmental funds	<u>\$ 132,185,272</u>	<u>\$ 132,724,629</u>	<u>\$ 117,192,787</u>	<u>\$ 116,941,651</u>	<u>\$ 108,620,401</u>	<u>\$ 110,600,854</u>	<u>\$ 155,075,412</u>	<u>\$ 162,065,467</u>	<u>\$ 165,145,572</u>	<u>\$ 153,927,621</u>

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

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

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Revenues:										
Taxes	\$ 207,580,582	\$ 197,341,071	\$ 188,672,865	\$ 182,323,977	\$ 182,032,821	\$ 168,974,511	\$ 162,157,488	\$ 158,749,333	\$ 145,038,639	\$ 150,848,798
Intergovernmental	90,577,368	89,383,867	85,856,572	78,988,805	74,692,323	76,651,736	72,701,235	87,180,913	111,505,248	143,357,538
Investment earnings	1,489,603	662,115	1,683,445	889,594	725,099	278,102	822,900	1,229,966	97,660	6,393,595
Charges for services	30,445,583	30,134,108	31,752,038	33,520,741	33,268,236	30,183,216	29,451,269	28,981,943	26,142,181	28,655,422
Fines and forfeitures	7,670,630	8,982,209	9,357,450	9,986,226	8,909,849	8,537,078	8,198,638	8,235,437	11,082,812	11,516,359
Other entities' participation	5,972,968	1,916,336	1,751,971	1,093,272	174,954	196,106	3,542,185	622,543	328,147	1,600,100
Special assessments	2,027,722	2,173,798	2,439,086	3,862,306	3,605,932	4,442,862	2,526,283	3,867,979	2,783,916	2,860,571
Licenses and permits	8,330,276	5,446,638	6,308,241	6,828,905	6,638,496	3,856,216	3,814,753	2,969,580	3,395,257	73,659,355
Miscellaneous	8,502,999	8,761,291	9,867,156	8,197,929	6,707,484	4,908,914	7,021,832	7,209,565	5,968,065	6,168,789
Total revenues	362,597,731	344,801,433	337,688,824	325,691,755	316,755,194	298,028,741	290,236,583	299,047,259	306,341,925	355,388,527
Expenditures:										
Police	87,341,647	82,429,673	81,154,550	78,102,044	75,135,489	72,709,534	67,325,484	65,289,995	74,747,734	77,046,317
Fire medical rescue	33,159,702	31,383,875	30,724,706	26,802,154	28,887,609	28,056,149	25,871,390	25,639,288	27,134,920	28,330,453
Community services	25,507,377	23,770,512	22,516,873	22,240,413	25,579,134	24,551,075	23,473,722	22,010,148	18,254,109	26,158,843
Public works	72,517,143	70,604,468	73,771,025	72,414,122	72,739,804	70,784,480	66,845,601	67,998,367	72,253,980	73,659,648
Community development	16,408,645	15,336,696	16,321,778	17,432,661	29,460,993	25,253,707	23,572,565	22,946,249	19,343,140	19,515,673
Human services (f)	20,428,462	17,589,585	17,388,871	13,471,552	-	-	-	-	-	-
Municipal court	5,158,342	4,886,110	4,262,778	4,058,927	4,325,838	3,830,508	3,874,634	4,051,517	5,267,930	5,525,601
Mayor and council	403,658	417,734	342,645	345,501	368,846	244,837	440,161	318,282	388,486	386,483
City manager	7,182,164	6,800,149	7,292,703	6,583,633	590,201	617,384	101,885	521,642	330,992	347,556
City attorney	3,261,843	3,098,124	2,920,857	3,790,479	2,912,507	3,037,216	2,648,388	2,564,283	3,117,084	2,914,014
Internal audit office	490,396	408,867	403,108	432,384	426,006	388,263	393,958	379,752	514,069	506,621
Municipal budget office (f)	294,404	262,696	236,768	323,676	-	-	-	-	-	-
Office of strategic management and diversity (g)	987,828	932,200	-	-	-	-	-	-	-	-
City clerk and elections	995,339	752,876	850,235	751,978	885,350	511,960	899,917	395,778	799,975	633,640
Internal services	16,263,826	16,334,235	7,433,821	7,232,975	-	-	-	-	-	-
Parks and recreation (a)	-	-	-	-	-	-	-	-	-	16,880,739
Community relations (f)	-	-	-	-	6,562,909	7,088,482	7,180,324	4,332,418	4,217,031	3,095,259
Diversity program (f)	-	-	-	-	451,293	441,212	457,292	427,103	520,731	555,034
Economic development (e)(f)	-	-	-	-	396,577	-	-	-	-	-
Tempe learning center (d)	-	-	-	-	-	418,396	415,447	445,556	-	-
Development services (b)	-	-	-	-	-	-	-	-	7,056,690	6,376,874
Finance and technology (f)	-	-	-	-	4,558,042	3,760,937	3,572,392	6,620,247	-	-
Financial services (c)	-	-	-	-	-	-	-	-	3,842,927	4,211,080
Human resources (f)	-	-	-	-	3,066,799	2,045,707	2,087,079	1,945,518	3,405,582	3,127,479
Non-departmental	-	-	-	-	-	-	-	-	-	395,648
Debt service:										
Principal	31,730,000	39,547,000	29,686,000	41,065,000	26,105,000	122,595,000	25,756,000	26,062,231	22,212,157	19,656,531
Interest	11,326,484	11,688,331	13,356,740	13,619,726	13,853,239	14,442,661	13,853,998	17,728,802	15,489,383	15,839,389
Fiscal fees	331,593	569,367	437,027	544,868	231,060	872,574	1,640,155	1,260,876	1,166,712	1,314,011
Capital outlay	32,418,674	30,298,582	45,373,210	49,626,981	24,192,621	20,874,698	29,512,675	35,348,520	58,406,594	106,066,458
Total expenditures	366,207,527	357,111,080	354,473,695	358,839,074	320,729,317	402,524,780	299,923,067	306,286,572	355,350,965	413,246,473
Deficiency of revenues over expenditures before other financing sources (uses)	(3,609,796)	(12,309,647)	(16,784,871)	(33,147,319)	(3,974,123)	(104,496,039)	(9,686,484)	(7,239,313)	(49,009,040)	(57,857,946)

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

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

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

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

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

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

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

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Other financing sources (uses):										
Transfers in	42,297,460	27,870,785	30,410,514	26,437,046	22,217,580	67,438,620	18,104,564	16,912,259	59,305,503	64,230,445
Transfers out	(43,372,403)	(27,442,927)	(29,900,824)	(25,957,975)	(21,470,678)	(68,806,307)	(18,613,369)	(16,618,841)	(59,421,161)	(63,614,982)
Issuance of debt	25,025,000	12,290,000	13,630,000	43,965,000	11,650,000	13,675,000	7,005,000	13,146,000	26,040,000	45,980,000
Premium on issuance of debt	4,083,395	1,754,028	5,413,632	1,269,813	880,967	6,392,968	6,668,536	2,401,827	755,553	807,728
Capital lease proceeds	87,798	-	-	111,827	-	-	-	110,617	27,986	-
Proceeds from sale of capital assets	1,685,856	4,483,481	5,350,923	2,189,572	663,658	270,346	534,963	328,593	362,900	9,577,814
Issuance of refunding bonds	-	34,095,000	34,422,798	6,780,000	5,645,000	53,910,000	45,181,900	26,040,000	-	-
Payment to refunded/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)	(27,936,582)	-	-
Total other financing sources	<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>	<u>14,383,873</u>	<u>27,070,781</u>	<u>56,981,005</u>
Net change in fund balances	<u>\$ 13,582,314</u>	<u>\$ 21,658,267</u>	<u>\$ 6,653,968</u>	<u>\$ 17,113,780</u>	<u>\$ 11,344,510</u>	<u>\$ (44,600,970)</u>	<u>\$ 527,911</u>	<u>\$ 14,383,873</u>	<u>\$ (21,938,259)</u>	<u>\$ (876,941)</u>
Debt service as a percentage of noncapital expenditures	12.8%	15.5%	13.8%	17.6%	13.4%	35.7% (a)	14.5%	16.0%	12.5%	11.4%

(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
2009	\$ 3,050,222,000	\$ 1,203,889,000	\$ 590,556,000	\$ 504,611,000	\$ 631,556,000	\$ 123,611,000	\$ 87,778,000	\$ 88,167,000	\$ 6,280,390,000	1.80 %
2010	2,976,389,000	1,136,889,000	536,611,000	472,667,000	400,000,000	110,944,000	96,167,000	66,056,000	5,795,723,000	1.80
2011	3,117,950,000	1,133,200,000	515,000,000	479,150,000	298,450,000	112,600,000	89,850,000	68,550,000	5,814,750,000	2.00
2012	3,248,736,000	1,175,200,000	522,095,000	514,519,000	341,542,000	123,981,000	87,663,000	66,141,000	6,079,877,000	2.00
2013	3,387,223,000	1,200,932,000	533,915,000	524,813,000	340,870,000	123,629,000	78,580,000	80,020,000	6,269,982,000	2.00
2014	3,566,605,000	1,197,308,000	557,844,000	574,888,000	404,398,000	135,525,000	82,928,000	71,660,000	6,591,156,000	2.00
2015	3,898,027,000	1,277,164,000	583,788,000	628,169,000	701,314,000	159,255,000	82,680,000	74,754,000	7,405,151,000	1.80
2016	4,057,021,000	1,342,058,000	548,882,000	656,237,000	653,818,000	166,167,000	89,261,000	75,989,000	7,589,433,000	1.80
2017	4,323,045,000	1,391,183,000	539,476,000	679,897,000	654,944,000	184,412,000	96,055,000	75,694,000	7,944,706,000	1.80
2018	4,527,666,000	1,526,503,000	552,373,000	705,920,000	662,203,000	209,961,000	89,259,000	59,140,000	8,333,025,000	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2009	48.57 %	19.17 %	9.40 %	8.03 %	10.06 %	1.97 %	1.40 %	1.40 %	100 %
2010	51.35	19.62	9.26	8.16	6.90	1.91	1.66	1.14	100
2011	53.62	19.49	8.86	8.24	5.13	1.94	1.55	1.17	100
2012	53.43	19.33	8.59	8.46	5.60	2.04	1.44	1.11	100
2013	54.04	19.15	8.52	8.37	5.40	1.97	1.25	1.30	100
2014	54.11	18.17	8.46	8.72	6.14	2.06	1.26	1.08	100
2015	52.64	17.25	7.88	8.48	9.47	2.15	1.12	1.01	100
2016	53.46	17.68	7.23	8.65	8.61	2.19	1.18	1.00	100
2017	54.42	17.51	6.79	8.56	8.24	2.32	1.21	0.95	100
2018	54.33	18.32	6.63	8.47	7.95	2.52	1.07	0.71	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.

2018: Data was restated for 2015, 2016 & 2017 due to a calculation error. The sales tax rate was not reduced on the worksheet, from 2.0 to 1.8, once the temporary tax expired.

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

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
2009	1.80 %	0.70 %	5.60 %	8.10 %
2010 (a)	1.80	0.70	6.60	9.10
2011 (b)	2.00	0.70	6.60	9.30
2012	2.00	0.70	6.60	9.30
2013 (c)	2.00	0.70	5.60	8.30
2014	2.00	0.70	5.60	8.30
2015 (d)	1.80	0.70	5.60	8.10
2016	1.80	0.70	5.60	8.10
2017	1.80	0.70	5.60	8.10
2018	1.80	0.70	5.60	8.10

Source: City of Tempe, Arizona Tax and License Division

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

General Property Tax Information (Exhibit S-7)

City of Tempe, Arizona

Tax Levy Limitations

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

Assessments and Collections

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

Taxes Due

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

Taxes Payable

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

Taxes Delinquent

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

Tax Sale

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

Tax Deed

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

Redemption

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

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

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

City of Tempe, Arizona

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

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

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

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

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

Last Ten Fiscal Years

Rate per \$100 of Assessed Value

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdiction									Total
		City of Tempe (a)	Tempe Union	Tempe Elementary (b)	East Valley Institute of Technology	Maricopa County	Community College	County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District		
2009	Primary	\$ 0.51	\$ 1.76	\$ 2.43	\$ -	\$ 1.03	\$ 0.78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.51
	Secondary	0.89	0.52	1.08	0.05	-	0.16	-	0.14	0.10	0.01	0.04	0.09	3.08	
	Total	1.40	2.28	3.51	0.05	1.03	0.94	-	0.14	0.10	0.01	0.04	0.09	9.59	
2010	Primary	0.49	1.48	2.14	-	0.99	0.72	0.33	-	-	-	-	-	6.15	
	Secondary	0.91	0.74	1.14	0.05	-	0.16	-	0.14	0.10	0.01	0.04	0.09	3.38	
	Total	1.40	2.22	3.28	0.05	0.99	0.88	-	0.14	0.10	0.01	0.04	0.09	9.53	
2011	Primary	0.52	1.47	2.31	-	1.05	0.79	0.36	-	-	-	-	-	6.50	
	Secondary	0.88	0.83	1.29	0.05	-	0.18	-	0.15	0.10	0.01	0.04	0.11	3.64	
	Total	1.40	2.30	3.60	0.05	1.05	0.97	0.36	0.15	0.10	0.01	0.04	0.11	10.14	
2012	Primary	0.66	1.61	2.65	-	1.24	1.01	0.43	-	-	-	-	-	7.60	
	Secondary	1.13	0.96	1.34	0.05	-	0.20	-	0.18	0.10	0.01	0.05	0.15	4.17	
	Total	1.79	2.57	3.99	0.05	1.24	1.21	0.43	0.18	0.10	0.01	0.05	0.15	11.77	
2013	Primary	0.79	1.81	3.18	-	1.24	1.16	0.47	-	-	-	-	-	8.65	
	Secondary	1.35	0.61	2.39	0.05	-	0.22	-	0.18	0.10	0.01	0.05	0.17	5.13	
	Total	2.14	2.42	5.57	0.05	1.24	1.38	0.47	0.18	0.10	0.01	0.05	0.17	13.78	
2014	Primary	0.92	2.01	3.22	-	1.28	1.29	0.51	-	-	-	-	-	9.23	
	Secondary	1.57	0.64	2.94	0.05	-	0.24	-	0.14	0.14	0.01	0.04	0.19	5.96	
	Total	2.49	2.65	6.16	0.05	1.28	1.53	0.51	0.14	0.14	0.01	0.04	0.19	15.19	
2015	Primary	0.92	2.43	3.30	-	1.32	1.28	0.51	-	-	-	-	-	9.76	
	Secondary	1.51	0.63	2.45	0.05	-	0.24	-	0.14	0.14	0.01	0.06	0.19	5.42	
	Total	2.43	3.06	5.75	0.05	1.32	1.52	0.51	0.14	0.14	0.01	0.06	0.19	15.18	
2016	Primary	0.93	2.22	3.22	-	1.36	1.26	0.51	-	-	-	-	-	9.50	
	Secondary	1.59	0.66	2.25	0.05	-	0.23	-	0.16	0.14	0.01	0.06	0.19	5.34	
	Total	2.52	2.88	5.47	0.05	1.36	1.49	0.51	0.16	0.14	0.01	0.06	0.19	14.84	
2017	Primary	0.94	2.24	3.09	-	1.40	1.24	0.50	-	-	-	-	-	9.41	
	Secondary	1.59	0.66	2.20	0.05	-	0.23	-	0.18	0.14	0.01	0.06	0.20	5.32	
	Total	2.53	2.90	5.29	0.05	1.40	1.47	0.50	0.18	0.14	0.01	0.06	0.20	14.73	
2018	Primary	0.92	2.06	2.96	-	1.40	1.20	0.49	-	-	-	-	-	9.03	
	Secondary	1.57	0.60	2.09	0.05	-	0.21	-	0.18	0.14	0.01	0.06	0.29	5.20	
	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	

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

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

(b) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$13.05, \$12.82 or \$16.41, respectively. Also, see the *Direct and Overlapping Governmental Activities Debt- Property Tax Supported* Schedule (Exhibit S-17).

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

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdictions								Total
		City of Tempe	Tempe Union	Tempe Elementary (a)	East Valley Institute of Technology	Maricopa County	Community College	Flood District	County Ed Equalization Rate	Central Arizona Project	Fire District Assistance	County Library District	Special Health Care District	
2009	Primary	\$ 10,976,100	\$ 71,503,299	\$ 42,985,150	\$ -	\$ 463,492,311	\$ 347,905,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 936,862,030
	Secondary	23,726,547	26,355,087	23,151,705	12,032,028	-	95,293,956	74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	387,159,068
	Total	34,702,647	97,858,386	66,136,855	12,032,028	463,492,311	443,199,126	74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	1,324,021,098
2010	Primary	11,665,890	65,733,950	41,787,151	-	492,230,736	359,942,153	-	164,225,937	-	-	-	-	1,135,585,817
	Secondary	25,192,451	39,195,990	25,976,662	12,586,167	-	92,685,846	74,996,804	-	58,113,465	3,324,489	20,468,370	53,018,363	405,558,607
	Total	36,858,341	104,929,940	67,763,813	12,586,167	492,230,736	452,627,999	74,996,804	-	58,113,465	3,324,489	20,468,370	53,018,363	1,541,144,424
2011	Primary	12,238,972	64,028,512	44,984,350	-	492,224,342	371,276,183	-	166,947,807	-	-	-	-	1,151,700,166
	Secondary	22,174,672	38,435,006	26,867,644	10,970,238	-	89,482,591	68,019,592	-	49,581,306	3,265,310	20,479,676	55,722,300	384,998,335
	Total	34,413,644	102,463,518	71,851,994	10,970,238	492,224,342	460,758,774	68,019,592	166,947,807	49,581,306	3,265,310	20,479,676	55,722,300	1,536,698,501
2012	Primary	12,751,029	58,076,820	41,459,414	-	477,571,468	389,655,514	-	163,937,848	-	-	-	-	1,143,452,093
	Secondary	22,100,197	34,886,097	21,157,373	8,672,478	-	75,935,239	62,401,172	-	38,781,832	3,251,752	19,070,066	57,895,470	344,151,676
	Total	34,851,226	92,962,917	62,616,787	8,672,478	477,571,468	465,590,753	62,401,172	163,937,848	38,781,832	3,251,752	19,070,066	57,895,470	1,487,603,769
2013	Primary	13,271,172	56,711,827	42,911,003	-	425,111,491	396,192,808	-	161,622,544	-	-	-	-	1,095,820,845
	Secondary	23,000,956	19,078,254	32,431,353	7,428,442	-	76,200,590	54,584,578	-	34,465,535	3,782,401	16,925,024	57,895,470	325,792,603
	Total	36,272,128	75,790,081	75,342,356	7,428,442	425,111,491	472,393,398	54,584,578	161,622,544	34,465,535	3,782,401	16,925,024	57,895,470	1,421,613,448
2014	Primary	13,778,678	56,857,111	38,477,473	-	409,775,397	412,623,059	-	163,916,558	-	-	-	-	1,095,428,276
	Secondary	23,766,365	18,307,254	35,425,302	7,214,753	-	78,752,950	39,842,985	-	45,136,223	3,913,249	14,116,305	62,499,144	328,974,530
	Total	37,545,043	75,164,365	73,902,775	7,214,753	409,775,397	491,376,009	39,842,985	163,916,558	45,136,223	3,913,249	14,116,305	62,499,144	1,424,402,806
2015	Primary	14,324,634	71,480,977	40,508,811	-	442,762,977	429,857,856	-	170,582,239	-	-	-	-	1,169,517,494
	Secondary	24,609,512	19,247,913	31,649,661	7,676,815	-	82,901,341	43,660,332	-	49,076,612	3,946,541	19,504,284	65,124,108	347,397,119
	Total	38,934,146	90,728,890	72,158,472	7,676,815	442,762,977	512,759,197	43,660,332	170,582,239	49,076,612	3,946,541	19,504,284	65,124,108	1,516,914,613
2016	Primary	14,877,877	67,301,586	40,281,153	-	471,193,529	437,227,709	-	174,988,030	-	-	-	-	1,205,869,884
	Secondary	25,281,551	19,895,071	28,161,726	7,614,014	-	80,036,848	49,512,136	-	48,660,147	4,013,398	19,250,761	67,273,204	349,698,856
	Total	40,159,428	87,196,657	68,442,879	7,614,014	471,193,529	517,264,557	49,512,136	174,988,030	48,660,147	4,013,398	19,250,761	67,273,204	1,555,568,740
2017	Primary	15,690,240	70,920,943	40,273,959	-	506,222,142	447,212,880	-	181,352,524	-	-	-	-	1,261,672,688
	Secondary	26,577,755	20,881,916	28,658,765	8,034,256	-	82,211,035	58,463,580	-	50,677,352	4,030,569	20,091,335	70,777,141	370,403,704
	Total	42,267,995	91,802,859	68,932,724	8,034,256	506,222,142	529,423,915	58,463,580	181,352,524	50,677,352	4,030,569	20,091,335	70,777,141	1,632,076,392
2018	Primary	16,404,593	68,659,932	40,876,811	-	535,870,745	457,339,611	-	186,400,980	-	-	-	-	1,305,552,672
	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	73,820,558	381,789,780
	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	73,820,558	1,687,342,452

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

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

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy for Fiscal Year (a)	Adjustments	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (b)	Total Collections to Date	
				Amount	% of Original Levy		Amount	% of Adjusted Levy
2009	\$ 35,130,400	\$ (358,256)	\$ 34,772,144	\$ 33,987,393	96.7 %	\$ 739,454	\$ 34,726,847	99.9 %
2010	37,081,738	(686,613)	36,395,125	35,581,096	96.0	772,083	36,353,179	99.9
2011	34,455,730	(604,321)	33,851,409	33,299,312	96.6	526,937	33,826,249	99.9
2012	34,856,232	(318,630)	34,537,602	33,860,185	97.1	646,893	34,507,078	99.9
2013	36,402,794	(170,121)	36,232,673	35,627,136	97.9	463,431	36,090,567	99.6
2014	37,675,450	(175,020)	37,500,430	36,924,892	98.0	488,899	37,413,791	99.8
2015	38,916,826	(164,001)	38,752,825	38,310,425	98.4	370,628	38,681,053	99.8
2016	40,471,289	(138,077)	40,333,212	39,886,362	98.6	206,764	40,093,126	99.4
2017	42,580,125	(338,449)	42,241,676	41,757,608	98.1	438,151	42,195,759	99.9
2018	44,161,889	(164,135)	43,997,754	43,501,882	98.5	-	43,501,882	98.9

Source: Maricopa County Treasurer

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

Principal Tax Payers (Exhibit S-12)
Property Tax

Current Year and Nine Years Prior

City of Tempe, Arizona

	Fiscal Year 2018			Fiscal Year 2009		
	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value
<i>Taxpayer:</i>						
Verizon Wireless	\$ 30,599,748	1	1.72 %	\$ -	-	- %
Arizona Public Service Company	27,334,259	2	1.54	21,694,174	3	0.82
Arizona Mills Mall LLC	19,340,107	3	1.09	41,359,277	1	1.56
JP Morgan Chase Bank NA	15,661,748	4	0.88	-	-	-
KBSII Fountainhead LLC	11,466,843	5	0.65	-	-	-
Century Link	10,611,863	6	0.60	26,433,482	2	0.99
Honeywell International Inc	9,258,581	7	0.52	-	-	-
JDM II Tempe OC LLC	8,188,702	8	0.46	-	-	-
Tempe Rio West Business Park LLC	7,195,035	9	0.41	-	-	-
PKW W Rio Salado LLC	6,992,064	10	0.39	-	-	-
Tempe Fountainhead Corporate LLC	-	-	-	17,401,173	4	0.65
Allied Signal	-	-	-	14,649,443	5	0.55
State Farm Mutual Auto Insurance	-	-	-	14,556,474	6	0.55
Freescale Semiconductor Inc	-	-	-	13,813,044	7	0.52
Breof BNK 2 Southwest LLC	-	-	-	13,115,990	8	0.49
St. Paul Properties Inc	-	-	-	11,250,833	9	0.42
Fly (CD) LLC / AWHQ LLC	-	-	-	11,042,331	10	0.42
Total	\$ 146,648,950		8.26 %	\$ 185,316,221		6.97 %

Source 2018: RBC Capital Markets

Source 2009: RBC Capital Markets

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 2018			Fiscal Year 2009		
		<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	\$ 4,929,513	1	2.92 %	\$ 4,340,462	1	3.23 %
Taxpayer B	Grocery Stores	3,778,311	2	2.24	2,798,620	2	2.08
Taxpayer C	Electronics/Software	2,960,708	3	1.76	1,858,309	3	1.38
Taxpayer D	Mixed Retail	2,913,091	4	1.73	1,689,840	4	1.26
Taxpayer E	Mixed Retail	2,323,424	5	1.38	1,655,858	5	1.23
Taxpayer F	Auto Sales	1,928,493	6	1.14	1,407,514	7	1.05
Taxpayer G	Mixed Retail	1,502,297	7	0.89	-	-	-
Taxpayer H	Auto Sales	1,497,997	8	0.89	-	-	-
Taxpayer I	Auto Sales	1,402,384	9	0.83	-	-	-
Taxpayer J	Service	1,334,049	10	0.79	982,267	9	0.73
Taxpayer K	Electronics/Software	-	-	-	1,424,983	6	1.06
Taxpayer L	Construction	-	-	-	1,067,471	8	0.79
Taxpayer M	Electronics/Software	-	-	-	957,908	10	0.71
Total		\$ 24,570,267		14.57 %	\$ 18,183,232		13.52 %

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 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Privilege and use tax (a)	\$ 105,643,666	\$ 99,865,430	\$ 95,804,083	\$ 92,910,407	\$ 97,169,520	\$ 89,714,946	\$ 84,937,373	\$ 83,258,888	\$ 69,043,642	\$ 74,295,074
State shared sales tax	18,266,956	16,145,681	15,357,220	14,779,296	14,076,468	13,236,998	12,636,771	12,656,738	12,167,009	13,191,255
State shared income tax	22,604,114	21,511,044	19,470,946	19,577,085	18,025,635	16,519,248	13,649,203	16,137,383	21,406,004	24,832,128
Franchise tax	3,290,220	3,182,193	3,363,615	2,933,239	3,310,940	3,253,175	3,428,125	3,821,436	3,559,615	3,980,674
Vehicle license tax	7,532,801	7,015,040	6,644,362	6,215,552	6,053,172	5,165,072	5,437,201	5,424,902	5,560,791	6,024,595
Permits and fees (b)	14,815,290	10,244,664	11,543,817	11,881,915	12,197,631	6,896,214	7,139,843	5,491,077	6,171,045	7,227,027
Fines and forfeitures	6,839,148	8,094,581	8,464,633	8,436,300	8,190,178	8,132,195	7,731,585	7,576,496	7,108,900	9,200,777
Total	\$ 178,992,195	\$ 166,058,633	\$ 160,648,676	\$ 156,733,794	\$ 159,023,544	\$ 142,917,848	\$ 134,960,101	\$ 134,366,920	\$ 125,017,007	\$ 138,751,530

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

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

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

Last Ten Fiscal Years

City of Tempe, Arizona

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

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	
2009	\$ 156,265,000	\$ 36,095,000	\$ 239,560,000	\$ -	\$ 6,466,000	\$ 1,023,835	\$ 1,888,630	\$ 441,298,465	
2010	172,665,000	33,025,000	230,470,000	-	6,181,000	521,955	1,776,147	444,639,102	
2011	166,580,000	29,875,000	228,746,000	9,234,152	5,883,000	-	96,735	440,414,887	
2012	162,200,000	27,815,000	218,522,900	15,054,997	5,572,000	-	57,921	429,222,818	
2013	164,235,000	25,675,000	154,081,000	20,176,543	5,247,000	1,009,612	29,645	370,453,800	
2014	163,205,000	23,930,000	144,606,000	19,542,476	4,907,000	509,804	-	356,700,280	
2015	181,905,000	21,175,000	134,746,000	18,668,237	4,552,000	-	87,082	361,133,319	
2016	180,750,000	19,980,000	123,389,000	22,291,058	4,181,000	-	61,399	350,652,457	
2017	178,555,000	18,730,000	116,009,000	20,515,300	3,794,000	-	34,743	337,638,043	
2018	180,435,000	17,415,000	97,994,000	21,847,912	3,389,000	-	65,610	321,146,522	
<i>Business-Type Activities</i>									
Fiscal Year	General Obligation Bonds	Excise Tax Revenue Bonds	Premium on Debt Payable	WIFA Loans	Capital Leases	Total Business-Type Debt	Total Primary Government	Per Capita	Percentage of Personal Income
2009	\$ 285,735,000	\$ 18,685,000	\$ -	\$ -	\$ -	\$ 304,420,000	\$ 745,718,465	4,319	18.05 %
2010	289,895,000	18,050,000	-	13,273,706	147,089	321,365,795	766,004,897	4,381	16.43
2011	273,000,000	48,827,424	8,932,839	14,621,092	97,439	345,478,794	785,893,681	4,860	15.31
2012	256,770,000	55,505,432	8,579,661	13,945,646	45,352	334,846,091	764,068,909	4,515	16.57
2013	240,505,000	79,034,000	11,487,656	13,255,904	711,466	344,994,026	715,447,826	4,132	16.27
2014	223,495,000	76,109,000	11,158,485	12,551,554	499,476	323,813,515	680,513,795	3,822	14.12
2015	204,970,000	84,839,000	13,905,912	11,832,282	283,594	315,830,788	676,964,107	3,816	14.23
2016	185,025,000	91,876,000	26,735,479	11,097,761	63,750	314,797,990	665,450,447	3,553	12.63
2017	187,835,000	80,466,000	26,648,171	10,347,660	318,834	305,615,665	643,253,707	3,525	12.53
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

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

City of Tempe, Arizona

Governmental Unit:	2018 Net Limited Assessed Valuation	Debt Outstanding	Portion Applicable To City of Tempe		Combined Tax Rate per \$100 Assessed
			Percent	Amount	
Debt repaid with property taxes:					
Maricopa County Community College	\$ 38,251,891,249	\$ 445,570,000	4.64 %	\$ 20,674,448	\$ 1.41
Tempe Elementary School District No. 3	1,383,216,384	131,875,000	87.88	115,891,750	5.05
Maricopa Special Health Care District	38,251,891,249	112,000,000	4.64	5,196,800	0.29
Mesa Unified School District No. 4	2,835,137,867	270,360,000	0.72	1,946,592	7.33
Kyrene Elementary School District No. 28	1,956,436,925	183,540,000	31.34	57,521,436	3.98
Scottsdale Unified School District No. 48	4,998,095,858	259,788,750	0.28	727,409	3.73
Tempe Union High School District No. 213	3,339,653,309	91,995,000	54.75	50,367,263	2.65
State of Arizona	59,406,279,473	None	2.99	None	0.49
Maricopa County	38,251,891,249	None	4.64	None	1.79
East Valley Institute of Technology	17,530,629,428	None	10.12	None	0.05
Subtotal overlapping debt				252,325,698	
City direct debt (repaid with property tax)	\$ 1,774,236,710	\$ 180,435,000	100.00 %	180,435,000	
Total direct and overlapping debt				\$ 432,760,698	

Source: RBC Capital Markets and Maricopa County Assessor

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

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

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

City of Tempe, Arizona

Governmental Unit:	<u>Debt Outstanding</u>	<i>Portion Applicable To City of Tempe</i>	
		<u>Percent</u>	<u>Amount</u>
Debt repaid with property taxes:			
Maricopa County Community College	\$ 445,570,000	4.64 %	\$ 20,674,448
Tempe Elementary School District No. 3	131,875,000	87.88	115,891,750
Maricopa Special Health Care District	112,000,000	4.64	5,196,800
Mesa Unified School District No. 4	270,360,000	0.72	1,946,592
Kyrene Elementary School District No. 28	183,540,000	31.34	57,521,436
Scottsdale Unified School District No. 48	259,788,750	0.28	727,409
Tempe Union High School District No. 213	91,995,000	54.75	50,367,263
State of Arizona	None	N/A	None
Maricopa County	None	N/A	None
East Valley Institute of Technology	None	N/A	None
Subtotal overlapping debt			<u>252,325,698</u>
City direct debt	\$ 321,146,522	100.00 %	<u>321,146,522</u>
Total direct and overlapping debt			<u><u>\$ 573,472,220</u></u>

Source: RBC Capital Markets and Maricopa County Assessor

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

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

Legal Debt Margin Information (Exhibit S-19)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Assessed Valuation	\$ 2,285,492,942	\$ 2,125,705,145	\$ 1,593,944,354	\$ 1,627,720,901	\$ 1,513,299,272	\$ 1,697,237,040	\$ 1,957,328,610	\$ 2,512,995,468	\$ 2,767,488,864	\$ 2,656,948,194	\$ 2,401,898,466
20% Limitation:											
Debt limit equal to 20% of assessed valuation	\$ 457,098,588	\$ 425,141,029	\$ 318,788,871	\$ 325,554,180	\$ 302,659,854	\$ 339,447,408	\$ 391,465,722	\$ 502,599,094	\$ 553,497,773	\$ 531,389,638	\$ 480,379,693
Total net debt applicable to 20% limit	353,760,024	337,734,652	330,432,281	361,721,555	390,600,904	418,225,647	446,276,092	474,887,545	492,153,706	462,255,000	424,675,000
Legal 20% debt margin (available borrowing capacity)	\$ 103,338,564	\$ 87,406,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,711,549	\$ 61,344,067	\$ 69,134,638	\$ 55,704,693
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	77.39%	79.44%	103.65%	111.11%	129.06%	123.21%	114.00%	94.49%	88.92%	86.99%	88.40%
6% Limitation:											
Debt limit equal to 6% of assessed valuation	\$ 137,129,577	\$ 127,542,309	\$ 95,636,661	\$ 97,663,254	\$ 90,797,956	\$ 101,834,222	\$ 117,439,717	\$ 150,779,728	\$ 166,049,332	\$ 159,416,891	\$ 144,113,908
Total net debt applicable to 6% limit	77,206,874	80,243,108	81,905,000	81,495,000	39,045,000	28,365,000	15,030,000	8,330,000	8,285,000	1,395,000	1,455,000
Legal 6% debt margin (available borrowing capacity)	\$ 59,922,703	\$ 47,299,201	\$ 13,731,661	\$ 16,168,254	\$ 51,752,956	\$ 73,469,222	\$ 102,409,717	\$ 142,449,728	\$ 157,764,332	\$ 158,021,891	\$ 142,658,908
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	56.30%	62.91%	85.64%	83.44%	43.00%	27.85%	12.80%	5.52%	4.99%	0.88%	1.01%

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

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

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

Remaining General Obligation Bond Authorizations (Exhibit S-20)

City of Tempe, Arizona

	<u>Authorization</u>	<u>WIFA Funding (a)</u>	<u>Prior Issues</u>	<u>Current Year Issue (b)</u>	<u>Remaining Authorization</u>
2008 Program:					
Water/Wastewater	\$ 113,300,000	\$ 18,130,302	\$ 59,295,000	\$ 26,010,000	\$ 9,864,698
Streets/Transportation/Storm Drains	44,200,000	-	20,205,000	8,900,000	15,095,000
Public Safety - Police/Fire	32,010,000	-	31,425,000	585,000	-
Community Services/Park Improvements	51,800,000	-	51,800,000	-	-
Total 2008 Program	241,310,000	18,130,302	162,725,000	35,495,000	24,959,698
2012 Program:					
Public Safety - Police/Fire	6,400,000	-	-	4,115,000	2,285,000
Community Services/Park Improvements	10,500,000	-	10,500,000	-	-
Municipal Infrastructure Preservation	12,900,000	-	12,900,000	-	-
Total 2012 Program	29,800,000	-	23,400,000	4,115,000	2,285,000
2016 Program:					
Water/Wastewater	148,000,000	-	-	-	148,000,000
Streets/Transportation/Storm Drains	25,000,000	-	-	-	25,000,000
Public Safety - Police/Fire	20,000,000	-	-	-	20,000,000
Community Services/Park Improvements	34,000,000	-	910,000	9,660,000	23,430,000
Municipal Infrastructure Preservation	27,000,000	-	1,185,000	5,660,000	20,155,000
Total 2016 Program	254,000,000	-	2,095,000	15,320,000	236,585,000
Grand Total	<u>\$ 525,110,000</u>	<u>\$ 18,130,302</u>	<u>\$ 188,220,000</u>	<u>\$ 54,930,000</u>	<u>\$ 263,829,698</u>

Source: City of Tempe, Arizona Accounting Division

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

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

Pledged-Revenue Coverage (Exhibit S-21)

Last Ten Fiscal Years

City of Tempe, Arizona

<i>Special Assessment Bonds</i>				<i>Excise Tax Revenue Obligations</i>		
<u>Fiscal Year</u>	<u>Special Assessment Collections</u>	<u>Debt Service (d)</u>	<u>Coverage</u>	<u>Excise Tax Revenue Collections (a)</u>	<u>Debt Service (d)</u>	<u>Coverage</u>
2009	\$ 2,860,571	\$ 4,094,274	0.70	\$ 132,726,935	\$ 6,177,704	21.48
2010	2,783,916	4,796,008	0.58	119,456,216	6,760,138	17.67
2011	3,867,979	4,697,441	0.82	128,942,018	6,761,359	19.07
2012	2,526,283	3,469,611	0.73	129,522,900	9,399,739	13.78
2013	4,442,862	3,448,085	1.29	142,917,848	9,931,262	14.39
2014	3,605,932	2,959,851	1.22	165,485,314	11,977,968	13.82
2015	3,862,306	3,884,758	0.99	156,733,794	12,055,250	13.00
2016	2,439,086	2,214,178	1.10	160,648,676	45,696,593	3.52
2017	2,173,798	2,209,650	0.98	166,058,633	36,355,425	4.57
2018	2,027,722	2,212,190	0.92	178,992,195	20,743,689	8.63

<i>Performing Arts Excise Tax Obligations</i>				<i>Transit Excise Tax Obligations</i>		
<u>Fiscal Year</u>	<u>0.1% Privilege and Use Tax Collections (b)</u>	<u>Debt Service (d)</u>	<u>Coverage</u>	<u>0.5% Privilege and Use Tax Collections (c)</u>	<u>Debt Service (d)</u>	<u>Coverage</u>
2009	\$ 6,158,761	\$ 6,012,725	1.02	\$ 29,850,942	\$ 5,449,867	5.48
2010	5,749,649	6,005,626	0.96	27,891,084	4,356,904	6.40
2011	5,979,900	6,016,226	0.99	29,012,370	4,428,049	6.55
2012	6,236,500	5,377,764	1.16	30,172,338	4,410,547	6.84
2013	6,236,879	5,922,350	1.05	30,087,229	3,685,428	8.16
2014	6,921,904	5,918,250	1.17	33,539,177	4,655,713	7.20
2015	7,460,054	5,919,026	1.26	36,147,640	4,655,688	7.76
2016	7,656,210	5,921,676	1.29	37,288,527	4,658,463	8.00
2017	8,084,891	3,427,850	2.36	39,512,636	4,372,288	9.04
2018	8,436,503	3,428,850	2.46	41,074,434	4,311,491	9.53

Source: City of Tempe, Arizona Accounting Division

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

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

Excise Tax Obligations (Excluding Transit Excise Tax Obligations)

City of Tempe, Arizona

Fiscal Year	Senior Excise Tax Obligations				Subordinate Excise Tax Obligations	
	Pledged Excise Tax Revenues (a)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (b)	Outstanding Senior Excise Tax Obligations Coverage (c)	Revenue Available for Debt Service (d)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (e)	Coverage (f)
2018	\$ 178,992,195	\$ 20,743,689	8.63	\$ 166,685,009	\$ 3,428,850	48.61
2019		20,710,504	8.64		3,428,100	48.62
2020		12,827,997	13.95		3,433,850	48.54
2021		12,120,957	14.77			
2022		12,120,404	14.77			
2023		12,109,267	14.78			
2024		9,248,517	19.35			
2025		16,538,617	10.82			
2026		6,909,885	25.90			
2027		6,903,865	25.93			
2028		6,911,235	25.90			
2029		6,910,834	25.90			
2030		5,117,988	34.97			
2031		5,116,050	34.99			
2032		2,723,850	65.71			
2033		2,116,125	84.58			

Source: City of Tempe, Arizona Accounting Division

(a) Excise Tax Revenues received by the City in Fiscal Year 2018. See Excise Tax Collection schedule (Exhibit S-14).

(b) Consists of the annual debt service requirements (not including fiscal fees) of the following Excise Tax Revenue/Refunding Obligations:

Series	Remaining Obligation
2009A+B	\$ 11,600,000
2011A+B	13,150,000
2012	22,020,000
2013	22,325,000
2016	28,225,000
2017R	11,710,000
	<u>\$ 109,030,000</u>

(c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2018 excise tax revenues to total debt service requirements for the City's revenue bonds.

(d) Consists of Performing Arts Center Excise Taxes and Excise Taxes (net of current year annual debt service on Outstanding Senior Excise Tax Obligations) received in Fiscal Year 2018.

(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 \$6,440,000. Debt service requirements do not include fiscal fees.

(f) Pursuant to the Purchase Agreement, the City agrees that the Performing Arts Center Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Performing Arts Center Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

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

Transit Excise Tax Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations

Fiscal Year	Pledged Excise Tax Revenues (a)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (b)	Outstanding Senior Excise Tax Obligations Coverage (c)
2018	\$ 41,074,434	\$ 4,311,491	9.53
2019		4,116,542	9.98
2020		4,118,094	9.97
2021		4,115,229	9.98
2022		4,116,603	9.98
2023		4,113,866	9.98
2024		4,121,911	9.96
2025		4,120,202	9.97
2026		4,118,882	9.97
2027		4,117,595	9.98
2028		4,121,303	9.97
2029		4,114,506	9.98
2030		4,121,749	9.97
2031		4,122,318	9.96
2032		4,117,246	9.98
2033		4,119,056	9.97
2034		4,120,075	9.97
2035		4,120,427	9.97
2036		1,444,831	28.43
2037		994,800	41.29

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2018.
- (b) Includes annual debt service requirements for the Series 2008 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$760,000; the Series 2012 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$32,485,000; the Series 2017R City of Tempe, Arizona Transit Excise Tax Refunding Obligations in the principal amount of \$19,155,000. Debt service requirements do not include fiscal fees.
- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2018 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

Demographic and Economic Statistics (Exhibit S-24)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Population (a)	Total Personal Income (b)	Per Capita Personal Income (c)	Average Household Income (c)	Median Age (c)	School Enrollment (d)	ASU School Enrollment (e)	Unemployment Rate (f)
2009	172,641	\$ 4,131,989,694	\$ 23,934	\$ 63,866	31.6	25,780	67,082	4.20 %
2010	174,833	4,661,747,112	26,664	67,971	31.8	25,857	68,064	6.70
2011	161,719	5,133,769,655	31,745	68,427	35.2	26,670	70,440	8.00
2012	163,989	4,469,848,173	27,257	63,881	31.3	28,136	72,254	8.20
2013	165,499	4,203,343,602	25,398	61,201	31.5	25,510	73,378	6.80
2014	170,027	4,601,100,647	27,061	64,714	28.1	25,264	73,378	7.50
2015	169,533	4,546,705,527	26,819	62,291	28.5	25,480	83,301	6.80
2016	173,510	4,881,183,320	28,132	65,814	28.7	25,656	74,293	5.90
2017	182,498	5,134,033,736	28,531	67,501	29.5	24,891	75,729	4.30
2018	185,038	5,594,253,854	30,233	71,916	30.0	25,527	54,456	3.90

- Source:
- (a) Estimate obtained from Sites USA through Fiscal Year 2015. From Fiscal Year 2016 and forward the estimate is obtained from State Shared Revenue Report published by the League of Arizona Cities & Towns.
 - (b) Amount is calculated using population times per capita personal income.
 - (c) Estimate is provided by Sites USA (June 2018).
 - (d) Arizona Department of Education (Azed.gov)
 - (e) ASU - Office of Institutional Analysis. Fiscal Year 2018 and going forward the amount is for the ASU Tempe campus only.
 - (f) <https://oeoapps.az.gov/laus-data-query-tool/laus.aspx> (Annual 2017)

Principal Employers (Exhibit S-25)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

	Fiscal Year 2018			Fiscal Year 2009		
	<u>Employees (a)</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees (b)</u>	<u>Rank</u>	<u>Employment</u>
<i>Employers:</i>						
Arizona State University	8,380	1	27.90 %	10,336	1	30.42 %
State Farm Insurance	6,120	2	20.38	-	-	-
SRP	2,810	3	9.36	3,331	3	9.80
Wells Fargo	2,550	4	8.49	3,406	2	10.03
ABM Industries Inc	2,000	5	6.66	-	-	-
City of Tempe	1,894	6	6.31	1,740	10	5.12
JPMorgan Chase Bank National Association	1,630	7	5.43	-	-	-
Honeywell	1,610	8	5.36	2,000	8	5.89
Express Scripts Inc	1,520	9	5.06	-	-	-
Tempe Elementary School District 3	1,520	10	5.05	-	-	-
Freescale Semiconductor (Motorola)	-	-	-	3,000	4	8.83
Kyrene School District	-	-	-	2,860	5	8.42
US Airways	-	-	-	2,800	6	8.24
Insight Direct	-	-	-	2,500	7	7.36
Bank One Telephone Banking Division	-	-	-	2,000	9	5.89
Total	<u><u>30,034</u></u>		<u><u>100.00 %</u></u>	<u><u>33,973</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 2009

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

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal year 2018	Fiscal year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Police	508	505	500	496	497	497	494	499	568	580
Fire medical rescue	174	155	156	156	156	182	182	182	185	187
Community services	304	297	286	286	314	288	287	289	308	232
Public works	431	430	470	467	486	484	485	489	535	330
Community development	85	83	88	90	90	82	83	88	106	62
Human services	50	46	49	40	-	-	-	-	-	-
Municipal court	43	43	42	42	42	42	42	42	42	46
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	31	33	32	31	11	4	4	4	3	4
City attorney	25	25	26	26	25	25	25	25	25	29
Internal audit office	4	4	4	4	4	3	3	3	4	4
Municipal budget office	4	4	4	4	-	-	-	-	-	-
City clerk and elections	5	5	4	4	5	5	5	5	5	5
Internal services	217	206	156	155	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	210
Community relations	-	-	-	-	-	24	25	25	27	20
Diversity program	-	-	-	-	3	3	3	3	4	5
Tempe learning center	-	-	-	-	-	3	3	3	-	-
Development services	-	-	-	-	-	-	-	-	-	62
Economic development	-	-	-	-	-	-	-	-	-	-
Finance and technology	-	-	-	-	139	132	132	132	-	-
Financial services	-	-	-	-	-	-	-	-	139	73
Office of strategic management and diversity	6	6	6	-	-	-	-	-	-	-
Human resources	-	-	-	-	20	17	17	17	20	24
Information technology	-	-	-	-	-	-	-	-	-	76
Water/wastewater	-	-	-	-	-	-	-	-	-	143
Total	1,894	1,849	1,824	1,808	1,799	1,798	1,797	1,813	1,977	2,097

Source: City of Tempe, Arizona Fiscal Year 2018 Annual Budget

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

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

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Function /Program										
Police										
Crime rate (per 100,000 population)	4,478	5,063	4,900	5,110	5,343	5,288	5,800	5,898	5,500	6,100
Traffic accidents	5,621	5,638	5,376	5,103	4,755	4,825	4,834	4,693	4,595	4,920
Emergency service average response time (minimum)	6.6	6.36	6.83	5:13	5:02	5:00	6:35	5:30	5:17	5:08
Citizen calls for police service	91,012	88,515	86,229	85,502	84,092	86,996	87,730	85,673	86,074	106,317
Operating expenditures per citizen calls (a)	\$ 968	\$ 917	\$ 926	\$ 926	\$ 874	\$ 830	\$ 725	\$ 749	\$ 433	\$ 443
Fire										
Firefighters per capita (10,000)	8.86	11.6	8.82	9.45	9.47	9.44	9.45	8.95	9.13	9.37
No. of fire calls	2,212	2,565	1,944	2,022	1,958	2,002	2,167	2,208	2,144	2,414
No. of medical calls	22,093	26,633	20,021	19,630	18,119	17,411	17,156	15,264	15,413	15,199
No. of other assistance calls	1,916	2,637	1,963	1,853	1,976	2,033	1,336	1,275	1,253	1,260
Emergency service average response time (minimum)	4.15	3:36	4:16	4:10	4:08	4:07	4:10	4:20	4:20	4:20
Percent of emergency responses taking 6.0 minutes or less (d)	75%	74%	73%	75%	76%	76%	76%	74%	74%	72%
Transportation										
Percent of on-time bus performance	92%	90%	90%	92%	91%	93%	95%	95%	94%	90%
Annual bus boardings	9,553,553	6,484,875	6,841,497	7,178,128	7,897,964	8,168,990	8,430,857	7,971,817	8,877,964	9,157,912
Number of square yards repaired	550,252	731,425	402,900	302,000	397,605	412,739	569,600	64,665	74,471	2,090,504
Library										
Registered borrowers	100,155	97,443	140,000	143,000	143,018	140,523	145,948	140,600	147,914	142,500
Circulation	802,492	855,055	800,000	930,000	814,199	933,824	1,015,578	937,500	1,089,174	1,250,000
Community development										
Number of permits issued for commercial /industrial	503	644	775	678	30	18	18	8	18	21
Valuation of commercial/industrial permits	\$ 739,627,514	\$ 270,664,400	\$ 333,250,987	\$ 527,389,841	\$ 211,281,465	\$ 26,619,100	\$ 88,812,800	\$ 6,874,200	\$ 86,704,700	\$ 109,851,600
Number of permits issued for residential	532	122	474	646	451	271	297	314	425	508
Valuation of residential permits	\$ 35,888,436	\$ 157,887,839	\$ 274,402,813	\$ 173,004,137	\$ 235,037,289	\$ 96,518,351	\$ 68,954,800	\$ 18,260,624	\$ 27,741,900	\$ 161,914,600
Number of permits issued other	1165	1	1	4	660	647	600	521	534	577
Valuation of other permits	\$ 40,037,341	\$ 60,000	\$ 150,000	\$ 8,758,218	\$ 156,702,779	\$ 54,339,500	\$ 99,407,953	\$ 77,951,841	\$ 68,502,500	\$ 105,413,500
Water/wastewater										
Number of customer accounts (annual average)	43,214	42,647	43,061	42,678	42,555	42,351	42,398	42,218	42,453	42,686
Total water gallons treated (million gallons - mg)	16,090	15,506	15,278	15,130	15,979	16,900	16,700	15,877 (b)	15,606 (b)	15,774 (b)
Operating and maintenance cost per customer account	\$ 979	\$ 953	\$ 941	\$ 878	\$ 309	\$ 278	\$ 249	\$ 217	\$ 181	\$ 256
Total wastewater gallons treated (million gallons per day)	19.1	19.4	19.4	19.4	19.4	18.5	18.6	18.6 (b)	18.7 (b)	19.7 (b)
Solid waste collection										
Residential container/recycling cost per ton	\$ 111	\$ 139	\$ 138	\$ 140	\$ 108	\$ 121	\$ 115	\$ 112	\$ 114	\$ 71
Number of residential accounts	32,869	33,160	33,001	33,397	33,440	33,405	33,759	33,927	32,886	32,916
Residential recycling diversion rate (c)	28%	19%	21%	19%	15%	15%	15%	29%	28%	28%
Number of commercial accounts	1,641	1,671	1,709	1,783	2,130	2,133	2,030	1,940	1,837	1,875
Commercial collection cost per ton	\$ 100	\$ 93	\$ 91	\$ 95	\$ 95	\$ 81	\$ 78	\$ 73	\$ 77	\$ 59

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

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

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

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol units (squads)	21	21	24	24	24	21	20	20	22	22
Fire stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Streetlights	12,048	12,026	11,969	11,904	11,849	11,797	11,778	11,778	12,428	12,021
Traffic signals	230	229	228	223	222	221	221	221	219	219
Buses	124	125	125	125	124	135	140	188	188	198
Parks and recreation										
Acreage	1875	1,875	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Playgrounds	45	45	45	45	45	45	45	45	45	45
Sports fields	200	200	200	200	200	200	200	200	200	200
Community centers	5	5	5	5	5	5	5	5	4	4
Golf courses	2	2	2	2	2	2	2	2	2	2
Water/wastewater										
Water mains (miles)	850	850	833	833	833	833	839	839	839	825
Water production capacity (million gallons per day)	137	137	125	125	125	125	125	125	129	120
Water storage capacity (million gallons)	54	54	54	42	42	42	42	42	53	53
Sanitary sewers (miles)	495	495	495	549	549	496	498	498	498	497
Storm sewers (miles)	231	231	231	173	173	173	194	194	195	193
Wastewater treatment capacity (million gallons per day)	29	29	29	19	19	19	33	33	38	38
Solid waste collection										
Collection trucks	43	43	45	47	52	51	58	58	58	58

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