



Tempe
Arizona

Annual Comprehensive Financial Report

for fiscal year ended
June 30, 2025



City of Tempe, Arizona
Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2025



City Council:

Corey Woods, Mayor
Doreen Garlid, Vice Mayor
Arlene Chin
Berdetta Hodge
Randy Keating
Jennifer Adams
Nikki Amberg

Administrative Staff:

Rosa Inchausti, City Manager

Presented by:

Lisette Camacho, CPA, Deputy City Manager, CFO



Annual Comprehensive Financial Report

For Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

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Introductory Section

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

CITY OF TEMPE
P.O. BOX 5002
20 EAST SIXTH STREET
TEMPE, AZ 85281
480.350.8350



CITY MANAGER'S OFFICE

December 15, 2025

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

The Annual Comprehensive Financial Report, including the Independent Auditor's Report, for the fiscal year ended June 30, 2025 is submitted in accordance with Article V of the City Charter for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with management. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

CITY OF TEMPE PROFILE

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

Current Profile - The boundaries of Tempe encompass an area approximately 40 square miles with an estimated population of 186,000 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 Council Members are elected at large on a non-partisan ballot for staggered four-year terms. The City Council appoints the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City provides services as authorized by its charter including: public safety (police, fire, building inspection), highways and streets, public transit, sanitation, water and wastewater, cultural-recreational, 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

Tempe maintains one of the most thriving economic environments in the country. The local economy is based primarily on commercial and retail trade, higher education, manufacturing, and tourism. Top research firms, Fortune 500 companies, and start-ups make up Tempe's economic fabric. The City is also the home of Arizona State University, which is one of the largest institution of higher education in the United States and the largest employer in the City. Each of these provides the City with a strong and diversified tax base.

Tourism plays an important role in the City's local economy, offering a wide range of accommodations, restaurants, and attractions. Tempe hosts spring training for the Los Angeles Angels Major League Baseball team, Pat's Run, and the Rock 'N' Roll Arizona Half Marathon. Also popular are Tempe Blooms, Innings Festival, and the City's spring and fall Festival of the Arts, featuring more than 350 artists' booths, entertainment, food vendors, and free admission. The Festival of the Arts attracts approximately 150,000 visitors over the three-day weekend. Adjacent to Tempe Town Lake, the Tempe Center for the Arts features a 600-seat performance theater, visual arts gallery, and meeting facilities.

Commercial and residential development activities continue to provide substantial increases in construction sales tax revenues, and development remains above the long-term historical performance stabilizing Tempe's revenues. Additionally, current long-term memoranda of understanding with the City's four employee groups, combined with the recently completed City-wide Classification and Compensation Study, should help stabilize personnel cost increases. Although inflationary pressures have eased over the past twelve months, worker shortages and supply chain issues continue to put pressure on certain sectors of the economy.

On August 1, 2023, Senate Bill 1131 was signed into law. Effective January 1, 2025, Arizona cities and towns are prohibited from taxing residential rental activities. Early estimates indicate recurring sales tax revenue reductions of approximately 9% in the City's General Fund, Transit Fund, and Arts and Culture Fund, or approximately \$21 million across all funds. To address the residential rental sales tax loss, budget reduction measures will be necessary in both the General Fund and the Transit Fund.

The City prepares a long-term forecast in November and February of each year to determine the financial health of the City's major operating funds. The November 2025 revenue forecast indicates that the City's financial condition remains stable, while incorporating the full loss of residential rental sales tax and lower state-shared revenues. Despite the decline in local tax collections, moderate overall revenue growth is anticipated over the forecast period and other revenues are projected to remain stable. The forecasted fund balances for all other major funds will be within policy levels.

Sales Tax

The largest source of revenue for Tempe's governmental operating funds, sales tax revenue, is driven by taxable sales tax activities. Sales tax revenue represented 46.0% of total General Fund revenues for the fiscal year. Despite the economic impact of the pandemic primarily being felt in the fiscal years 2020 and 2021, taxable sales recovered in fiscal year 2022 to pre-pandemic levels. Taxable sales increased in 2020 (3.2%), 2021 (3.1%), 2022 (17.3%), 2023 (4.7%) and flattened out in 2024 (0.9%). In fiscal year 2025, taxable sales decreased slightly by 1.4% and overall General Fund sales tax revenues were essentially flat at \$146 million.

State-Shared Revenue

Starting in fiscal year 2017, the population figures used for the distribution of state shared revenues to all incorporated cities and towns in the state are the official U.S. Census Bureau population estimate for each city and town as of July 1 of the prior year, except in the year following a decennial census. The fiscal year 2025 shared revenue allocations were based on the 2020 Decennial Census and Tempe's relative share of the state's total population declined and is approximately 3%. State-shared revenues consist of state sales tax, state income tax and auto in lieu of tax revenues. Total General Fund State-shared revenues from these three revenue sources totaled \$79.3 million, which represents a \$7.5 million decrease, or 8.6%. Future statewide distributions are projected to decline due to the incorporation of San Tan Valley, which will increase the number of eligible municipalities and reduce Tempe's proportional population share within the distribution formula.

Property Tax

The city continues to experience continued overall improvement in assessed valuations of taxable property which is the basis for property tax revenue assessments. Additionally, Tempe's largest electric utility, Salt River Project, contributes an in-lieu property tax to the City. Overall, property tax revenues slightly increased by \$566 thousand (2.2%) over the prior year. Property taxes comprised approximately 8.2% of total General Fund revenues for the fiscal year.

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 November 2025 Long-Range Financial Forecast reflects lower overall revenue projections for fiscal year 2026, driven primarily by the loss of residential rental tax revenue beginning January 1, 2025, declining local tax collections and expected reductions in state-shared revenues. While the forecast still anticipates moderate growth over the remaining forecast period, the near-term outlook is more conservative. Tempe's development activity, including construction and building-related revenues such as permits, plan review fees, and building and trades collections, is expected to remain stable and continue providing support to the revenue base. Although Tempe's economy remains comparatively strong, slower growth assumptions have been applied due to softening retail activity and lower statewide income tax distributions. Finally, projected interest earnings have been revised downward as the forecast now assumes planned drawdown of fund balance and reserves, as well as recent federal interest rate cuts, reducing expected investment income going forward.

CITY COUNCIL STRATEGIC PRIORITIES



Safe & Secure
Communities



Strong Community
Connections



Quality of Life



Sustainable Growth
& Development



Financial Stability
& Vitality

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

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

The associated performance measures, which continue to evolve, reflect the various strategies by which achievement of the strategic priorities will be made possible. The strategic priorities and associated performance measures are incorporated into the decision-making processes within the City. To the extent possible, public meeting agenda items requiring explicit council direction and/or action must identify the related strategic priorities. This continued to be the case during the development of both the fiscal year 2024/25 Annual Operating Budget as well as the Five-Year Capital Improvement Program Budget. Additionally, many non-budgetary decisions of the City Council during the year were made within the context of the identified strategic priorities.

Important tools utilized in the continual evolution of strategic planning are three separate biennial surveys of the community, businesses and employees. Another tool used to align the budget with City Council priorities is the Strategic Tool for Aligning Resources for Tempe (START). This tool provides the Mayor and Council an early opportunity to communicate the areas of focus for the upcoming budget year. In November 2023, using the START Tool, the City Council identified 5 performance measures to accelerate during fiscal year 2025. This was used as a guide in the budget development process and the areas of focus are summarized as follows:

The five prioritized performance measures are as follows:

1. Pavement Quality Index (Performance Measure 1.22)
2. Ending Homelessness (Performance Measure 3.28)
3. Property Code Enforcement (Performance Measure 3.01)
4. Feeling of Safety in Your Neighborhood (Performance Measure 1.05)
5. Employee Turnover (Performance Measure 5.07)

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

FINANCIAL POLICIES

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

- Revenue and expenditures will be projected for the next five years and will be updated biannually.
- Long-term debt will not be issued to finance current operations. Capital projects financed through the issuance of bonds will be financed for a period not to exceed the expected useful life of the project.
- The City will coordinate development of a five-year capital improvements budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
- Unassigned fund balance coverage for the *General Fund* will maintain a range of 20% to 30% of General Fund revenue.
- The City will maintain an unrestricted fund balance of no less than 25% of current revenue, plus 2% of the gross book value of tangible assets in the Water and Wastewater Fund, and a minimum of 15% of anticipated revenue in the *Solid Waste*.
- The City will maintain total fund balance in the *Transit Special Revenue Fund* of at least 25% of current revenue operating revenues, 10% of current year operating revenues for the *Highway User Revenue Special Revenue Fund* and 10% for the *Arts and Culture Fund*.
- Annual property tax levy increase for existing property shall not exceed 5%.

MAJOR INITIATIVES

Vision Zero – Safe Mobility for All

The City of Tempe is committed to ensuring that all people — regardless of how they travel — can move safely throughout the community. Tempe adopted its Vision Zero Resolution to eliminate serious injuries and fatalities on Tempe streets, reflecting the City Council's strategic priority of safe, accessible, and equitable transportation options. Vision Zero recognizes that traffic deaths and severe injuries are preventable and requires a proactive, data-driven, and community-focused approach to roadway design, traffic operations, education, enforcement, and policy.

Tempe's Vision Zero initiative incorporates engineering, enforcement, education, encouragement, evaluation, and equity to create a comprehensive safety framework. Efforts focus on high-injury network analysis, speed management, safe street design, pedestrian and bicycle safety enhancements, and collaboration across departments, stakeholders, and partner agencies.

Homeless Solutions

The City is committed to five strategic priorities that enhance the lives of all in Tempe. Achieving an end to homelessness is one measure of improving community quality of life. The City has invested heavily to serve those in need and is committed to making homelessness a rare, brief and one-time experience in our community. To do that, the city offers a comprehensive system of support that includes: street outreach, case management, connection to social services, crisis response, mental health resources, emergency and transitional shelter, and housing.

The City's Homeless Solutions Task Force includes Human Services, Community Services, Tempe Police, Tempe Fire Medical Rescue, the City Attorney's office, Tempe Municipal Court, and Communication and Media Relations. The task force addresses topics such as:

- Encampments in desert parks and preserves
- Annual Point-in-Time Homeless Count
- Emergency shelter
- Healthy Giving
- Heat relief
- Park safety and community wellness

Affordable Housing

The Hometown for All initiative was introduced by Mayor Woods and approved by the City Council in 2021. Hometown for All provides a dedicated funding stream to accelerate the growth of affordable and workforce housing to ensure that Tempe has a variety of housing types.

For every new development project built in Tempe, 50% of certain permitting fees paid to the city's General Fund up to \$2 million goes to support the nonprofit Tempe Coalition for Affordable Housing. Those funds are used to purchase land and properties and reimagine city-owned parcels for future development.

AWARDS AND ACKNOWLEDGMENTS

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its Annual Comprehensive financial report for the fiscal year ended June 30, 2024. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Annual Comprehensive financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last forty-eight consecutive years (fiscal years 1975/76 through 2023-2024). 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 FY 2024-25 annual budget and the National Purchasing Institute's **Achievement of Excellence in Procurement Award** for FY 2024-25.

Acknowledgment

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Financial Services' 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,



Rosa Inchausti
City Manager



Lisette Camacho, CPA
Deputy City Manager



Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial
Reporting

Presented to

City of Tempe Arizona

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



For the Fiscal Year
Ended June 30, 2025

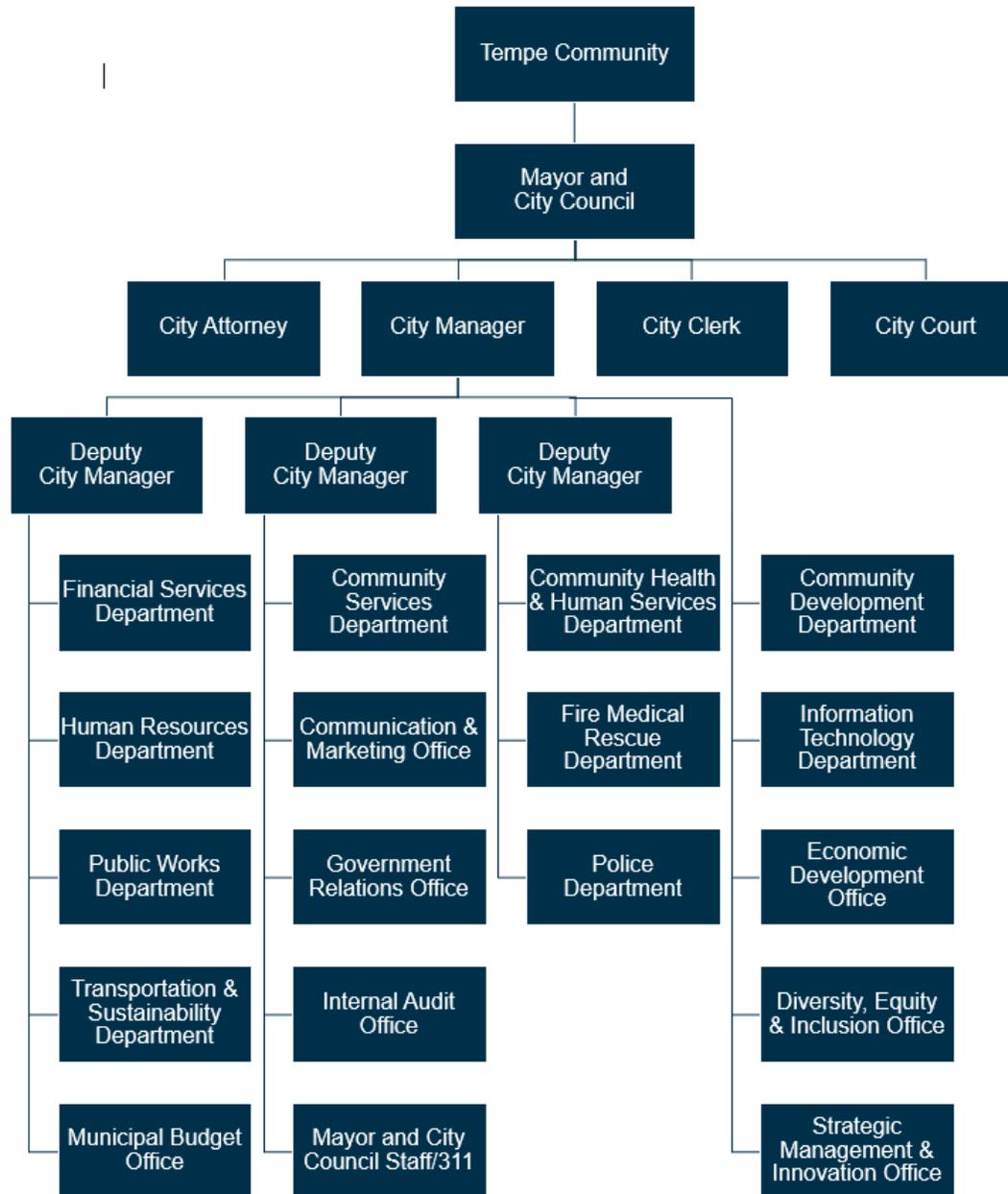
City of Tempe, Arizona List of Principal Officials

City Council

Corey Woods, Mayor
Doreen Garlid, Vice Mayor
Arlene Chin
Berdetta Hodge
Randy Keating
Nikki Amberg
Jennifer Adams

Administrative Staff

Rosa Inchausti, City Manager
Greg Ruiz, Interim Chief Deputy City Manager
Lisette Camacho, Deputy City Manager
Keith Burke, Deputy City Manager
Kenneth McCoy, Police Chief
Darrel Duty, Interim Fire Chief
Velicia McMillan Humes, Diversity, Equity and Inclusion
Eric Iwerson, Transportation and Sustainability
Jonathan Shuffield, Government Relations
Kris Baxter, Communications and Marketing
Craig Hayton, Community Services
Tara Ford, Public Works
Jeffrey Tamulevich, Community Development
Tim Burch, Community Health and Human Services
Kevin Kane, Municipal Court
Eric Anderson, City Attorney
Bill Greene, Internal Audit Office
Robert Baer, Municipal Budget Office
Tanya Chavez, Mayor and Council Relations
Wydale Holmes, Strategic Management and Innovation Office
Kara DeArrastia, City Clerk and Elections
Laura Calder, Financial Services
Jared Morris, Information Technology
Rebecca Strisko, Human Resources



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

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Tempe, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. In addition, the City also implemented GASB Statement No. 102, *Certain Risk Disclosures*. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of City of Tempe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tempe, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tempe, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 15, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) *Annual Comprehensive Financial Report* presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. 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 this fiscal year by \$1.1 billion (net position). This is a increase of \$24.7 million over the prior year's net position primarily due to a \$21.4 million increase in settlement revenues in Waster and Wastewater fund from manufacturers and distributors of products containing PFAS (per- and polyfluoroalkyl substances). Of the City's net position, \$308.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year ended June 30, 2025, the City's governmental activities revenues increased by \$17.9 million to \$535.9 million. This was primarily due an increase of \$27.7 million in *capital grants and contributions* and an increase of \$7.4 million in *operating grants and contribution*. Offset by a decrease of \$7.2 million in *intergovernmental revenues* and decrease of \$7.5 million in *sales tax and 27.7 million increase in capital grants and contributions*. Expenses increased by \$39.3 million mainly due to an increase in *public works* of \$25.9 million and \$10.4 million in *community enrichment*.
- At June 30, 2025, the City's governmental funds reported combined ending fund balances of \$355.2 million. Approximately 65% of this total amount (\$229.6 million) was for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2025, total fund balance for the General Fund was \$158.9 million, which represents a decrease of \$6.6 million over the prior year's fund balance. Revenues decreased by \$10.5 million, this is primarily due to a \$7.4 million decrease in state and other agency revenues. Expenditures increased by \$17.2 million, mainly due to increase of \$10.3 million in *community enrichment* and \$9.7 million in public safety.
- At June 30, 2025, the City's enterprise funds reported combined total net position of \$310.7 million, and total unrestricted net position of \$184.7 million. Of this total, \$172.1 million of the unrestricted net position was in the Water and Wastewater Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The **statement of net position** presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, general government, transportation, criminal justice, and community enrichment. The business-type activities of the City include water and wastewater, solid waste, and emergency medical transportation.

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

FUND FINANCIAL STATEMENTS

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

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

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

Other than the General Fund, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Transit Special Revenue Fund, General Obligation Debt Service Fund, and the Community Development 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's annual budget is the legally adopted expenditure control document of the City. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section. The

schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

COMBINING STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 964,737,074	\$ 1,019,021,461	\$ 308,354,953	\$ 265,901,988	\$ 1,273,092,027	\$ 1,284,923,449
Capital assets, net	948,402,787	868,049,848	476,420,929	438,876,051	1,424,823,716	1,306,925,899
Total assets	<u>1,913,139,861</u>	<u>1,887,071,309</u>	<u>784,775,882</u>	<u>704,778,039</u>	<u>2,697,915,743</u>	<u>2,591,849,348</u>
Total deferred outflows of resources	<u>82,492,260</u>	<u>84,797,039</u>	<u>8,680,525</u>	<u>7,750,221</u>	<u>91,172,785</u>	<u>92,547,260</u>
Liabilities						
Long-term liabilities	1,030,342,121	1,007,315,901	423,776,265	382,079,031	1,454,118,386	1,389,394,932
Other liabilities	132,487,899	122,274,453	56,702,499	51,129,833	189,190,398	173,404,286
Total liabilities	<u>1,162,830,020</u>	<u>1,129,590,354</u>	<u>480,478,764</u>	<u>433,208,864</u>	<u>1,643,308,784</u>	<u>1,562,799,218</u>
Total deferred inflows of resources	<u>43,364,150</u>	<u>43,935,387</u>	<u>2,233,060</u>	<u>2,162,943</u>	<u>45,597,210</u>	<u>46,098,330</u>
Net position						
Net investment in capital assets	463,290,704	441,875,868	83,745,808	102,002,361	547,036,512	543,878,229
Restricted	202,785,386	160,088,789	42,320,738	36,091,495	245,106,124	196,180,284
Unrestricted	123,361,861	196,377,950	184,678,037	139,062,597	308,039,898	335,440,547
Total net position	<u>\$ 789,437,951</u>	<u>\$ 798,342,607</u>	<u>\$ 310,744,583</u>	<u>\$ 277,156,453</u>	<u>\$ 1,100,182,534</u>	<u>\$ 1,075,499,060</u>

ANALYSIS OF NET POSITION

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.1 billion and \$1.1 billion as of June 30, 2025 and 2024, respectively.

The largest portion of the City's net position reflects its investment in capital assets (i.e. land, buildings, infrastructure, improvements, machinery and equipment and construction in progress) less any related debt used to acquire those assets. The net position invested in capital assets, net of related debt was \$547.0 million and \$543.9 million at June 30, 2025 and 2024, respectively. These totals represent 49.7% and 50.6% of total net position at June 30, 2025 and 2024, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net position represents resources that are subject to external restriction on their usage. The net position subject to external restrictions was \$245.1 million (22.3% of total net position) at June 30, 2025. At June 30, 2024 restricted net position was \$196.2 million (18.2% of total net position). The remaining balance of net position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The total balance of unrestricted net position was \$308.0 million (28.0% of total net position) and \$335.4 million (31.2% of total net position) at June 30, 2025 and 2024, respectively.

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

ANALYSIS OF CHANGE IN NET POSITION

The City's total net position increased by \$24.7 million during the current fiscal year. These changes in net position are explained in the governmental and business-type activities discussion below.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 58,519,698	\$ 57,137,093	\$ 139,408,950	\$ 128,150,321	\$ 197,928,648	\$ 185,287,414
Operating grants and contributions	46,515,358	39,108,463	-	-	46,515,358	39,108,463
Capital grants and contributions	39,575,665	11,887,956	1,727,532	-	41,303,197	11,887,956
General revenues:						
Sales taxes	213,223,843	220,706,908	-	-	213,223,843	220,706,908
Intergovernmental revenue, unrestricted	93,675,840	100,839,012	-	-	93,675,840	100,839,012
Property taxes	65,921,804	63,045,369	-	-	65,921,804	63,045,369
Franchise taxes	3,280,977	3,255,826	-	-	3,280,977	3,255,826
Unrestricted investment earnings (loss)	8,891,379	9,260,955	6,706,859	7,175,090	15,598,238	16,436,045
Miscellaneous	6,254,246	12,670,187	4,171,419	730,341	10,425,665	13,400,528
Unusual and infrequent item	-	-	21,430,862	-	21,430,862	-
Total revenues	535,858,810	517,911,769	173,445,622	136,055,752	709,304,432	653,967,521
Expenses						
General government	50,627,498	52,332,996	-	-	50,627,498	52,332,996
Public safety	185,040,405	181,268,814	-	-	185,040,405	181,268,814
Public works	145,107,262	119,214,368	-	-	145,107,262	119,214,368
Criminal justice	5,883,706	5,769,865	-	-	5,883,706	5,769,865
Community enrichment	137,200,088	126,782,592	-	-	137,200,088	126,782,592
Interest on long-term debt	20,749,765	19,891,073	-	-	20,749,765	19,891,073
Water and wastewater	-	-	114,111,095	92,323,601	114,111,095	92,323,601
Solid waste	-	-	19,985,620	20,428,137	19,985,620	20,428,137
Emergency medical transportation	-	-	5,915,519	7,005,235	5,915,519	7,005,235
Golf course	-	-	-	172,560	-	172,560
Total expenses	544,608,724	505,259,708	140,012,234	119,929,533	684,620,958	625,189,241
Increase in net position before transfers	(8,749,914)	12,652,061	33,433,388	16,126,219	24,683,474	28,778,280
Transfers	(154,742)	2,984,998	154,742	(2,984,998)	-	-
Change in net position	(8,904,656)	15,637,059	33,588,130	13,141,221	24,683,474	28,778,280
Net position- beginning	798,342,607	782,705,548	277,156,453	264,015,232	1,075,499,060	1,046,720,780
Net position- ending	\$ 789,437,951	\$ 798,342,607	\$ 310,744,583	\$ 277,156,453	\$ 1,100,182,534	\$ 1,075,499,060

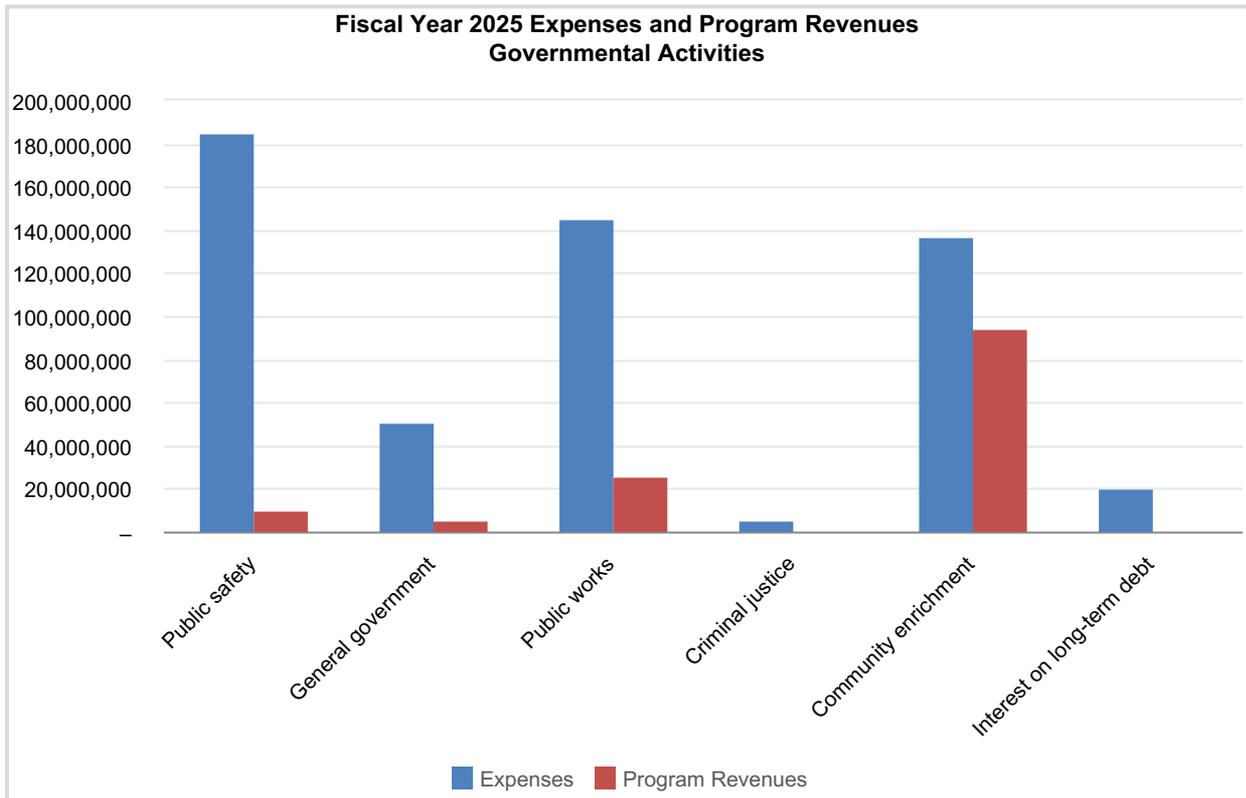
Governmental activities. The governmental net position decreased by \$8.9 million for the fiscal year ended June 30, 2025 compared to a \$15.6 million increase in net position for the fiscal year ended June 30, 2024. Overall, revenues increased by \$17.9 million or 3.5%, and expenses increased by \$39.3 million or 7.8% compared to the fiscal year ended June 30, 2024.

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

- Capital grants and contributions increased by \$27.7 million from \$10.8 million ARPA grant from Maricopa County and \$7.3 million from HOME for the purchase of Apache Shopping Center and \$9.6 million capital contribution for Angel's stadium.
- *Intergovernmental revenues* decreased by \$7.2 million or 7.1% due to lower state-shared income tax distributions and a slowdown in taxable sales activity impacting state-shared revenues.

- Total program expenses increased by \$39.3 million due primarily to increased maintenance and repair expenditures in *public works* of \$25.9 million and in *community enrichment* of \$10.4 million.

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



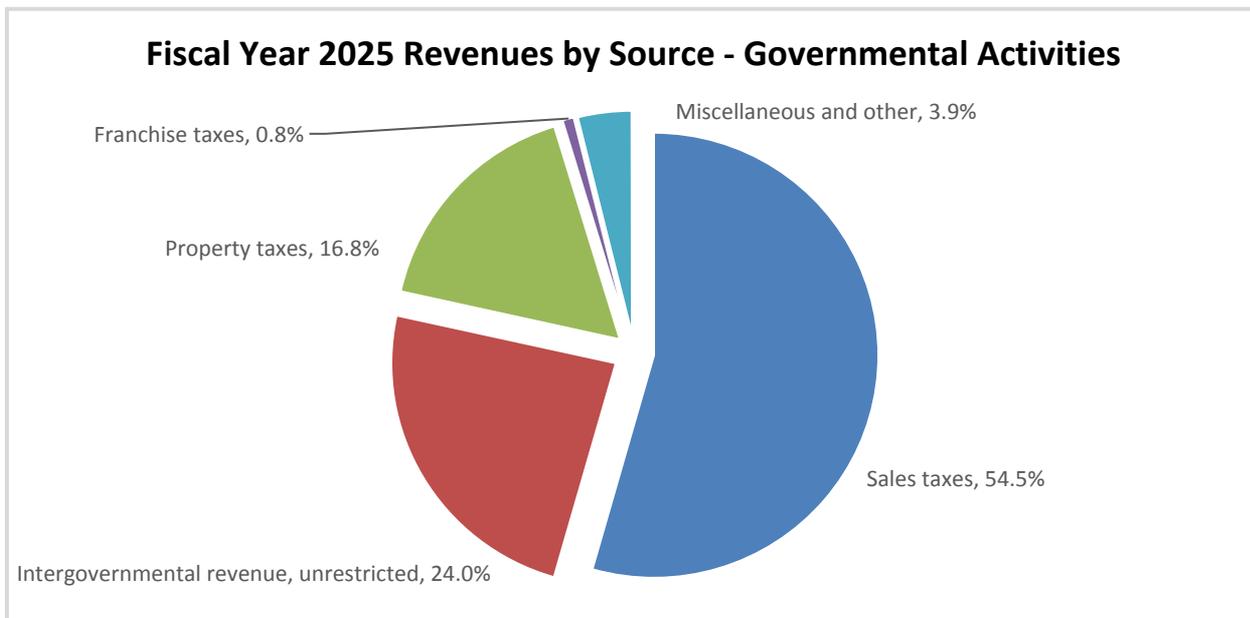
A comparison of expenses by function and the percentage of total expenses for the largest functions are presented in the chart. As stated earlier, total expenses for the City's governmental activities increased from the prior year by \$39.3 million (7.8%). The main function which experienced the increase was *public works* totaling \$25.9 million and *community enrichment* totaling \$10.4 million.

	Fiscal Year Ended			
	June 30, 2025		June 30, 2024	
General government	50,627,498	9.3	52,332,996	10.4
Public safety	\$185,040,405	34.0%	\$181,268,814	35.9%
Public works	145,107,262	26.6	119,214,368	23.6
Criminal justice	5,883,706	1.1	5,769,865	1.1
Community enrichment	137,200,088	25.2	126,782,592	25.1

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

	Fiscal Year Ended			
	June 30, 2025		June 30, 2024	
Sales taxes	\$213,223,843	39.8%	\$220,706,908	50.8%
Intergovernmental revenue-unrestricted	93,675,840	17.5	100,839,012	13.3
Property taxes	65,921,804	12.3	63,045,369	14.5
Franchise taxes	3,280,977	0.6	3,255,826	0.6
Unrestricted investment earnings (loss)	8,891,379	1.7	9,260,955	1.4
Miscellaneous and other	6,254,246	1.2	12,670,187	2.4

For governmental activities overall, without regard to program, a comparison of the largest *general revenues* and their percentage of total revenues (excluding transfers) is presented. As stated previously, *intergovernmental revenues* experienced a decline of (7.1)% due to lower state-shared income tax distributions and a slowdown in taxable sales activity impacting state-shared revenues. A summary of the *general revenues* is below.



Business-type activities. The net position of the City’s business-type activities increased by \$33.6 million for the year ended June 30, 2025 compared to an increase of \$13.1 million for the year ended June 30, 2024. The total business-type activities program and general revenues increased by \$37.4 million to \$173.4 million mainly due to the PFAS settlement revenue of \$21.4 million revenue recognized in the current year.

The largest of the City’s business-type activities, Water and Wastewater, had an increase of \$14.9 million in operating revenues and \$20.0 million increase in operating expenses. Solid Waste fund and the remaining non-major enterprise fund’s net change in net position remained comparable to prior year.

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 \$355.2 million, a decrease of \$51.5 million from the prior year. Approximately \$229.6 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 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, 2025, the non-spendable fund balance included amounts for *inventories* (\$0.8 million), *prepaid items* (\$1.8 million) and a *lease receivable* reserve (\$1.5 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, totaling \$121.5 million consists primarily of amounts for *debt service* (\$2.2 million), *capital projects* (\$89.7 million), *highway user revenue* (\$9.8 million), *development impact fees* (\$10.4 million), and *other* (\$9.4 million).

The **General Fund** is the main operating fund of the City. At the end of the current fiscal year, the total fund balance was \$158.9 million, with \$1.7 million in non-spendable fund balance. The remaining \$157.3 million is available for spending at the City’s discretion. As a measure of the General Fund’s liquidity, it may be useful to compare fund balances to total fund revenues.

The total fund balance in the City’s General Fund decreased in the current year by \$6.6 million compared to a prior year net decrease of \$6.1 million.

Arizona state shared revenues are collected by the state for statewide sales taxes, income taxes and auto in-lieu taxes (taxes levied on the value of a vehicle). These revenues are distributed to local municipalities based on population. Decreased collections by the State of Arizona resulted in decreased revenues for intergovernmental revenues, unrestricted for the City.

Total revenues decreased by \$10.5 million ((3.2)%) from the prior year. This was due to decrease in state and other agency revenues of \$7.4 million.

	Fiscal Year Ended			
	June 30, 2025		June 30, 2024	
Revenues	\$315,636,570		\$326,181,510	
Total fund balance	158,947,022	50.4 %	165,593,133	58.9 %
Unassigned fund balance	116,399,149	36.9	120,298,222	43.4

Expenditures increased by \$17.2 million (5.8%) primarily due to increase in public safety spending of \$9.7 million and \$10.3 million in community enrichment.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues decreased by \$1.3 million ((1.7)%) from the prior year in state taxes. Total Transit Special Revenue Fund expenditures increased by \$16.4 million (27.5%) due primarily to \$16.6 million increase in fixed route expenditures.

At June 30, 2025, the Transit Special Revenue Fund special assessment amounts due totaling \$8.8 million, is related to special assessment debt previously issued to finance the Tempe Streetcar project. The City has assessed and is responsible for the collection of assessments secured by a lien on the benefiting properties from the streetcar project.

The fund balance totaled \$102.5 million at June 30, 2025, compared to a \$110.4 million fund balance at June 30, 2024. The fund balance decreased \$7.9 million in the current year as compared to prior year.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources and payments of general obligation debt. Total fund balance decreased \$5.0 million from \$6.9 million at June 30, 2024 to \$1.9 million at June 30, 2025, which was the amount of unspent secondary property taxes, used for interest, principal redemption and related fees for General Obligation debt service.

The **Community Development Capital Projects Fund** accounts for the acquisition, reconstruction, and renovation of City buildings housing municipal departments, human service programs and certain general governmental projects. Total expenditures of \$60.0 million represents a decrease of \$1.5 million from the prior fiscal year due primarily to capital acquisitions. Total revenues increased by \$2.4 million due to decrease in federal and state grants.

Other **Non-Major Governmental Funds** had a fund balance decrease of \$28.5 million to \$87.7 million at the end of the fiscal year.

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, 2025	June 30, 2024
Water and Wastewater Fund	\$ 289,146,477	\$ 260,765,239
Solid Waste Fund	18,778,212	14,079,367
Non-Major Enterprise Fund	2,819,894	16,391,214

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 \$28.4 million for the fiscal year ended June 30, 2025. This primarily due to the one time PFAS settlement revenue recorded in fiscal year 2025 in the amount of \$21.4 million. In addition *Charges for services* increased by \$11.5 million primarily due to increase in utility consumption. Expenses increased by \$17.8 million in fees and services. Total net operating income was \$11.5 million, a decrease of \$5.0 million from the prior year.

The **Solid Waste Fund** accounts for the provision of solid waste service to the City. The fund experienced an increase in total net position of \$4.7 million for the fiscal year ended June 30, 2025. Total operating revenues and expenses were comparable to the prior fiscal year. Solid Waste fund issued 2025 Excise Tax Revenue Bond during the year in the amount of \$18,880,000 to fund the new solid waste building at the Tempe Municipal Operating Center.

The **Non-major enterprise fund emergency medical transportation fund**. The total fund net position increased by \$0.5 million during the fiscal year ended June 30, 2025 compared to \$2.3 million in fiscal year ended June 30, 2024. Total operating revenues and expenses were comparable to the prior fiscal year.

BUDGET HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section. The schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

Operating budget actual revenues were less than budgetary estimates by \$291.7 million and actual expenditures were less than budgetary estimates by \$343.6 million . The capital budget reported \$512.7 million less than estimated budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2025 were \$1.4 billion (net of accumulated depreciation). Capital assets include *land, buildings, infrastructure, improvements, machinery and equipment*, SBITAs, Leases, and *construction in progress*. The total increase in the City's capital assets for the current fiscal year was \$117.9 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2025 and 2024, respectively.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 122,545,757	\$ 95,915,313	\$ 6,330,829	\$ 6,330,829	\$ 128,876,586	\$ 102,246,142
Construction in progress	74,679,340	104,767,994	57,557,821	26,892,100	132,237,161	131,660,094
Buildings	158,278,030	126,321,244	13,878,710	15,100,509	172,156,740	141,421,753
Infrastructure	328,567,180	324,835,057	241,725,006	231,533,002	570,292,186	556,368,059
Improvements	209,751,475	164,853,370	133,588,855	134,486,326	343,340,330	299,339,696
Machinery and equipment	50,758,957	47,311,284	22,894,700	24,172,250	73,653,657	71,483,534
SBITA Assets	3,244,222	3,228,932	445,008	361,035	3,689,230	3,589,967
Lease Assets	577,827	816,654	-	-	577,827	816,654
Total	\$ 948,402,788	\$ 868,049,848	\$ 476,420,929	\$ 438,876,051	\$ 1,424,823,717	\$ 1,306,925,899

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

Governmental Activities

- The increase in governmental capital assets of \$80.4 million is due primarily to the increase in construction in progress of \$38.6 million and completed construction in progress of \$68.2 million transferred into depreciable assets net with current year depreciation expense of \$57.5 million.

Business-type Activities

- The increase in enterprise capital assets of \$37.5 million is due primarily to increase in completed construction in progress of \$42.5 million and \$10.2 million transferred into depreciable assets then offset by depreciation of \$32.6 million

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$1.1 billion, which is an increase of \$59.0 million over the prior fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 323,370,000	\$ 271,690,000	\$ 234,115,000	\$ 203,735,000	\$ 557,485,000	\$ 475,425,000
Special assessment bonds	7,170,000	8,755,000	-	-	7,170,000	8,755,000
Excise tax obligations	52,455,000	66,128,000	52,020,000	37,557,000	104,475,000	103,685,000
Revenue obligations	-	-	61,245,000	64,120,000	61,245,000	64,120,000
Premium on debt payable	31,974,375	30,392,466	37,001,987	35,884,021	68,976,362	66,276,487
Certificates of participation	297,190,000	317,570,000	-	-	297,190,000	317,570,000
HUD Section 108 loan	-	549,000	-	-	-	549,000
WIFA loan	-	-	3,743,725	4,631,315	3,743,725	4,631,315
Leases	616,437	853,724	-	-	616,437	853,724
SBITA	2,460,588	2,613,840	444,387	342,455	2,904,975	2,956,295
Total debt payable	\$ 715,236,400	\$ 698,552,030	\$ 388,570,099	\$ 346,269,791	\$ 1,103,806,499	\$ 1,044,821,821

On June 11, 2025, the City issued Tax-Exempt \$126,485,000 Series 2025 General Obligation Bonds were issued with maturities ranging from \$3,790,000 to \$10,990,000 to fund various project costs related to streets, public safety, parks, and water/wastewater. The bond matures on 7/1/2045 with interest rate of 5.0%. The Series 2025 General Obligation Bonds were publicly sold and are repaid from the HURF Fund, General Obligation Debt Service Fund and Water and Wastewater Fund.

On June 12, 2025, the City issued \$18,880,000 Series 2025 Excise Tax Revenue Obligation Bond with maturities ranging from \$520,000 to \$1,445,000 to fund solid waste capital projects. The bond matures on 7/1/2045 with interest rate of 5.0%

The City has assessed and is responsible for the collection of assessments secured by a lien on the assessed properties related to transit excise tax revenue obligations issued in the amount of \$10.5 million, for which the primary source of repayment is the assessments levied against the benefiting properties for the additional streetcar capital improvement project costs. At June 30, 2025, the Transit Fund special assessments receivable, related to the obligations, on the assessed properties totaled \$10.6 million. As development occurs, additional benefiting properties will be assessed in an amount not to exceed \$13.0 million for all assessed properties.

The City's total net general obligation bonded debt (total bonded debt, including the enterprise funds and Water Infrastructure Finance Authority loans, general obligation premiums less debt service reserves) outstanding increased by \$59.0 million from the fiscal year ended June 30, 2024 to the fiscal year ended June 30, 2025. The ratio of net general obligation bonded debt for governmental purposes to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. Additional information is located in the *Statistical Section* (Exhibit S-15). A comparison of these indicators follows:

	Fiscal Year Ended	
	June 30, 2025	June 30, 2024
Net general bonded debt	\$612,216,854	\$523,015,404
Net general bonded debt per capita	3,220	2,755
Ratio of net general bonded debt to total assessed value	23.8%	21.1%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.48	\$ 1.48

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, 2025 is \$526.2 million under the 20% capacity and \$166.8 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-17) of this report.

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

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

ECONOMIC FACTORS

The City of Tempe enters fiscal year 2025-26 with overall financial conditions that remain stable, supported by a diversified local economy, prudent reserve management, and continued long-range financial planning. While the City's economic foundation remains strong, the outlook for the coming year reflects a moderation in revenue growth, legislative changes affecting municipal revenues, and continued attention to balancing service delivery with sustainable expenditure levels.

Tempe's economy continues to perform well relative to the region and the state. Unemployment remains low at 3.7 percent, with an estimated 183,000 jobs within the City's employment base. Major employers, such as Arizona State University, State Farm, JPMorgan Chase, and Amazon, continue to anchor the local economy and support a diverse range of industries, including education, finance, healthcare, and logistics. Construction and development activity remain strong contributors to growth. In FY 2024-25, the City issued 2,297 permits valued at approximately \$837 million, reflecting continued investment in multifamily, commercial, and mixed-use projects. These trends, together with Tempe's strategic location and skilled workforce, provide a solid foundation for long-term fiscal stability and business confidence.

Although the local economy remains resilient, the city has adjusted its revenue projections to reflect slower growth in taxable sales and the impact of recent legislative actions. The elimination of the residential rental sales tax, effective January 2025, is expected to result in an estimated \$21 million annual revenue reduction across all funds, primarily within the General Fund and Transit Fund. Modest decreases are also anticipated in state-shared revenues due in part to the incorporation of the new City of San Tan, which affects statewide distribution formulas. Interest earnings, which increased through FY 2024 due to higher short-term rates, are expected to moderate following two Federal Reserve rate reductions in late 2025. Taken together, these factors create a more cautious but manageable revenue outlook for FY 2026.

The adopted FY 2025-26 budget totals \$1.69 billion, including \$852.8 million in operations and \$837.2 million in capital improvements. The five-year Capital Improvements Program totals \$1.96 billion, emphasizing infrastructure renewal, public safety, housing, transportation, and sustainability initiatives. Major FY 2026 projects include \$123 million for pavement preservation and roadway improvements, \$34 million for Downtown Mill Avenue enhancements, \$30 million for a new public-safety facility and Fire Station #8 in the Novus corridor, \$32 million for affordable-housing projects, \$26 million for a new police substation, and \$9.5 million for cybersecurity and facility-security upgrades. Personnel costs remain the City's largest expenditure category, and the budget includes funding for citywide market adjustments, implementation of the non-sworn classification and compensation study, and public-safety step plans designed to sustain competitive pay and workforce stability.

To maintain balance under evolving conditions, the City continues to apply conservative budgeting practices, focus on essential service delivery, and align ongoing commitments with long-term revenue trends. Through proactive financial monitoring and prudent use of reserves consistent with Council policy, Tempe maintains its General Fund balance within the targeted 20-to-30 percent range. Enterprise operations—including Water/Wastewater and Solid Waste—remain financially sound, supported by planned rate adjustments and robust reserve positions. The City's financial forecasts assume moderate economic growth and no recession, while staff continue to monitor potential state and federal actions—such as the proposed federal deduction for tips and overtime—that could modestly influence future revenue streams.

While revenue growth is expected to remain measured through FY 2025-26, Tempe's strong economic base, sustained capital investment, and disciplined financial management continue to provide a solid foundation for the City's long-term fiscal health. Through conservative forecasting, adherence to financial policies, and a commitment to innovation and service excellence, the City remains well-positioned to maintain core services, invest in critical infrastructure, and advance Council priorities while navigating an evolving economic landscape.

REQUESTS FOR INFORMATION

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

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



Statement of Net Position

June 30, 2025

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 405,262,103	\$ 80,215,492	\$ 485,477,595
Receivables:			
Taxes	24,356,505	-	24,356,505
Accounts, net	24,933,453	38,336,330	63,269,783
Accrued interest	3,333,268	993,231	4,326,499
Special assessment	16,456,669	-	16,456,669
Leases	22,283,851	-	22,283,851
Due from other governments	5,667,799	1,727,533	7,395,332
Inventories	830,282	1,546,003	2,376,285
Prepaid items	1,792,268		1,792,268
Restricted cash and investments	87,862,969	53,966,626	141,829,595
Capital improvement notes receivable	1,250,806	-	1,250,806
Net OPEB assets	4,651,593	874,196	5,525,789
Restricted joint venture construction deposit	-	41,446,542	41,446,542
Equity in joint venture	366,055,508	89,249,000	455,304,508
Non-depreciable capital assets	197,225,096	63,888,650	261,113,746
Depreciable assets (net)	751,177,691	412,532,279	1,163,709,970
Total assets	<u>1,913,139,861</u>	<u>784,775,882</u>	<u>2,697,915,743</u>
Deferred Outflows of Resources			
Deferred charge on refundings	2,215,990	3,983,179	6,199,169
Deferred outflows from pensions	79,383,987	4,583,689	83,967,676
Deferred outflows from OPEB	892,283	113,657	1,005,940
Total deferred outflow of resources	<u>82,492,260</u>	<u>8,680,525</u>	<u>91,172,785</u>
Liabilities			
Accounts payable	45,939,482	20,099,816	66,039,298
Deposits	3,289,857	1,274,597	4,564,454
Accrued expenses	10,704,888	1,039,223	11,744,111
Unearned revenue	4,002,282	345,832	4,348,114
Matured bonds payable	58,498,000	27,272,000	85,770,000
Interest payable	10,053,390	6,671,031	16,724,421
Net OPEB liabilities	77,259,387	9,662,022	86,921,409
Net pension liabilities	175,266,338	22,762,141	198,028,479
Long term liabilities due within one year	86,948,191	28,245,792	115,193,983
Long term liabilities due more than one year	690,868,205	363,106,310	1,053,974,515
Total liabilities	<u>1,162,830,020</u>	<u>480,478,764</u>	<u>1,643,308,784</u>
Deferred Inflows of Resources			
Deferred inflows from leases	20,813,854	-	20,813,854
Deferred inflows from PPP	6,024,208	-	6,024,208
Deferred inflows from refundings	1,120,955	-	1,120,955
Deferred inflows from pensions	10,295,860	1,547,446	11,843,306
Deferred inflows from OPEB	5,109,273	685,614	5,794,887
Total deferred inflow of resources	<u>43,364,150</u>	<u>2,233,060</u>	<u>45,597,210</u>
Net Position			
Net investment in capital assets	463,290,704	83,745,808	547,036,512
Restricted for:			
Capital projects	67,594,078	-	67,594,078
Debt service	50,753,142	-	50,753,142
Transportation	70,364,417	-	70,364,417
OPEB	4,651,593	874,196	5,525,789
Other	9,422,156	-	9,422,156
Joint venture	-	41,446,542	41,446,542
Unrestricted	123,361,861	184,678,037	308,039,898
Total net position	<u>\$ 789,437,951</u>	<u>\$ 310,744,583</u>	<u>\$ 1,100,182,534</u>

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

Statement of Activities

For the fiscal year ended June 30, 2025

City of Tempe, Arizona

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 50,627,498	\$ 4,900,088	\$ 733,384	\$ 359,315	\$ (44,634,711)	\$ -	\$ (44,634,711)
Public safety	185,040,405	2,022,890	8,348,109	1,940,519	(172,728,887)	-	(172,728,887)
Public works	145,107,262	19,298,315	6,595,944	4,956,660	(114,256,343)	-	(114,256,343)
Criminal justice	5,883,706	1,312,040	59,903	-	(4,511,763)	-	(4,511,763)
Community enrichment	137,200,088	30,986,365	30,778,018	32,319,171	(43,116,534)	-	(43,116,534)
Interest on long-term debt	20,749,765	-	-	-	(20,749,765)	-	(20,749,765)
Total governmental activities	544,608,724	58,519,698	46,515,358	39,575,665	(399,998,003)	-	(399,998,003)
Business-type activities:							
Water and wastewater	114,111,095	110,549,161	-	1,727,532	-	(1,834,402)	(1,834,402)
Solid waste	19,985,620	22,487,015	-	-	-	2,501,395	2,501,395
Emergency medical	5,915,519	6,372,774	-	-	-	457,255	457,255
Golf course	-	-	-	-	-	-	-
Total business-type activities	140,012,234	139,408,950	-	1,727,532	-	1,124,248	1,124,248
Total government	684,620,958	197,928,648	46,515,358	41,303,197	(399,998,003)	\$ 1,124,248	\$ (398,873,755)
General revenues:							
Sales taxes					213,223,843	-	213,223,843
Intergovernmental revenue, unrestricted					93,675,840	-	93,675,840
Property taxes					65,921,804	-	65,921,804
Franchise taxes					3,280,977	-	3,280,977
Unrestricted investment earnings (loss)					8,891,379	6,706,859	15,598,238
Infrequent and unusual item					-	21,430,862	21,430,862
Miscellaneous					6,254,246	4,171,419	10,425,665
Transfers					(154,742)	154,742	-
Total general revenues and transfers					391,093,347	32,463,882	423,557,229
Change in net position					(8,904,656)	33,588,130	24,683,474
Net position - beginning					798,342,607	277,156,453	1,075,499,060
Net position - ending					\$ 789,437,951	\$ 310,744,583	\$ 1,100,182,534

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

Balance Sheet
Governmental Funds
June 30, 2025

City of Tempe, Arizona

	General	Transit Special Revenue	General Obligation Debt Service	Community Development Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Pooled cash and investments	\$ 149,916,374	\$ 94,510,443	\$ -	\$ 15,718,717	\$ 106,282,351	\$ 366,427,885
Receivables:						
Taxes	15,658,073	5,067,774	1,213,164	-	2,417,494	24,356,505
Accounts	14,126,748	2,795,687	-	-	7,588,437	24,510,872
Special assessments	-	8,757,254	-	-	7,699,415	16,456,669
Accrued interest	2,250,695	720,072	-	-	326,976	3,297,743
Leases	22,085,304	198,547	-	-	-	22,283,851
Due from other funds	6,132,707	-	-	-	-	6,132,707
Due from other governments	609,193	1,738,253	-	-	3,320,353	5,667,799
Inventories	166,780	-	-	-	663,502	830,282
Prepaid items	61,976	-	-	-	1,730,292	1,792,268
Restricted cash and investments	23,554,610	4,139,518	46,996,228	-	1,288,829	75,979,185
Capital improvement notes receivable	250,000	1,000,806	-	-	-	1,250,806
Total assets	<u>\$ 234,812,460</u>	<u>\$ 118,928,354</u>	<u>\$ 48,209,392</u>	<u>\$ 15,718,717</u>	<u>\$ 131,317,649</u>	<u>\$ 548,986,572</u>
Liabilities						
Accounts payable	\$ 9,142,457	\$ 2,042,774	\$ 96,901	\$ 11,610,070	\$ 22,047,620	\$ 44,939,822
Deposits	3,067,352	305	-	9,008	213,190	3,289,855
Accrued expenditures	6,887,687	264,691	-	-	719,834	7,872,212
Due to other funds	-	-	5,358,489	-	713,605	6,072,094
Unearned revenue	272,349	-	-	-	4,155,855	4,428,204
Matured bonds payable	20,380,000	3,590,000	34,163,000	-	365,000	58,498,000
Matured interest payable	3,108,771	549,517	6,107,352	-	287,750	10,053,390
Total liabilities	<u>42,858,616</u>	<u>6,447,287</u>	<u>45,725,742</u>	<u>11,619,078</u>	<u>28,502,854</u>	<u>135,153,577</u>
Deferred Inflows of Resources						
Unavailable revenue- courts	5,164,510	-	-	-	-	5,164,510
Unavailable revenue- PPP	6,024,208	-	-	-	-	6,024,208
Unavailable revenue- notes receivable	-	1,000,806	-	-	-	1,000,806
Unavailable revenue- other	862,861	-	-	-	7,199,163	8,062,024
Unavailable revenue- property tax	327,233	-	564,511	-	-	891,744
Unavailable revenue- special assessments	-	8,757,254	-	-	7,948,212	16,705,466
Unavailable revenue- leases	20,628,010	185,844	-	-	-	20,813,854
Total deferred inflows of resources	<u>33,006,822</u>	<u>9,943,904</u>	<u>564,511</u>	<u>-</u>	<u>15,147,375</u>	<u>58,662,612</u>
Fund Balances						
Fund balances:						
Non-spendable	1,686,050	12,703	-	-	2,393,794	4,092,547
Restricted	-	60,582,985	1,919,139	-	58,958,228	121,460,352
Committed	2,236,486	18,698,055	-	28,468,516	16,021,482	65,424,539
Assigned	38,625,337	23,761,057	-	-	38,693,082	101,079,476
Unassigned	116,399,149	(517,637)	-	(24,368,877)	(28,399,166)	63,113,469
Total fund balances	<u>\$ 158,947,022</u>	<u>\$ 102,537,163</u>	<u>\$ 1,919,139</u>	<u>\$ 4,099,639</u>	<u>\$ 87,667,420</u>	<u>\$ 355,170,383</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 234,812,460</u>	<u>\$ 118,928,354</u>	<u>\$ 48,209,392</u>	<u>\$ 15,718,717</u>	<u>\$ 131,317,649</u>	<u>\$ 548,986,572</u>

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

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2025

City of Tempe, Arizona

Fund balances- total governmental funds \$ 355,170,383

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	2,077,728,956
Accumulated depreciation	(1,129,320,588)
	<u>948,408,368</u>

The equity in joint venture is not a financial resource and, therefore, is not reported in the funds. 366,055,508

Net OPEB assets (excluding internal service) 4,625,329

Other assets are not available to pay current-period expenditures and, therefore, are offset by unavailable revenue.

Unavailable special assessment revenue	16,705,466
Unavailable tax and other revenue	9,330,981
Unavailable notes receivable revenue	1,000,806
Unavailable court revenue	5,164,510
	<u>32,201,763</u>

Bond premiums and the deferred charge on refundings are not financial resources and, therefore, are not reported in the funds.

Bond premiums	(31,974,375)
Deferred inflows from refundings	(1,120,955)
Deferred outflows from refundings	2,215,990
Deferred inflows related to pension and OPEB	(15,345,035)
Deferred outflows related pension and OPEB	80,135,876
	<u>33,911,501</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Compensated absences (excluding internal service)	(34,946,549)
Net pension liabilities (excluding internal service)	(174,582,474)
Other post employment benefits liabilities (excluding internal service)	(77,165,339)
Lease and SBITA liabilities	(3,077,025)
Bonds payable	(680,185,000)
	<u>(969,956,387)</u>

Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.

19,021,486

Net position of governmental activities \$ 789,437,951

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, 2025

City of Tempe, Arizona

	General	Transit Special Revenue	General Obligation Debt Service	Community Development Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Sales taxes	\$ 146,033,598	\$ 55,759,709	\$ -	\$ -	\$ 11,151,942	\$ 212,945,249
Property taxes	25,945,633	-	40,068,125	-	-	66,013,758
Franchise taxes	3,559,571	-	-	-	-	3,559,571
Intergovernmental:						
Federal agency	820,696	-	-	2,550,000	43,572,956	46,943,652
State and other agency	80,381,370	458,380	-	10,800,000	24,650,187	116,289,937
Property rental	3,905,804	406,327	-	-	-	4,312,131
Interest earnings- leases	716,912	1,611	-	-	-	718,523
Investment income (loss)	12,391,599	6,831,592	294,056	-	1,584,674	21,101,921
Charges for services	23,196,829	9,470,298	-	-	4,988,617	37,655,744
Fines and forfeitures	4,516,932	-	-	2	475,739	4,992,673
Other entities' participation	359,815	532,819	-	1,073	16,228,312	17,122,019
Special assessments	-	-	-	-	1,983,125	1,983,125
Licenses and permits	10,254,190	73	-	-	244,319	10,498,582
Miscellaneous	3,553,621	368,678	-	-	744,679	4,666,978
Total revenues	<u>315,636,570</u>	<u>73,829,487</u>	<u>40,362,181</u>	<u>13,351,075</u>	<u>105,624,550</u>	<u>548,803,863</u>
Expenditures:						
Current:						
General government	34,590,419	-	210,287	-	1,381,733	36,182,439
Public safety	155,823,235	-	-	-	10,259,494	166,082,729
Public Works	-	71,328,109	-	16,551,781	28,140,422	116,020,312
Criminal justice	5,582,029	-	-	-	331,112	5,913,141
Community enrichment	81,014,716	-	-	1,219,343	48,142,910	130,376,969
Debt service:						
Principal	22,100,933	3,590,000	34,163,000	-	2,519,696	62,373,629
Interest	6,312,154	1,099,034	11,985,515	-	617,933	20,014,636
Bond issuance costs	14,120	5,700	502,080	-	2,350	524,250
Capital outlay	8,174,163	33,995	-	42,232,387	92,872,835	143,313,380
Total expenditures	<u>313,611,769</u>	<u>76,056,838</u>	<u>46,860,882</u>	<u>60,003,511</u>	<u>184,268,485</u>	<u>680,801,485</u>
Excess (deficiency) of revenues over expenditures	<u>2,024,801</u>	<u>(2,227,351)</u>	<u>(6,498,701)</u>	<u>(46,652,436)</u>	<u>(78,643,935)</u>	<u>(131,997,622)</u>
Other financing sources (uses):						
Transfers in	144,219	-	888,258	5,984,837	12,627,422	19,644,736
Transfers out	(11,202,611)	(5,704,480)	-	(131,822)	(5,067,084)	(22,105,997)
Issuance of debt	-	-	-	35,670,000	40,455,000	76,125,000
Premium on issuance of debt	-	-	633,017	1,730,000	1,947,000	4,310,017
Proceeds from sale of capital assets	1,036,390	22,898	-	-	157,837	1,217,125
Issuance of SBITA	1,351,090	-	-	-	-	1,351,090
Total other financing sources (uses)	<u>(8,670,912)</u>	<u>(5,681,582)</u>	<u>1,521,275</u>	<u>43,253,015</u>	<u>50,120,175</u>	<u>80,541,971</u>
Net change in fund balance	<u>(6,646,111)</u>	<u>(7,908,933)</u>	<u>(4,977,426)</u>	<u>(3,399,421)</u>	<u>(28,523,760)</u>	<u>(51,455,651)</u>
Fund balance at beginning of year	165,593,133	110,446,096	6,896,565	7,499,060	116,191,180	406,626,034
Fund balance at end of year	<u>\$ 158,947,022</u>	<u>\$ 102,537,163</u>	<u>\$ 1,919,139</u>	<u>\$ 4,099,639</u>	<u>\$ 87,667,420</u>	<u>\$ 355,170,383</u>

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

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

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ (51,455,651)

Amounts reported for the governmental activities in the statement of activities are different because:

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.

Expenditures for capitalized assets	138,494,364
Depreciation and amortization expense	(57,533,376)
	<u>80,960,988</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	(372,076)
Court revenue	(1,563,599)
Notes receivable	(356,585)
Special assessments received/recognized	(2,189,725)
Joint venture	(12,931,020)
	<u>(17,413,005)</u>

Government funds report pension and OPEB 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 and OPEB contributions	27,294,838
Pension and OPEB expense	(32,774,887)
	<u>(5,480,049)</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, government funds report the effect of premiums and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Issuance of debt	(76,125,000)
Subscription-based information technology arrangements incurred	(1,351,090)
Premium on issuance of debt	(4,310,017)
Compensated absences	(891,425)
Principal payments made	62,373,629
Amortization of deferred inflow- refunding	186,825
Amortization of deferred outflow- deferred charges	(397,705)
Amortization of bond premium	2,728,108
	<u>(17,786,675)</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.

2,269,736

Change in net position of governmental activities \$ (8,904,656)

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



Statement of Fund Net Position

Proprietary Funds

June 30, 2025

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				
	Water and Wastewater	Solid Waste	Non-Major Emergency Medical Transportation	Total	Governmental Activities- Internal Service Funds
Assets					
Current assets:					
Pooled cash and investments	\$ 78,811,174	\$ -	\$ 1,404,318	\$ 80,215,492	\$ 38,834,217
Restricted cash and investments	33,966,626	20,000,000	-	53,966,626	11,883,784
Accounts receivable, net	32,744,793	1,456,482	4,135,055	38,336,330	422,581
Accrued interest receivable	882,870	102,594	7,767	993,231	37,303
Due from other funds	1,986,326	-	-	1,986,326	-
Due from other governments	1,727,533	-	-	1,727,533	-
Inventories	1,546,003	-	-	1,546,003	-
Total current assets	151,665,325	21,559,076	5,547,140	178,771,541	51,177,885
Non-current assets:					
Net OPEB assets	550,876	196,535	126,785	874,196	26,264
Restricted joint venture construction deposit	41,446,542	-	-	41,446,542	-
Equity in joint venture	89,249,000	-	-	89,249,000	-
Capital assets:					
Non-depreciable assets	43,538,772	20,349,878	-	63,888,650	-
Depreciable assets, net	401,642,720	9,897,908	991,651	412,532,279	43,114
Total capital assets, net	445,181,492	30,247,786	991,651	476,420,929	43,114
Total non-current assets	576,427,910	30,444,321	1,118,436	607,990,667	69,378
Total assets	728,093,235	52,003,397	6,665,576	786,762,208	51,247,263
Deferred Outflows of Resources					
Deferred charge on refunding	3,983,179	-	-	3,983,179	-
Deferred outflows related to pensions	2,888,420	1,030,497	664,772	4,583,689	137,712
Deferred outflows related to OPEB	74,593	25,608	13,456	113,657	2,682
Total deferred outflows of resources	6,946,192	1,056,105	678,228	8,680,525	140,394
Liabilities					
Current liabilities:					
Accounts payable	17,101,746	2,947,431	50,639	20,099,816	999,299
Deposits	1,243,661	30,895	41	1,274,597	-
Accrued expenses	635,799	250,393	153,031	1,039,223	2,834,802
Due to other funds	-	1,986,326	-	1,986,326	60,613
Unearned revenue	345,832	-	-	345,832	-
Accrued interest payable	6,671,031	-	-	6,671,031	-
Matured bonds payable	27,272,000	-	-	27,272,000	-
WIFA loan payable	906,508	-	-	906,508	-
Claims liability	-	-	-	-	18,644,458
Compensated absence	704,171	282,126	50,020	1,036,317	61,645
SBITA liability	48,856	114,111	-	162,967	-
Bonds and loans payable	26,140,000	-	-	26,140,000	-
Total current liabilities	81,069,604	5,611,282	253,731	86,934,617	22,600,817
Non-current liabilities:					
Claims Liability	-	-	-	-	8,823,502
Compensated Absence	1,186,183	475,244	84,259	1,745,686	103,842
Bonds and loans payable	337,971,989	20,269,999	-	358,241,988	-
WIFA loan payable	2,837,216	-	-	2,837,216	-
SBITA liability	163,536	117,884	-	281,420	-
Net OPEB liabilities	6,885,270	2,186,977	589,775	9,662,022	94,048
Net pension liabilities	14,343,603	5,117,345	3,301,193	22,762,141	683,864
Total non-current liabilities	363,387,797	28,167,449	3,975,227	395,530,473	9,705,256
Total liabilities	444,457,401	33,778,731	4,228,958	482,465,090	32,306,073
Deferred Inflows of Resources					
Deferred inflows related to pensions	975,126	347,894	224,426	1,547,446	46,491
Deferred inflows related to OPEB	460,423	154,665	70,526	685,614	13,607
Total deferred inflows of resources	1,435,549	502,559	294,952	2,233,060	60,098
Net Position					
Net investment in capital assets	75,012,444	7,741,713	991,651	83,745,808	43,114
Restricted					
Joint venture	41,446,542	-	-	41,446,542	-
OPEB	550,876	196,535	126,785	874,196	26,264
Unrestricted	172,136,615	10,839,964	1,701,458	184,678,037	18,952,108
Total net position	\$ 289,146,477	\$ 18,778,212	\$ 2,819,894	\$ 310,744,583	\$ 19,021,486

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

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Formerly Non- Major Solid Waste	Non-Major Emergency Medical Transportation	Total	
Operating revenues:					
Charges for services	\$ 110,549,161	\$ 22,487,015	\$ 6,372,774	\$ 139,408,950	\$ 55,239,729
Miscellaneous	3,925,638	17,771	4	3,943,413	56,006
Total operating revenues	<u>114,474,799</u>	<u>22,504,786</u>	<u>6,372,778</u>	<u>143,352,363</u>	<u>55,295,735</u>
Operating expenses:					
Personnel services	16,952,882	5,743,321	3,724,290	26,420,493	-
Supplies and materials	2,149,396	720,039	936,424	3,805,859	-
Fees and services	53,588,904	11,187,535	939,739	65,716,178	55,763,360
Depreciation and amortization	30,272,450	2,053,408	315,066	32,640,924	5,580
Total operating expenses	<u>102,963,632</u>	<u>19,704,303</u>	<u>5,915,519</u>	<u>128,583,454</u>	<u>55,768,940</u>
Operating income	11,511,167	2,800,483	457,259	14,768,909	(473,205)
Non-operating revenues (expenses):					
Investment income	5,836,556	819,515	50,788	6,706,859	428,973
Interest and fiscal fees	(11,147,463)	(281,317)	-	(11,428,780)	-
Settlement revenue	21,430,862	-	-	21,430,862	-
Grant from federal agency	1,727,532	-	-	1,727,532	-
Gains on sale of capital assets	200,201	27,805	-	228,006	7,449
Income (loss) before transfers	<u>29,558,855</u>	<u>3,366,486</u>	<u>508,047</u>	<u>33,433,388</u>	<u>(36,783)</u>
Transfers in	-	1,339,974	-	1,339,974	2,306,519
Transfers out	<u>(1,177,617)</u>	<u>(7,615)</u>	<u>-</u>	<u>(1,185,232)</u>	<u>-</u>
Total transfers	<u>(1,177,617)</u>	<u>1,332,359</u>	<u>-</u>	<u>154,742</u>	<u>2,306,519</u>
Change in net position	28,381,238	4,698,845	508,047	33,588,130	2,269,736
Total net position- beginning, as previously presented	260,765,239	-	16,391,214	277,156,453	16,751,750
Change within financial reporting entity (nonmajor to major)	-	14,079,367	(14,079,367)	-	-
Fund balances - beginning, as adjusted	260,765,239	14,079,367	2,311,847	277,156,453	16,751,750
Total net position- ending	<u>\$ 289,146,477</u>	<u>\$ 18,778,212</u>	<u>\$ 2,819,894</u>	<u>\$ 310,744,583</u>	<u>\$ 19,021,486</u>

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

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Non-Major Emergency Medical Transportation	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 107,590,877	\$ 22,657,844	\$ 6,591,518	\$ 136,840,239	\$ 55,083,369
Payments to employees for services	(17,882,658)	(6,504,095)	(4,232,550)	(28,619,303)	(1,125,508)
Payments to suppliers for goods and services	(58,089,122)	(10,078,447)	(1,898,456)	(70,066,025)	(50,345,025)
Receipts from other	3,925,638	17,771	-	3,943,409	56,006
Net cash provided (used) by operating activities	35,544,735	6,093,073	460,512	42,098,320	3,668,842
Cash flows from noncapital financing activities:					
Advances from/(to) other funds	(1,986,326)	1,986,326	-	-	-
Settlement revenue	3,677,021	-	-	3,677,021	-
Transfers in	-	1,339,974	-	1,339,974	2,306,519
Transfers out	(1,177,617)	(7,615)	-	(1,185,232)	-
Net cash provided (used) by noncapital financing activities	513,078	3,318,685	-	3,831,763	2,306,519
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	53,411,332	20,275,815	-	73,687,147	-
Principal paid on long-term debt	(30,189,406)	-	-	(30,189,406)	-
Interest and fiscal fees	(13,163,639)	(281,317)	-	(13,444,956)	-
Purchase of capital assets	(39,770,398)	(23,183,967)	-	(62,954,365)	(48,694)
Investment in joint venture	(8,831,563)	-	-	(8,831,563)	-
Proceeds from the sale of capital assets	206,016	27,805	-	233,821	7,449
Net cash provided (used) by capital and related financing activities	(38,337,658)	(3,161,664)	-	(41,499,322)	(41,245)
Cash flows from investing activities:					
Investment income	5,742,255	796,588	49,295	6,588,138	417,355
Net cash provided (used) by investing activities	5,742,255	796,588	49,295	6,588,138	417,355
Net increase (decrease) in cash and cash equivalents	3,462,410	7,046,682	509,807	11,018,899	6,351,471
Cash and cash equivalents at beginning of year	109,315,390	12,953,318	894,511	123,163,219	44,366,530
Cash and cash equivalents at end of year	\$ 112,777,800	\$ 20,000,000	\$ 1,404,318	\$ 134,182,118	\$ 50,718,001
Reconciliation of cash and cash equivalents at end of year:					
Pooled cash and investments	\$ 78,811,174	\$ -	\$ 1,404,318	\$ 80,215,492	\$ 38,834,217
Restricted cash and investments	33,966,626	20,000,000	-	53,966,626	11,883,784
Cash and cash equivalents at end of year	\$ 112,777,800	\$ 20,000,000	\$ 1,404,318	\$ 134,182,118	\$ 50,718,001
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 11,511,167	\$ 2,800,483	\$ 457,259	\$ 14,768,909	\$ (473,205)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation/amortization	30,272,450	2,053,408	315,066	32,640,924	5,580
Change in assets and liabilities:					
(Increase) decrease in receivables	(3,103,649)	139,934	218,712	(2,745,003)	(156,360)
(Increase) decrease in inventories	(154,726)	-	-	(154,726)	-
(Increase) decrease in net OPEB asset	(88,604)	(8,447)	(5,629)	(102,680)	(3,720)
Increase (decrease) in deposits	12,558	30,895	32	43,485	-
Increase (decrease) in unearned revenue	132,807	-	-	132,807	-
Increase (decrease) in payables	(2,196,096)	1,829,127	(22,297)	(389,266)	712,937
Increase (decrease) in accrued expenses	68,798	39,320	(6,525)	101,593	155,254
Increase (decrease) in claims payable	-	-	-	-	3,436,399
Increase (decrease) in compensated absence	(175,222)	83,572	(10,001)	(101,651)	19,861
(Increase) decrease in deferred outflows related to pension and OPEB	(1,141,731)	(317,443)	(205,592)	(1,664,766)	(52,512)
Increase (decrease) in deferred inflows related to pension and OPEB	58,992	(12,359)	23,484	70,117	10,740
Increase (decrease) in net pension liabilities	(365,473)	(428,437)	(271,090)	(1,065,000)	19,166
Increase (decrease) in net OPEB liabilities	713,464	(116,980)	(32,907)	563,577	(5,298)
Net cash provided (used) by operating activities	\$ 35,544,735	\$ 6,093,073	\$ 460,512	\$ 42,098,320	\$ 3,668,842
Noncash investing, capital, and financing activities:					
Accounts payable related to capital assets	\$ 7,135,320	\$ 2,004,079	\$ -	\$ 9,139,399	\$ -
Total noncash investing, capital, and financing activities:	\$ 7,135,320	\$ 2,004,079	\$ -	\$ 9,139,399	\$ -

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

Statement of Fiduciary Net Position

Fiduciary Trust Fund

June 30, 2025

City of Tempe, Arizona

	<u>Other Employee Benefit Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 206,129
Interest receivable	607
Investments at fair value:	
Mutual Funds	22,310,130
Total investments	<u>22,310,130</u>
Total assets	<u>22,516,866</u>
Net Position	
Restricted for other post employment benefits	22,516,866
Total net position	<u>\$ 22,516,866</u>

Statement of Changes In Fiduciary Net Position

Fiduciary Trust Fund

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	<u>Other Employee Benefit Trust Fund</u>
Additions:	
Contributions:	
Employer contributions	\$ 10,269,106
Investment earnings:	
Net decrease in fair value of investments	1,791,485
Interest, dividends and other	570,449
Net investment earnings	<u>2,361,934</u>
Total additions	<u>12,631,040</u>
Deductions:	
Benefits paid to participants or beneficiaries	10,269,106
Total deductions	<u>10,269,106</u>
Net increase in fiduciary net position	2,361,934
Net position- beginning	20,154,932
Net position- ending	<u>\$ 22,516,866</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basic Financial Statements

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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

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

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

C. Basis of Presentation

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

The following fund categories are used by the City:

Governmental Funds

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

Governmental Funds include the following fund types:

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

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

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

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

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

Community Development Capital Projects 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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. 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.

The following enterprise funds are reported as major funds 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 solid waste collection and disposal services to the residents of the City and certain customers in surrounding areas. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operations, maintenance, financing and related debt service, billing, and collection.

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

The following internal service funds are used by the City:

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

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

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

Fiduciary Funds

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except for grant revenue which are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 judgments, 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 occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for the unearned revenue is removed and revenue is recognized.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (continued)

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.

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.

E. Budgetary Data

State law mandates that cities and towns adopt a budget annually. 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. The separately issued annual budget may be obtained from the City's Municipal Budget Office, 31 East 5th Street, Tempe, Arizona, 85281.

The City adheres to the following procedures in establishing the budgetary data:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables

For accounts receivable, all amounts are net of allowance for doubtful accounts (\$3,905,647 in non-major enterprise fund).

H. Inventories and Prepaid Items

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

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

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

I. 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, Statement of Fund Net Position, 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 \$8.1 million is included in restricted assets in the Worker's Compensation Fund.

J. 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 or in aggregate of similar items 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):

Assets	Useful Life (years)
Buildings	10-70
Infrastructure	7-70
Improvements	5-50
Machinery and equipment	3-10
Intangible:	
Right-to-use subscription assets	Varies
Right-to-use lease assets	Varies

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

K. Leases

The city has entered into lease agreements and are accounted for based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

L. Subscription based information technology agreement

Subscription based information technology agreement (SBITA) related amounts are recognized at the inception of SBITA in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the SBITA at or before the commencement of the subscription term that relate to future periods, less any incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the SBITA

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. It is the deferred charge on refunded debt and deferred outflows related to pensions and OPEB reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, deferred inflow related to leases, the deferred inflow related to pensions and other post-employment benefits, and amounts resulting from refunded debt.

Amounts that are reported as deferred outflows are shown as a separate balance sheet section following the assets. Similarly, amounts shown as deferred inflows are shown in a separate balance sheet section following liabilities.

Under the GASB 94 - "*Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*", the City's golf courses met the definition of a PPP-Service Concession Arrangement. There were \$6.0 million of related deferred inflows of resources recognized in the current year.

N. Compensated Absences

Accumulated unpaid vacation, vested sick pay and earned compensatory time are accrued in the Government-wide and all Proprietary Fund statements. Compensated absences are only reported in the governmental funds if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). These long-term liabilities of the governmental funds are not shown on the fund financial statements, as the benefits are not expected to be liquidated with expendable available financial resources. Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees. Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Generally, upon retirement or resignation, employees with at least 10 or 20 years of service are eligible for compensation of up to 50 percent, or 60 percent respectively, of accumulated sick leave.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Post-Employment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net assets and additions to/deductions from the plan's fiduciary net assets have been determined on the same basis as they are reported by the plans. 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 except for money market investments and interest earnings from investment contracts that have a maturity at the time of purchase of 1 year or less which are reported at cost.

P. Long-term Obligations

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

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

Q. Net Position Flow Assumption

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

R. Interfund Transactions

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

S. Fund Equity

In the fund financial statements, the classifications of fund balance are *Nonspendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. *Nonspendable* and *Restricted* fund balances represent the "restricted" classifications and *Committed*, *Assigned*, and *Unassigned* represent the "unrestricted" classifications (see Note 14).

T. Statements of Cash Flows

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

U. Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Implementation of New GASB Pronouncement

For the year ended June 30, 2025, the City implemented the provision of GASB Statement No. 101 - *Compensated Absences*. This Statement establishes accounting and financial reporting requirements for (a) compensated absences, and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). City also implemented GASB Statement No. 102—*Certain Risk Disclosures*. There is no financial impact to the City's financial statements. The Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constrains.

NOTE 2 - BUDGET BASIS OF ACCOUNTING

Arizona state statutes require accounting for certain transactions to be on a basis other than GAAP. Legal control over the budget derives from State statutes that prohibits the City from exceeding its adopted budget in total. The legally adopted budget is at the citywide level that includes operating budget and capital budget. The budgetary comparison schedule at the citywide level is presented in the Required Supplementary Information section. There are certain differences between the budgetary basis and the basis used for reporting under GAAP. The major differences between the budget and GAAP bases are:

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

NOTE 3 - PROPERTY TAXES

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

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

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

NOTE 3 - PROPERTY TAXES (Continued)

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

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 fair market value.

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$6,703,309 and the bank balance was \$12,383,110; \$11,862,888 of that amount was exposed to custodial risk because it was uninsured and is collateralized with securities held by the pledging financial institution. In addition, the City holds \$20,947 in petty cash. The City also reported construction deposit of \$41.4 million which is money set-aside for joint venture contribution.

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 Pool.

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$ 643,123,635
Carrying amount of cash deposits	6,699,814
Total cash and investments	<u>\$ 649,823,449</u>
Pooled cash and investments – unrestricted	\$ 485,477,595
Restricted cash and investments	141,829,595
Investments in OPEB trust	22,516,259
Total cash and investments	<u>\$ 649,823,449</u>

NOTE 4 - CASH AND INVESTMENTS (Continued)

At June 30, 2025, the City maintained the following investments and maturities:

	Category	Fair Value	Remaining Maturity in Months			
			12 Months or Less	13 – 24 Months	25 – 36 Months	37 - 48 Months
US government treasuries	Level 2	\$ 305,683,840	\$ 89,699,877	\$ 123,102,985	\$ 92,880,978	\$ -
US government agencies	Level 2	124,262,032	40,395,068	40,682,020	41,743,275	1,441,669
Money market	Level 1	146,575,888	146,575,888	-	-	-
State investment pool	N/A	44,291,138	44,291,138	-	-	-
Mutual funds	Level 1	22,310,737	22,310,737	-	-	-
		<u>\$ 643,123,635</u>	<u>\$ 343,272,708</u>	<u>\$ 163,785,005</u>	<u>\$ 134,624,253</u>	<u>\$ 1,441,669</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 value is the evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models. Another method is a volatility-driven, multi-dimensional single cash flow stream model or option-adjusted spread (OAS) model is used.

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

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

Credit risk. The City addresses credit risk through the investment policy by restricting the allowable investment instruments. The investments in the US agency obligations and US government treasuries were rated AA+ and money market funds were rated AAA by S&P Global. The Arizona Local Government Investment Pool 5 is currently rated AAA by Moody’s. The OPEB Trust has investments with an average quality ranging from AAA to B.

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, 2025, 70.3% of the City’s investments are in US Treasuries, 4.1% of the City’s investments are in Federal Home Loan Mortgage Corporation securities, and 24.4% in Federal Home Loan Mortgage Bank.

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

NOTE 4 - CASH AND INVESTMENTS (Continued)

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, 2025:

	Due to	Due from
General fund	\$ -	\$ 6,132,707
General obligation debt service fund	5,358,489	-
Non-major governmental funds	713,605	-
Water and wastewater fund	-	1,986,326
Solid waste fund	1,986,326	-
Internal service funds	60,613	-
Total governmental funds	\$ 8,119,033	\$ 8,119,033

The interfund balances at June 30, 2025 are short-term transfers to cover temporary cash deficits in various funds. All interfund balances outstanding at yearend are expected to be repaid within one year.

		Transfers Out						
		General	Transit Special Revenue	Community Development Capital Projects	Non-Major Governmental	Water and Wastewater	Solid Waste	Total
Transfers In	General	\$ -	\$ -	\$ -	\$ 49,469	\$ 94,750	\$ -	\$ 144,219
	General Obligation Debt Service	740,498	-	-	7,615	132,530	7,615	888,258
	Community Development Capital Projects	4,978,020	56,480	-	-	950,337	-	5,984,837
	Non-Major Governmental	1,837,600	5,648,000	131,822	5,010,000	-	-	12,627,422
	Solid Waste	1,339,974	-	-	-	-	-	1,339,974
	Internal Service Funds	2,306,519	-	-	-	-	-	2,306,519
	Total	\$ 11,202,611	\$ 5,704,480	\$ 131,822	\$ 5,067,084	\$ 1,177,617	\$ 7,615	\$ 23,291,229

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/expenses in accordance with City policy.

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE

In August 2008, the City advanced to the Downtown Tempe Authority (DTA) \$250,000 to begin operations. The DTA is to repay the advance at zero percent interest rate when the district is terminated. At June 30, 2025 the General Fund capital improvement note receivable balance for this agreement is \$250,000.

During the construction of the light rail, the City entered into a development agreement to add a light rail station at Washington and Center Parkway. The agreement has total contributions to the City of \$1.3 million, payable at \$130,000 annually over a five and six-year period with the remaining balance due the following year. At June 30, 2025, the note receivable balance in the Transit Special Revenue fund is \$1,000,806 and the corresponding revenue has been reported as a deferred inflow of resources.

NOTE 7 - JOINT VENTURE

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

Subregional Operating Group (SROG)

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

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

As of June 30, 2024 (the latest information available), the City has a 14.76% 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, 2024 (the latest information available) is as follows (in thousands):

Total assets	\$ 679,929
Total liabilities	(75,917)
Total net position	<u>\$ 604,012</u>
Total revenues	\$ 127,335
Total expenses	(104,029)
Total non-operating revenues (expenses)	(4,174)
Net decrease in net position	<u>\$ 19,132</u>

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture on June 30, 2024, was \$89,249,000. 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, 2024, the City has a 13.12% 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.

NOTE 7 - JOINT VENTURE (Continued)

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2024 (the latest information available) is as follows (in thousands):

Total assets	\$ 2,954,576
Total liabilities	(203,281)
Total deferred inflows of resources	<u>(2,365)</u>
Total net position	<u><u>\$ 2,748,930</u></u>
Operating revenues	\$ 10,542
Operating expenses	(161,495)
Non-operating revenues	85,656
Capital Contributions	<u>282,634</u>
Net increase in net position	<u><u>\$ 217,337</u></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 on June 30, 2024 was \$360,781,010. This is primarily due to the funding of the transit streetcar project through capital grants. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

Regional Wireless Cooperative (RWC)

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

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

The City records its share of contributions to the RWC and the equity in the joint venture in the government-wide financial statements. As of June 30, 2024, the City's net investment in RWC was \$5,274,498 or 10.75% 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, 2024 (the latest information available) is as follows (in thousands):

Total assets	\$ 52,320
Total liabilities	<u>(3,246)</u>
Total net position	<u><u>\$ 49,074</u></u>
Total revenues	\$ 13,876
Total expenses	<u>(17,246)</u>
Net decrease in net position	<u><u>\$ (3,370)</u></u>

The Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024, for the RWC may be obtained from the Regional Wireless Cooperative, 200 West Washington Street, 14th Floor, Phoenix, Arizona, 85003-1611.

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2025 is as follows:

	Balances June 30, 2024	Additions	Retirements	Transfers in (out)	Balances June 30, 2025
Governmental activities:					
Non-depreciable assets:					
Land	\$ 95,915,313	\$ 26,453,288	\$ -	\$ 177,156	\$ 122,545,757
Construction-in-progress	104,767,994	38,623,778	(517,100)	(68,195,332)	74,679,340
Total non-depreciable assets	200,683,307	65,077,066	(517,100)	(68,018,176)	197,225,097
Depreciable assets:					
Buildings	343,662,695	6,719,691	-	37,009,923	387,392,309
Infrastructure	860,791,475	15,539,929	-	6,460,653	882,792,057
Improvements	313,375,760	35,423,659	-	23,463,057	372,262,476
Machinery and equipment	219,623,162	14,265,941	(3,892,868)	1,084,543	231,080,778
Right-to-use IT software	5,028,182	1,468,078	(814,329)	-	5,681,931
Right-to-use leased assets- building	1,294,308	-	-	-	1,294,308
Total depreciable assets	1,743,775,582	73,417,298	(4,707,197)	68,018,176	1,880,503,859
Less Accumulated depreciation/ amortization for:					
Buildings	(217,341,451)	(11,772,828)	-	-	(229,114,279)
Infrastructure	(535,956,418)	(18,268,459)	-	-	(554,224,877)
Improvements	(148,522,390)	(13,988,611)	-	-	(162,511,001)
Machinery and equipment	(172,311,878)	(11,811,863)	3,801,920	-	(180,321,821)
Right-to-use IT software	(1,799,250)	(1,452,788)	814,329	-	(2,437,709)
Right-to-use leased assets- building	(477,654)	(238,827)	-	-	(716,481)
Total accumulated depreciation/ amortization	(1,076,409,041)	(57,533,376)	4,616,249	-	(1,129,326,168)
Total Depreciable assets, net	667,366,541	15,883,922	(90,948)	68,018,176	751,177,691
Governmental activities capital assets, net	<u>\$ 868,049,848</u>	<u>\$ 80,960,988</u>	<u>\$ (608,048)</u>	<u>\$ -</u>	<u>\$ 948,402,788</u>

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

Public safety	\$ 10,258,546
General government	9,640,187
Transportation	29,964,361
Criminal Justice	27,980
Community enrichment	7,642,302
Total depreciation/amortization expense	<u>\$ 57,533,376</u>

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2024	Additions	Retirements	Transfers in (out)	Balances June 30, 2025
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,330,829	\$ -	\$ -	\$ -	\$ 6,330,829
Construction-in-progress	26,892,100	42,511,201	(1,666,277)	(10,179,203)	57,557,821
Total non-depreciable assets	33,222,929	42,511,201	(1,666,277)	(10,179,203)	63,888,650
Depreciable assets:					
Buildings	48,189,433	-	-	-	48,189,433
Infrastructure	471,544,819	23,943,132	-	211,295	495,699,246
Improvements	272,896,212	1,191,665	-	9,967,908	284,055,785
Machinery and equipment	56,016,519	3,976,570	(1,062,640)	-	58,930,449
Right-to-use IT software	714,059	269,331	(93,527)	-	889,863
Total depreciable assets	849,361,042	29,380,698	(1,156,167)	10,179,203	887,764,776
Less Accumulated depreciation/amortization for:					
Buildings	(33,088,924)	(1,221,799)	-	-	(34,310,723)
Infrastructure	(240,011,817)	(13,962,423)	-	-	(253,974,240)
Improvements	(138,409,886)	(12,057,044)	-	-	(150,466,930)
Machinery and equipment	(31,844,269)	(5,214,300)	1,022,820	-	(36,035,749)
Right-to-use IT software	(353,024)	(185,358)	93,527	-	(444,855)
Total accumulated depreciation/amortization	(443,707,920)	(32,640,924)	1,116,347	-	(475,232,497)
Total depreciable assets, net	405,653,122	(3,260,226)	(39,820)	10,179,203	412,532,279
Governmental activities capital assets, net					
	<u>\$ 438,876,051</u>	<u>\$ 39,250,975</u>	<u>\$ (1,706,097)</u>	<u>\$ -</u>	<u>\$ 476,420,929</u>

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

Water and wastewater	\$ 30,272,450
Solid waste	2,053,408
Emergency medical transportation	315,066
Total depreciation/amortization expense	<u>\$ 32,640,924</u>

NOTE 9 - LONG-TERM DEBT

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2025:

	Balances June 30, 2024	Additions	Reductions	Balances June 30, 2025	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$271,690,000	\$ 76,125,000	\$(24,445,000)	\$323,370,000	\$ 27,180,000
Premium on general obligation bonds	28,385,064	4,310,017	(2,489,569)	30,205,512	-
Special assessments	8,755,000	-	(1,585,000)	7,170,000	1,665,000
Special assessment 2020 Excise tax obligations (direct placement)	11,080,000	-	(560,000)	10,520,000	580,000
Premium on special assessments	251,002	-	(50,201)	200,801	-
Excise tax obligations	41,093,000	-	(12,013,000)	29,080,000	2,705,000
Excise tax obligations - direct placement	13,955,000	-	(1,100,000)	12,855,000	1,125,000
Premium on excise tax obligations	1,756,400	-	(188,338)	1,568,062	-
2021 Certificates of Participation	317,570,000	-	(20,380,000)	297,190,000	20,335,000
2004 HUD Section 108 loan	549,000	-	(549,000)	-	-
Debt Principal	695,084,466	80,435,017	(63,360,108)	712,159,375	53,590,000
Compensated absences	34,200,750	911,286	-	35,112,036	13,090,189
Claims and judgments	24,031,561	33,973,016	(30,536,617)	27,467,960	18,644,458
Leases	853,724	-	(237,287)	616,437	237,287
SBITAs	2,613,840	1,351,090	(1,504,342)	2,460,588	1,386,257
Governmental activities long-term	<u>\$756,784,341</u>	<u>\$116,670,409</u>	<u>\$(95,638,354)</u>	<u>\$777,816,396</u>	<u>\$ 86,948,191</u>
Business-type activities:					
Debt payable:					
General obligation bonds payable	\$203,735,000	\$ 50,360,000	\$(19,980,000)	\$234,115,000	\$ 18,535,000
Premium on general obligation bonds	21,470,590	3,051,332	(1,820,166)	22,701,756	-
Excise tax obligations	37,557,000	18,880,000	(4,417,000)	52,020,000	4,625,000
Premium on excise tax obligations	5,118,194	1,395,815	(962,236)	5,551,773	-
Revenue obligations - direct placement	64,120,000	-	(2,875,000)	61,245,000	2,980,000
Premium on revenue obligations	9,295,237	-	(546,779)	8,748,458	-
2010 WIFA Loan	582,476	-	(109,572)	472,904	112,929
2010 WIFA Loan	4,048,839	-	(778,018)	3,270,821	793,579
Debt Principal	345,927,336	73,687,147	(31,488,771)	388,125,712	27,046,508
Compensated absences	2,883,654	-	(101,651)	2,782,003	1,036,317
SBITAs	342,455	264,630	(162,698)	444,387	162,967
Business-type activities long-term	<u>\$349,153,445</u>	<u>\$ 73,951,777</u>	<u>\$(31,753,120)</u>	<u>\$391,352,102</u>	<u>\$ 28,245,792</u>

The long-term liabilities at June 30, 2025 have been reduced by deposits made with the City's fiscal agent for July 1, 2025 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

NOTE 9 - LONG-TERM DEBT (Continued)

Bonds payable on June 30, 2025, are comprised of the following:

Purpose	Original Amount	Interest Rate	Maturity Date	Outstanding Balance
General Obligation Bonds				
2015A Capital Improvement Serial Bonds due in annual installments of \$1,740,000 to \$2,925,000	\$ 43,965,000	1.0-3.75%	7/1/2035	\$ 20,855,000
2016A Capital Improvement Serial Bonds due in annual installments of \$540,000 to \$880,000	13,630,000	2.0-3.0%	7/1/2036	8,365,000
2016B Capital Improvement Refunding Serial Bonds due in annual installments of \$3,550,000 to \$17,935,000	86,440,000	2.0-4.0%	7/1/2029	34,065,000
2017 Capital Improvement Serial Bonds due in annual installments of \$970,000 to \$2,390,000	32,810,000	2.0-5.0%	7/1/2037	18,895,000
2018 Capital Improvement Serial Bonds due in annual installments of \$1,365,000 to \$3,640,000	47,560,000	2.0-5.0%	7/1/2038	26,870,000
2019 Capital Improvement Serial Bonds due in annual installments of \$1,635,000 to \$3,785,000	52,120,000	2.0-5.0%	7/1/2039	40,640,000
2020A Capital Improvement Serial Bonds due in annual installments of \$750,000 to \$1,430,000	24,165,000	2.6 %	7/1/2040	18,015,000
2020B Capital Improvement Refunding Serial Bonds due in annual installments of \$2,355,000	34,580,000	1.3 %	7/1/2030	13,675,000
2021 Capital Improvement Serial Bonds due in annual installments of \$660,000 to \$2,240,000	22,545,000	5.0 %	7/1/2041	18,210,000
2022 Capital Improvement Serial Bonds due in annual installments of \$2,910,000 to \$6,415,000	90,330,000	3.0-5.0%	7/1/2042	77,305,000
2023 Capital Improvement Serial Bonds due in annual installments of \$1,745,000 to \$8,865,000	63,325,000	5.0 %	7/1/2043	49,060,000
2024 Capital Improvement Serial Bonds due in annual installments of \$5,630,000 to \$7,625,000	110,675,000	4.1-5.0%	7/1/2044	105,045,000
2025 Capital Improvement Serial Bonds due in annual installments of \$3,790,000 to \$10,990,000	126,485,000	5.0 %	7/1/2045	126,485,000
Total General Obligation Bonds	\$ 748,630,000			\$ 557,485,000
Special Assessment Bonds				
ID 180 Special Assessment Bonds Payable with Governmental Commitment due in annual installments of \$760,000 to \$1,925,000	\$ 25,190,000	5.0 %	1/1/2029	\$ 7,170,000
Total Special Assessment Bonds	\$ 25,190,000			\$ 7,170,000
Excise Tax Revenue Bonds				
2016 Excise Tax Revenue and Refunding Obligations due in annual installments of \$1,135,000 to \$7,510,000	\$ 42,485,000	2.0-5.0%	7/1/2031	\$ 12,150,000
2017 Transit Excise Tax Revenue Refunding Obligations due in annual installments of \$150,000 to \$1,460,000	19,305,000	2.8 %	7/1/2032	12,855,000
2019 Excise Tax Revenue Refunding Obligations due in annual installments of \$1,000,000 to \$1,515,000	9,110,000	5.0-6.5%	7/1/2029	5,655,000
2020 Excise Tax Revenue Obligation due in annual installments of \$475,000 to \$840,000	13,160,000	2.7 %	7/1/2040	10,520,000
2021 Excise Tax Revenue Refunding Obligations due in annual installments of \$510,000 to \$5,460,000	14,695,000	0.2-1.8%	7/1/2032	4,855,000
2021 Excise Tax Revenue Refunding Obligations due in annual installments of \$560,000 to \$2,240,000	28,890,000	0.2-2.4%	7/1/2037	22,565,000
2021 Excise Tax Revenue Refunding Obligations due in annual installments of \$275,000 to \$550,000	6,170,000	1.0-5.0%	7/1/2036	3,705,000
2024 Excise Tax Revenue Refunding Obligations due in annual installments of \$275,000 to \$550,000	14,595,000	1.0-5.0%	7/1/2036	13,290,000
2025 Excise Tax Revenue Refunding Obligations due in annual installments of \$520,000 to \$1,445,000	\$ 18,880,000	1.0-5.0%	7/1/2045	\$ 18,880,000
Total Excise Tax Revenue Bonds	\$ 167,290,000			\$ 104,475,000

NOTE 9 - LONG-TERM DEBT (Continued)

Purpose	Original Amount	Interest Rate	Maturity Date	Outstanding Balance
Water And Sewer Revenue Obligation Bonds				
2020 Water and Sewer Revenue Obligations due in annual installments of \$1,380,000 to \$2,415,000	\$ 38,000,000	2.7 %	7/1/2040	\$ 30,350,000
2021 Water and Sewer Revenue Obligations due in annual installments of \$1,025,000 to \$2,715,000	<u>35,480,000</u>	5.0 %	7/1/2041	<u>30,895,000</u>
Total Water and Sewer Revenue Obligation Bonds	\$ 73,480,000			\$ 61,245,000
Certificates of Participation				
Certificate of Participation due in annual installments of \$7,000,000 to \$27,810,000	\$ 343,000,000	0.4-2.6%	7/1/2037	\$ 297,190,000
Total Certificates of Participation	\$ 343,000,000			\$ 297,190,000
Water Infrastructure Finance Authority Loans				
WIFA loan #92A174-10 due in annual installments of \$69,678 to \$123,631	\$ 1,884,503	1.5-1.56%	7/1/2029	\$ 472,904
WIFA loan #92A175-10 due in annual installments of \$578,079 to \$842,152	<u>14,045,799</u>	0.5-1.5%	7/1/2029	<u>3,270,821</u>
Total WIFA Loans	\$ 15,930,302			\$ 3,743,725
Total Debt	<u>\$ 1,380,520,302</u>			<u>\$ 1,031,308,725</u>

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

Fiscal Year	Governmental Activities					
	General Obligation		Special Assessment		Excise Tax Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 27,180,000	\$ 14,625,135	\$ 1,665,000	\$ 316,875	\$ 4,405,000	\$ 1,333,871
2027	20,120,000	13,239,194	1,745,000	231,625	4,495,000	1,244,148
2028	20,950,000	12,412,754	1,835,000	142,125	4,595,000	1,148,342
2029	20,675,000	11,556,241	1,925,000	48,125	4,705,000	1,030,810
2030	18,000,000	10,701,316	-	-	4,370,000	907,237
2031-2035	84,385,000	41,620,869	-	-	23,550,000	2,816,674
2036-2040	78,130,000	23,251,184	-	-	6,335,000	413,966
2041-2045	53,930,000	6,297,553	-	-	-	-
	<u>\$ 323,370,000</u>	<u>\$ 133,704,246</u>	<u>\$ 7,170,000</u>	<u>\$ 738,750</u>	<u>\$ 52,455,000</u>	<u>\$ 8,895,048</u>

NOTE 9 - LONG-TERM DEBT (Continued)

Governmental Activities				
Certificates of Participation				
Fiscal Year	Principal	Interest	Total principal	Total interest
2026	\$ 20,335,000	\$ 6,031,065	\$ 53,585,000	\$ 22,306,946
2027	21,380,000	5,790,095	47,740,000	20,505,062
2028	22,225,000	5,491,630	49,605,000	19,194,851
2029	23,075,000	5,141,364	50,380,000	17,776,540
2030	23,625,000	4,737,321	45,995,000	16,345,874
2031-2035	130,025,000	16,315,759	237,960,000	60,753,302
2036-2040	56,525,000	2,165,019	140,990,000	25,830,169
2041-2045	-	-	53,930,000	6,297,553
	<u>\$ 297,190,000</u>	<u>\$ 45,672,253</u>	<u>\$ 680,185,000</u>	<u>\$ 189,010,297</u>

Business-Type Activities						
Fiscal Year	General Obligation		Excise Tax Obligation		Revenue Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 18,535,000	\$ 10,959,523	\$ 4,625,000	\$ 2,517,134	\$ 2,980,000	\$ 2,349,025
2027	14,495,000	10,032,479	5,940,000	2,231,120	3,090,000	2,239,388
2028	15,175,000	9,397,489	5,675,000	1,979,955	3,205,000	2,125,308
2029	12,015,000	8,752,354	5,945,000	1,715,630	3,320,000	2,006,535
2030	11,265,000	8,230,374	5,095,000	1,437,328	3,450,000	1,883,070
2031-2035	57,975,000	33,292,681	13,005,000	4,270,410	19,270,000	7,376,398
2036-2040	63,105,000	17,883,969	5,160,000	2,442,750	23,215,000	3,426,470
2041-2045	41,550,000	4,724,175	6,575,000	1,018,250	2,715,000	135,750
	<u>\$ 234,115,000</u>	<u>\$ 103,273,044</u>	<u>\$ 52,020,000</u>	<u>\$ 17,612,577</u>	<u>\$ 61,245,000</u>	<u>\$ 21,541,944</u>

Business-Type Activities				
Fiscal Year	WIFA			
	Principal	Interest	Total principal	Total interest
2026	\$ 906,508	\$ 23,750	\$ 27,046,508	\$ 15,849,432
2027	925,839	18,016	24,450,839	14,521,003
2028	945,595	12,149	25,000,595	13,514,901
2029	965,783	6,144	22,245,783	12,480,663
2030	-	-	19,810,000	11,550,772
2031-2035	-	-	90,250,000	44,939,489
2036-2040	-	-	91,480,000	23,753,189
2041-2045	-	-	50,840,000	5,878,175
	<u>\$ 3,743,725</u>	<u>\$ 60,059</u>	<u>\$ 351,123,725</u>	<u>\$ 142,487,624</u>

New bonds On June 11, 2025, the City issued Tax-Exempt \$126,485,000 Series 2025 General Obligation Bonds were issued with maturities ranging from \$3,790,000 to \$10,990,000 to fund various project costs related to streets, public safety, parks, and water/wastewater. The bond matures on 7/1/2045 with interest rate of 5.0%. The Series 2025 General Obligation Bonds were publicly sold and are repaid from the HURF Fund, General Obligation Debt Service Fund and Water and Wastewater Fund.

On June 12, 2025, the City issued \$18,880,000 Series 2025 Excise Tax Revenue Obligation Bond with maturities ranging from \$520,000 to \$1,445,000 to fund solid waste capital projects. The bond matures on 7/1/2045 with interest rate of 1.00-5.00%.

NOTE 9 - LONG-TERM DEBT (Continued)

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, 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, 2025, the 20 percent debt limitation was \$1,000,544,506 with \$474,313,637 of outstanding debt. This provided a 20 percent debt margin of \$526,230,869. The 6 percent debt limitation was \$300,163,352 with \$133,358,241 of outstanding debt. This provided a 6 percent debt margin of \$166,805,111. The voter authorized, unissued debt, which is also subject to the statutory limitations of 20 percent and 6 percent, at June 30, 2025, was \$666,951,409.

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.

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. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2045. Annual principal and interest payments on the bonds were 140.03% of total fiscal year ended June 30, 2025 General Obligation Debt Service Fund ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$457,074,246. Principal and interest paid for the current year and total ad valorem tax revenues were \$36,331,361 and \$25,945,633 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. 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, 2045. Annual principal and interest payments on the bonds are expected to require less than 26.49% of total fiscal year ended June 30, 2025 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$337,388,043. Principal and interest paid for the current year and water and wastewater system revenues were \$29,283,673 and \$110,549,161, respectively.

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2045. Annual principal and interest payments on the bonds are expected to require less than 4.44% of total fiscal year ended June 30, 2025 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$1,872,500. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$10,205,919 and \$230,004,020, respectively.

Debt Service Coverage for Business-type Activities Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay 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, 2045. Annual principal and interest payments on the bonds are expected to require less than 2.67% of total fiscal year ended June 30, 2025 excise taxes. The total principal and interest remaining to be paid on the bonds is \$69,632,577. Principal and interest paid for the current year and total excise taxes were \$6,146,453 and \$230,004,020, respectively.

Debt Service Coverage for Transit Excise Tax Obligations. For the repayment of transit excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 0.50% transportation excise tax. Proceeds of the bonds were used for the construction of the City's portion of the light rail system. The bonds are payable through July 1, 2040. Annual principal and interest payments on the bonds are expected to require less than 10.78% of total fiscal year ended June 30, 2025 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$53,103,998. Principal and interest paid for the current year and transit excise taxes were \$4,689,034 and \$55,759,709 respectively.

NOTE 9 - LONG-TERM DEBT (Continued)

Debt Service Coverage for Arts and Culture Excise Tax Obligations. For the repayment of arts and culture excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 1.0% arts and culture excise tax. Proceeds of the bonds were used for the repair of the roof of the Tempe Center for the Arts. The bonds are payable through July 1, 2036. Annual principal and interest payments on the bonds are expected to require less than 4.50% of total fiscal year ended June 30, 2025 arts and culture excise taxes. The total principal and interest remaining to be paid on the bonds is \$6,373,550. Principal and interest paid for the current year and arts and culture excise taxes were \$582,000 and \$11,151,942, respectively.

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, 2025.

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

Advance Bond Refundings

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

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2025 are as follows:

\$32,810,000 general obligation bonds issued in 2017 and partially defeased in 2018 (final redemption date is 7/1/2027)	\$ 4,070,000
\$47,560,000 general obligation bonds issued in 2018 and partially defeased in 2019 (final redemption date is 7/1/2028)	<u>9,030,000</u>
Total bonds advance refunded	<u><u>\$ 13,100,000</u></u>

NOTE 11 – LEASES

City as Lessor

The City, as a lessor, has entered into lease agreements involving land, baseball facilities and building spaces. The related receivables under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date in both the General Fund and the Transit Special Revenue Fund. The leases have interest rates between 0.316% and 3.397%. The General Fund reported lease revenue of \$2,726,021 and the related interest revenue of \$500,753. Transit Special Revenue Fund reported lease revenue of \$58,688 and the associated interest revenue of \$1,611. At this time, the City has no variable or other lease matters not previously included in the measurement of the lease receivable. The leasing of asset is not the City’s principal operation.

City as Lessee

The City, as a lessee, has entered into a lease agreement for the use of Hohokam Court. An initial lease liability was recorded in the amount of \$1,294,308. As of June 30, 2025, the value of the lease liability is \$616,437. City of Tempe, AZ is required to make monthly fixed payments of \$21,134. The lease has an interest rate of 2.19%. The buildings estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of June 30, 2025 of \$1,294,308 with accumulated amortization of \$716,481.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$242,536	\$11,075	\$253,611
2027	247,901	5,710	253,611
2028	126,000	806	126,806
	<u>\$616,437</u>	<u>\$17,591</u>	<u>\$634,028</u>

NOTE 12 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA)

The City has obtained the right to use various desktop and server software subscriptions, cloud backup service software, document management software, computer-aided dispatch software, web-based job performance software, debt management software, public safety management software under the provision of various subscription-based information technology arrangements. The total amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use IT software	\$ 6,571,794
Less: accumulated amortization	<u>(2,882,564)</u>
Carrying value	<u>\$ 3,689,230</u>

The following schedule details minimum subscription payments to maturity for the City’s subscription liability at June 30, 2025:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 1,386,257	\$ 60,844	\$ 1,447,101
2027	910,092	26,854	936,946
2028	49,197	2,403	51,600
2029	50,045	1,555	51,600
2030	50,907	693	51,600
2031	14,090	37	14,127
	<u>\$ 2,460,588</u>	<u>\$ 92,386</u>	<u>\$ 2,552,974</u>

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 162,967	\$ 12,616	\$ 175,583
2027	169,491	7,706	177,197
2028	54,473	2,608	57,081
2029	57,456	1,339	58,795
	<u>\$ 386,931</u>	<u>\$ 22,930</u>	<u>\$ 409,861</u>

NOTE 13 – PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS

GASB 94, "Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)" (GASB 94) defines a PPP as an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction type of public-private or public-public partnership. The City determined that golf courses met the criteria set forth in GASB 94 and therefore included the agreement in the financial statements as deferred inflows of resources. The City manages a public golf course system, which offers affordable greens fees and discount programs. Rolling Hill golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operation, and food and beverage concession. The operator collects user fees and are responsible for the day-to-day operations of the golf courses. The operator is required to operate and maintain the golf courses and make installment payments to the City, in accordance with the contract.

As of June 30, 2025, the present value of the installment payments under contract was \$6 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rate of 3.6% for the term of the agreement. The lease term was 30 years as of June 30, 2025. The City recognized \$241,406 as revenue and \$222,097 as interest revenue. The City primarily used the proceeds to fund future golf course capital improvements. The acquisition value of the golf courses, including land and buildings, was reported at \$3.5 million as of June 30, 2025.

NOTE 14 – FUND BALANCE/NET POSITION CLASSIFICATIONS

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

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are *Non-spendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. *Committed*, *Assigned*, and *Unassigned* represent the amount that is available for discretionary spending.

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

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

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

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

Unassigned fund balance represents the residual net resources in excess of the other classifications. 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. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund. 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.

NOTE 14 – FUND BALANCE CLASSIFICATIONS/NET POSITION (Continued)

As of June 30, 2025, 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, 2025, the unassigned fund balance is 36.9% of General Fund revenues.

	General	Transit Special Revenue	General Obligation Debt Service	Community Development Capital Projects	Total Other Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	\$ 166,780	\$ -	\$ -	\$ -	\$ 663,502	\$ 830,282
Prepaid Items	61,976	-	-	-	1,730,292	1,792,268
Leases - net	1,457,294	12,703	-	-	-	1,469,997
	<u>1,686,050</u>	<u>12,703</u>	<u>-</u>	<u>-</u>	<u>2,393,794</u>	<u>4,092,547</u>
Restricted:						
Debt Service	-	-	1,919,139	-	253,280	2,172,419
Highway User Revenue	-	-	-	-	9,781,432	9,781,432
Other	-	-	-	-	9,422,156	9,422,156
Capital projects - development impact fees	-	-	-	-	10,363,198	10,363,198
Capital projects	-	60,582,985	-	-	29,138,162	89,721,147
	<u>-</u>	<u>60,582,985</u>	<u>1,919,139</u>	<u>-</u>	<u>58,958,228</u>	<u>121,460,352</u>
Committed to:						
Encumbrance	1,912,718	180,332	-	28,468,516	15,636,846	46,198,412
MaryAnne Corder Neighborhood Program	323,768	-	-	-	-	323,768
Capital projects	-	18,517,723	-	-	384,636	18,902,359
	<u>2,236,486</u>	<u>18,698,055</u>	<u>-</u>	<u>28,468,516</u>	<u>16,021,482</u>	<u>65,424,539</u>
Assigned to:						
Debt Service Reserve	25,000,000	-	-	-	-	25,000,000
Capital Project Reserve	10,625,337	23,761,057	-	-	38,693,082	73,079,476
Other	3,000,000	-	-	-	-	3,000,000
	<u>38,625,337</u>	<u>23,761,057</u>	<u>-</u>	<u>-</u>	<u>38,693,082</u>	<u>101,079,476</u>
Unassigned:	116,399,149	(517,637)	-	(24,368,877)	(28,399,166)	63,113,469
Total fund balances	<u>\$ 158,947,022</u>	<u>\$ 102,537,163</u>	<u>\$ 1,919,139</u>	<u>\$ 4,099,639</u>	<u>\$ 87,667,420</u>	<u>\$ 355,170,383</u>

NOTE 15 - COMMITMENTS

The City has active construction projects as of June 30, 2025. At year end the government's commitments with contractors are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
Governmental funds:		
Transit capital projects	\$ 7,121,641	\$ 4,370,118
Community development capital projects	45,286,214	49,486,571
Non-Major governmental funds	32,452,418	20,822,651
	<u>\$ 84,860,273</u>	<u>\$ 74,679,340</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
Proprietary funds:		
Water and wastewater	\$ 40,671,689	\$ 36,523,381
	<u>\$ 40,671,689</u>	<u>\$ 56,873,259</u>

NOTE 16 - RETIREMENT PLANS

The City contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers and fire fighters. The plans are component units of the State of Arizona. 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 City has also established a single-employer, post-employment health benefit plan (see Note 17 - OTHER POST-EMPLOYMENT BENEFITS).

Amounts reported at June 30, 2025 represent June 30, 2024 measurement dates for both the Arizona State Retirement System and the Public Safety Personnel Retirement System, which is the latest information available.

Aggregate Amounts. At June 30, 2025, the City reported the following amounts related to pensions and OPEB for all plans to which it contributes. The ASRS and PSPRS OPEB plans are not included in the notes as the liability and related deferred inflows of resources, deferred outflows of resources, and OPEB expense are not material to the financial statements.

	<u>ASRS</u>	<u>PSPRS - Fire</u>	<u>PSPRS - Police</u>	<u>Total</u>	
Net pension liabilities	\$ 125,350,992	\$ 25,137,361	\$ 47,540,126	\$ 198,028,479	
Deferred outflows of resources	11,980,369	15,844,288	29,105,467	56,930,124	
Deferred inflows of resources	8,521,781	1,151,216	2,170,309	11,843,306	
Expense	12,257,399	8,932,867	18,219,562	39,409,828	
Deferred outflows of resources - Contributions	13,261,981	4,363,360	9,412,211	27,037,552	
	<u>ASRS</u>	<u>PSPRS - Fire</u>	<u>PSPRS - Police</u>	<u>City OPEB plan (Note 16)</u>	<u>Total</u>
Net OPEB assets	\$ 4,814,189	\$ 711,600	\$ -	\$ -	\$ 5,525,789
Net OPEB liabilities	20,600	-	1,504,867	85,395,942	86,921,409
Deferred outflows of resources	263,340	94,388	72,333	318,593	748,654
Deferred inflows of resources	1,880,901	239,775	632,071	3,042,140	5,794,887
Expense	741,499	(85,510)	60,771	2,618,422	3,335,182
Deferred outflows of resources - Contributions	164,133	-	93,153	-	257,286

NOTE 16 - RETIREMENT PLANS (Continued)

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. ASRS is a component of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

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

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

*With actuarially reduced benefits

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

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

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

NOTE 16 - RETIREMENT PLANS (Continued)

A. Arizona State Retirement System (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 year ended June 30, 2025, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.12 percent of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 12.05 percent of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2025 was \$13,261,981.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The City was required by statute to contribute at the actuarially determined rate of 10.14%. ACR contributions are included in employer contributions presented above. The City's pension contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

Pension Liability. At June 30, 2025, the City reported \$125,350,992 for its proportionate share of the ASRS' net pension liability. The net asset and net liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024. The City's proportion of the net liability was based on the City's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2024. The City's proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were 0.73680% decreased (0.04660)% from last year.

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

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020. 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, 2020 actuarial evaluation.

NOTE 16 - RETIREMENT PLANS (Continued)

A. Arizona State Retirement System (Continued)

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 excluding any expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	44%	4.48%
Credit	23	4.40
Real estate	17	6.05
Private equity	10	6.11
Interest rate sensitive	6	(0.45)
Total	100%	

Pension Expense and Deferred Outflows/Inflows of Resources. The City has deferred outflows and inflows of resources related to the net pension liabilities. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. For the year ended June 30, 2025, the City recognized \$12,257,399 in pension expense.

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
Difference between expected and actual experience	\$ 6,996,975	\$ -
Difference between expected and actual investment earnings	-	8,005,033
Changes in proportion and differences between the City contributions and proportionate share of contributions	4,983,394	516,749
Contributions subsequent to the measurement date	13,261,981	-
Total	\$ 25,242,350	\$ 8,521,782

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the following June 30 roll forward dates:

	Deferred Outflows (Inflows) of Resources
2026	\$ (1,538,466)
2027	8,492,408
2028	(2,026,337)
2029	(1,469,018)

NOTE 16 - RETIREMENT PLANS (Continued)

A. Arizona State Retirement System (Continued)

Discount Rate. At June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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 7.0 percent, 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	Current Discount Rate	1% Increase
6.0%	7.0%	8.0%
\$ 191,938,001	\$ 125,350,992	\$ 69,856,533

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

B. Public Safety Personnel Retirement System

Plan Descriptions. City public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). Public safety employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PCPDCRP). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members participate in the agent plans. The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. This report is available on the PSPRS website at www.psprs.com.

NOTE 16 - RETIREMENT PLANS (Continued)

B. Public Safety Personnel Retirement System (continued)

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

	Retirement Initial Membership Date:		
	Before January 1, 2012 (Tier 1)	On or After January 1, 2012 (Tier 2)	On or After January 1, 2017 (Tier 3)
Retirement and Disability:			
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years or 15 years of credited service and age 52.5	15 years and age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years	Highest 60 months of last 15 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability:	90% of average monthly benefit compensation. After 60 months, member receives greater of 62.5% average monthly benefit compensation and accrued normal pension		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor benefit: Retired members	80%-100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

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

NOTE 16 - RETIREMENT PLANS (Continued)

B. Public Safety Personnel Retirement System (continued)

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

Employees Covered by Benefit Terms. At the June 30, 2025, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS – Police</u>	<u>PSPRS – Fire</u>
Inactive plan members or beneficiaries currently receiving benefits	336	154
Inactive, entitled plan members not yet receiving benefits	99	43
Active plan members	<u>292</u>	<u>140</u>
Total	<u><u>727</u></u>	<u><u>337</u></u>

Contributions. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active</u>	<u>City Portion</u>
PSPRS – Police	7.65-11.65%	21.85-26.89%
PSPRS – Fire	7.65-11.65%	21.94-30.05%

In addition, statute required the City to contribute at the actuarially determined rate of 13.21% for police and 13.21% for fire of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool.

The City's contribution to the plans for the year ended June 30, 2025 were:

<u>PSPRS – Police</u>	<u>PSPRS – Fire</u>
\$ 9,412,211	\$ 4,363,360

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

Pension Liability. At June 30, 2025, the City reported the following liabilities.

<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
\$ 47,540,126	\$ 25,137,361

The net pension liabilities were measured as of June 30, 2024, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

NOTE 16 - RETIREMENT PLANS (Continued)

B. Public Safety Personnel Retirement System (continued)

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

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	2.75-15.0%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022 actuarial valuation.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.20 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public Equity	24%	3.62%
International Public Equity	16	4.47
Global Private Equity	27	7.05
Core Bonds	6	2.44
Private Credit	20	6.24
Diversifying Strategies	5	3.15
Cash	2	0.89
Total	100%	

Discount Rates. At June 30, 2024, the discount rate used to measure the total pension liability was 7.20 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rate 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 actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 16 - RETIREMENT PLANS (Continued)

B. Public Safety Personnel Retirement System (continued)

Changes in Net Pension Liabilities

	PSPRS - Police	PSPRS - Fire
Beginning Balance (Assets) Liability	\$45,500,963	\$ 26,846,749
Total Liability Factors:		
Service cost	6,867,606	4,295,872
Interest	31,364,866	18,320,836
Difference between expected and actual experience with regard to economic and	13,247,711	4,577,233
Benefit payments	(24,001,807)	(15,513,198)
Net change	<u>27,478,376</u>	<u>11,680,743</u>
Plan Fiduciary Net Position:		
Contributions - employer	6,920,155	4,387,484
Contributions - employee	2,890,364	1,441,829
Projected net investment income	39,793,155	23,152,421
Benefit payments	(24,001,807)	(15,513,198)
Administrative expenses	(162,654)	(78,405)
Net Change	<u>25,439,213</u>	<u>13,390,131</u>
Ending Balance (Asset) Liability	<u>\$47,540,126</u>	<u>\$ 25,137,361</u>

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

	1% Decrease	Current Discount Rate	1% Increase
	6.2%	7.2%	8.2%
PSPRS - Police	\$ 111,555,159	\$ 47,540,126	\$ (4,525,208)
PSPRS - Fire	\$ 59,516,411	\$ 25,137,361	\$ (3,103,973)

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.

Expense. For the year ended June 30, 2025, the City recognized the following as pension expense:

PSPRS - Police	PSPRS - Fire
<u>\$ 18,219,562</u>	<u>\$ 8,932,867</u>

NOTE 16 - RETIREMENT PLANS (Continued)

B. Public Safety Personnel Retirement System (continued)

Deferred Outflows/Inflows of Resources. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSPRS - Police		PSPRS - Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,430,220	\$ 292,234	\$ 13,775,449	\$ -
Changes of assumptions or other inputs	2,675,247	-	2,068,839	-
Net difference between projected and actual earnings on pension plan investments	-	1,878,075	-	1,151,216
Contributions subsequent to the measurement date	9,412,211	-	4,363,360	-
Total	\$ 38,517,678	\$ 2,170,309	\$ 20,207,648	\$ 1,151,216

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS - Police	PSPRS - Fire
2026	\$ 7,225,800	\$ 4,298,318
2027	11,021,135	7,046,940
2028	3,733,291	1,706,459
2029	2,746,980	878,483
2030	2,207,952	762,872

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS

The City offers (through a single employer defined benefit plan, the “City of Tempe Post-Employment Health Plan”) additional post-employment health insurance benefits through an irrevocable trust. Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Like pension benefits, the cost of other post-employment benefits (OPEB) generally should be associated with the periods in which the exchange occurs rather than in future periods in which the benefits are provided. GASB Statement No. 74, “Financial Reporting for Post-employment 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 Post-employment Benefit Plans Other Than Pension Plans”, effective with fiscal years beginning after June 15, 2017, requires certain financial reporting disclosures for employers which also have been incorporated throughout this report.

A. Plan Description

The City’s single-employer *Post-Employment Health Plan* is administered by the City’s Human Resources Division, in accordance with Resolution 2019.75 of the City Council, to all retired, benefited employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City’s group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Due to changes effective July 1, 2009, benefited employees hired after June 30, 1999 are not eligible to participate in the post-employment benefit plan.

As of June 30, 2025, eligible members in the program are as follows:

Active beneficiaries	1,119
Active employees eligible	<u>630</u>
Total	<u><u>1,749</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.

Contributions. Contributions for benefits due are based on actual benefit payments during the fiscal year and are not based on a measure of pay. Additional contributions to the trust can only be authorized by a majority of the City Council. The total contributions for the year ended June 30, 2025 were \$10,269,106.

Basis of Accounting and Valuation of Investments

An irrevocable trust fund (Other Post Employment Benefit Trust) has been established for the purpose of advance funding the OPEB liability; the trust has a \$22.5 million balance as of June 30, 2025. 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.

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2024. The components of the net OPEB liability at June 30, 2025 were as follows:

Total OPEB liability	\$ 107,912,808
Plan fiduciary net position	(22,516,866)
Net OPEB liability	<u>\$ 85,395,942</u>
Plan fiduciary net position as a percentage of total OPEB liability	(20.9%)

Actuarial Assumptions. The total OPEB liability as of the July 1, 2024 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2025
Actuarial valuation date	July 1, 2024
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	2.6%
Salary increases	3.0% per annum
Investment rate of return	6.5%
Discount rate	6.5%
Healthcare cost trend	ASRS/PSPRS Pre-Medicare, 5.0%; ASRS/ PSPRS Medicare Supplement, 2.5% to 2.9%; City Medicare Supplement, (2.0)% to 2.5%
Mortality rates	General: PubG.H-2010 Employee Public Safety: PubS.H-2010 Employee Male/Female and Generational with Projection Scale MP-2021

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

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

Rate of return. 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:

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. Net OPEB Liability (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Equity	65%	4.3%
Fixed Income	35	2.3
Total	100%	

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

The separately issued actuarial valuation report for the fiscal year ended June 30, 2025 may be obtained from the City's Financial Services Department, 20 East 6th Street, Tempe, Arizona, 85281.

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

	Changes in Net OPEB Liability		
	Plan Fiduciary Net		
	Total OPEB Liability	Position	Net OPEB Liability
Balance at 6/30/2024	\$ 109,976,679	\$ 20,154,930	\$ 89,821,749
Changes for the year:			
Service cost	1,085,684	-	1,085,684
Interest	6,885,308	-	6,885,308
Differences between expected and actual experience	234,243	-	234,243
Contributions for Benefits Due	-	10,269,106	(10,269,106)
Net Investment Income	-	2,361,936	(2,361,936)
Benefit payments	(10,269,106)	(10,269,106)	-
Net changes	(2,063,871)	2,361,936	(4,425,807)
Balance at 6/30/2025	\$ 107,912,808	\$ 22,516,866	\$ 85,395,942

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:

	5.5%	6.5%	7.5%
	1% Decrease	No Change	1% Increase
Discount Rate	\$ 93,127,527	\$ 85,395,942	\$ 78,594,995
Healthcare Cost Trend Rate	\$ 76,980,612	\$ 85,395,942	\$ 94,962,173

NOTE 17 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$2,618,422 for the OPEB plan. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 165,123	\$ -
Changes of assumptions or other inputs	153,470	2,143,028
Difference between actual and expected investment earnings	-	899,112
Total	<u>\$ 318,593</u>	<u>\$ 3,042,140</u>

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

Fiscal Year Ended June 30,	Deferred Outflow (Inflows) of Resources
2026	\$ (1,623,173)
2027	(447,509)
2028	(442,491)
2029	(210,374)

NOTE 18 - DEFERRED COMPENSATION PLANS

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

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

NOTE 19 - 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.

NOTE 19 - RISK FINANCING ACTIVITIES (Continued)

The City is a self-insured entity with excess commercial insurance coverage purchased for general and automobile liability, property, workers' compensation/employers' liability, crime, cyber liability, fiduciary liability and group health coverage. The coverage is as follows: for general and automobile liability the City's self-insured retention is \$2.0 million with layered excess insurance coverage to \$40.0 million; for property coverage the City's per occurrence deductible is \$100,000 with a policy limit of \$825.0 million; for workers' compensation, the self-insured retention is \$750,000 for public safety employees, and \$500,000 for all other employees, with the maximum limit of indemnity per occurrence meeting the Arizona Statutory requirements and Employers Liability maximum limit of \$2 million per occurrence; and for group health the self-insurance retention is \$275,000 per individual, with an aggregate stop loss of \$183,000. During the year there were no significant reductions in the amounts of excess coverage purchased.

At fiscal year-end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2025, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience. There were no settlement amounts exceeded insurance coverage in the past three fiscal years.

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, 2024	Claims Incurred Net of Change in Estimates	Payments	June 30, 2025
General liability	\$ 8,133,988	\$ 4,684,670	\$ (1,893,430)	\$ 10,925,228
Workers' compensation	14,072,933	4,982,619	(4,479,853)	14,575,699
Health insurance	1,824,640	24,305,727	(24,163,334)	1,967,033
	<u>\$ 24,031,561</u>	<u>\$ 33,973,016</u>	<u>\$ (30,536,617)</u>	<u>\$ 27,467,960</u>

	June 30, 2023	Claims Incurred Net of Change in Estimates	Payments	June 30, 2024
Risk Management	\$ 6,341,136	\$ 2,281,973	\$ (489,121)	\$ 8,133,988
Workers' compensation	11,373,962	7,608,640	(4,909,669)	14,072,933
Health insurance	1,752,165	20,749,982	(20,677,507)	1,824,640
	<u>\$ 19,467,263</u>	<u>\$ 30,640,595</u>	<u>\$ (26,076,297)</u>	<u>\$ 24,031,561</u>

NOTE 20 - 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 21 - 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 22 - DEFICIT IN NET POSITION AND FUND BALANCE

The Streets CIP fund, Storm Sewer CIP fund, and the Parks fund had deficit fund balances of \$10,330,547, \$10,960, and \$1,487,448, respectively. The deficits will be covered by future grant revenues and Other entities' participation revenues. Risk Management fund also reported a deficit net position of \$2,482,155, the deficit will be covered by future interdepartmental charges for services.

NOTE 23 - RESTATEMENT OF BEGINNING NET POSITION

	June 30, 2024 net position, as previously reported	Change within the financial reporting entity	June 30, 2024, as restated
Solid waste fund	\$ —	\$ 14,079,367	\$ 14,079,367
Nonmajor enterprise fund	\$ 16,391,214	\$ (14,079,367)	\$ 2,311,847



Required Supplementary Information

Schedule of Contributions

All Pension Plans

Last Ten Fiscal Years

City of Tempe, Arizona

Reporting year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Arizona State Retirement System:										
Actuarially determined contribution	\$13,261,981	\$12,535,206	\$11,406,242	\$ 10,493,005	\$9,740,350	\$9,474,813	\$8,950,287	\$8,163,494	\$7,887,785	\$7,731,482
Contributions in relation to the actuarially determined contribution	13,261,981	12,535,206	11,406,242	10,493,005	9,740,350	9,474,813	8,950,287	8,163,494	7,887,785	7,731,482
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$110,075,332	\$105,637,990	\$96,364,011	\$ 87,368,901	\$83,608,155	\$82,749,459	\$80,056,234	\$74,894,440	\$73,170,548	\$71,257,899
Contributions as a percentage of covered payroll	12.05%	11.87%	11.84%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%
Public Safety Personnel Retirement System- Police:										
Actuarially determined contribution	\$ 9,412,211	\$ 7,054,758	\$4,437,226	\$ 20,333,964	\$19,873,495	\$18,833,432	\$17,208,734	\$15,962,148	\$12,852,861	\$12,604,739
Additional contribution	-	-	-	218,143,845	-	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	9,412,211	7,054,758	4,437,226	7,915,146	19,873,495	18,833,432	17,208,734	15,962,148	12,852,861	12,604,739
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$(205,725,027)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$35,944,399	\$34,454,610	\$31,613,970	\$ 27,412,713	\$28,277,597	\$28,907,800	\$28,519,612	\$28,672,800	\$28,606,412	\$28,627,615
Contributions as a percentage of covered payroll	26.19%	20.48%	14.04%	869.95%	70.28%	65.15%	60.34%	55.67%	44.93%	44.03%
Public Safety Personnel Retirement System- Fire:										
Actuarially determined contribution	\$ 4,363,360	\$ 3,011,464	\$1,847,318	\$ 11,478,887	\$11,001,668	\$10,137,454	\$9,655,204	\$8,639,228	\$6,621,730	\$6,067,633
Additional contribution	-	-	-	122,993,405	-	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	4,363,360	3,011,464	1,847,318	4,652,228	11,001,668	10,137,454	9,655,204	8,639,228	6,621,730	6,067,633
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$(116,166,746)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$19,690,361	\$17,179,361	\$17,035,385	\$ 15,290,218	\$14,489,224	\$13,881,219	\$13,477,393	\$13,373,418	\$12,337,861	\$12,215,891
Contributions as a percentage of covered payroll	22.16%	17.53%	10.84%	879.47%	75.93%	73.03%	71.64%	64.60%	53.67%	49.67%

Schedule of the Proportionate Share of the Net Pension Liability

Arizona State Retirement System

Last Ten Fiscal Years

City of Tempe, Arizona

Reporting year	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement year	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.74%	0.74%	0.75%	0.77%	0.77%	0.76%	0.77%	0.76%	0.78%
City's proportion share of the net pension liability	\$ 125,350,992	\$ 119,231,359	\$ 122,131,018	\$ 98,997,357	\$ 132,587,729	\$ 111,031,198	\$ 108,146,590	\$ 118,500,674	\$ 126,045,105
Covered payroll	\$ 105,637,990	\$ 96,361,011	\$ 87,368,901	\$ 83,608,155	\$ 82,749,459	\$ 80,056,234	\$ 74,894,440	\$ 73,170,548	\$ 71,257,899
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.66%	123.73%	139.79%	118.41%	160.23%	138.69%	144.40%	161.95%	176.89%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Police

Last Ten Fiscal Years

City of Tempe, Arizona

Reporting year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 6,867,606	\$ 6,304,384	\$ 6,278,066	\$ 6,444,246	\$ 6,276,242	\$ 6,363,446	\$ 6,266,555	\$ 6,639,904	\$ 5,378,159	\$ 5,468,695
Interest	31,364,866	29,170,652	28,077,273	27,218,826	25,248,428	23,896,706	22,579,727	21,145,695	19,846,810	19,315,142
Changes of benefit terms	-	-	-	-	-	-	-	2,664,893	13,183,597	-
Differences between expected and actual experience	13,247,711	17,455,976	2,888,372	(876,704)	13,853,754	2,252,812	1,492,630	(215,490)	(5,746,957)	(2,753,278)
Changes of assumptions	-	-	5,350,492	-	-	7,223,840	-	7,860,019	10,622,755	-
Benefit payments, including refunds	(24,001,807)	(22,036,266)	(22,149,263)	(19,572,007)	(17,537,352)	(15,881,006)	(15,663,112)	(13,775,904)	(15,820,570)	(14,604,348)
Net change in total pension liability	27,478,376	30,894,746	20,444,940	13,214,361	27,841,072	23,855,798	14,675,800	24,319,117	27,463,794	7,426,211
Total pension liability- beginning	440,756,435	409,861,689	389,416,749	376,202,388	348,361,316	324,505,518	309,829,718	285,510,601	258,046,807	250,620,596
Total pension liability- ending	\$ 468,234,811	\$ 440,756,435	\$ 409,861,689	\$ 389,416,749	\$ 376,202,388	\$ 348,361,316	\$ 324,505,518	\$ 309,829,718	\$ 285,510,601	\$ 258,046,807
Plan fiduciary net position										
Contributions- employer	\$ 6,920,155	\$ 4,074,213	\$ 226,589,257	\$ 20,333,964	\$ 18,813,057	\$ 17,153,330	\$ 11,403,472	\$ 12,486,872	\$ 12,552,708	\$ 9,804,542
Contributions- employee	2,890,364	3,031,658	2,961,098	2,844,510	2,760,167	2,187,943	2,811,219	3,579,664	3,597,316	3,641,788
Net investment income	39,793,155	26,921,997	(15,735,726)	41,258,890	1,807,767	7,119,271	8,386,647	13,507,120	653,674	3,769,779
Difference between expected and actual experience	-	1,934,167	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(24,001,807)	(22,036,266)	(22,149,263)	(19,572,007)	(17,537,352)	(15,881,006)	(15,663,112)	(13,775,904)	(15,820,570)	(14,604,348)
Administrative expense	(162,654)	(129,999)	(281,893)	(192,755)	(147,615)	(124,419)	(128,344)	(119,915)	(94,459)	(92,360)
Other	-	12,879	5,411	4,270	23,720	2,498	12,433	54,461	(173,159)	(36,082)
Net change in plan fiduciary net	25,439,213	13,808,649	191,388,884	44,676,872	5,719,744	10,457,617	6,822,315	15,732,298	715,510	2,483,319
Plan fiduciary net position- beginning	395,255,472	381,446,823	190,057,939	145,381,067	139,661,323	129,203,706	122,381,391	106,649,093	105,933,583	103,450,264
Plan fiduciary net position- ending	\$ 420,694,685	\$ 395,255,472	\$ 381,446,823	\$ 190,057,939	\$ 145,381,067	\$ 139,661,323	\$ 129,203,706	\$ 122,381,391	\$ 106,649,093	\$ 105,933,583
Net pension liability- ending	\$ 47,540,126	\$ 45,500,963	\$ 28,414,866	\$ 199,358,810	\$ 230,821,321	\$ 208,699,993	\$ 195,301,812	\$ 187,448,327	\$ 178,861,508	\$ 152,113,224
Plan fiduciary net position as a percentage of the total pension liability	89.85%	89.68%	93.07%	48.81%	38.64%	40.09%	39.82%	39.50%	37.35%	41.05%
Covered payroll	\$ 34,454,610	\$ 31,613,970	\$ 27,412,713	\$ 28,277,597	\$ 28,907,800	\$ 28,519,612	\$ 28,672,800	\$ 28,606,412	\$ 28,627,615	\$ 28,889,762
Net pension liability as a percentage of covered payroll	137.98%	143.93%	103.66%	705.01%	798.47%	731.78%	681.14%	655.27%	624.79%	526.53%

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System- Fire

Last Ten Fiscal Years

City of Tempe, Arizona

Reporting year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 4,295,872	\$ 4,055,208	\$ 3,674,351	\$ 3,433,110	\$ 3,424,059	\$ 3,201,998	\$ 3,184,469	\$ 3,288,107	\$ 2,601,714	\$ 2,527,186
Interest	18,320,836	17,104,173	16,199,706	15,656,247	14,737,251	14,062,552	13,505,923	12,435,795	11,454,692	11,256,214
Changes of benefit terms	-	-	-	-	-	-	-	1,132,919	9,445,952	-
Differences between expected and actual experience	4,577,233	8,933,850	3,274,449	(3)	7,181,069	2,213,604	(549,390)	2,381,447	177,366	(1,631,037)
Changes of assumptions	-	-	3,060,017	-	-	3,771,807	-	6,731,555	5,723,255	-
Benefit payments, including refunds	(15,513,198)	(11,358,400)	(10,531,983)	(13,239,944)	(12,284,937)	(10,967,777)	(9,489,726)	(8,942,533)	(10,767,917)	(8,554,561)
Net change in total pension liability	11,680,743	18,734,831	15,676,540	5,849,410	13,057,442	12,282,184	6,651,276	17,027,290	18,635,062	3,597,802
Total pension liability- beginning	257,916,786	239,181,955	223,505,415	217,656,005	204,598,563	192,316,379	185,665,103	168,637,813	150,002,751	146,404,949
Total pension liability- ending	\$ 269,597,529	\$ 257,916,786	\$ 239,181,955	\$ 223,505,415	\$ 217,656,005	\$ 204,598,563	\$ 192,316,379	\$ 185,665,103	\$ 168,637,813	\$ 150,002,751
Plan fiduciary net position										
Contributions- employer	\$ 4,387,484	\$ 2,608,611	\$ 128,684,062	\$ 11,478,887	\$ 10,643,938	\$ 9,657,636	\$ 7,471,162	\$ 7,629,875	\$ 6,665,926	\$ 4,553,293
Contributions- employee	1,441,829	1,503,324	1,450,567	1,366,781	1,369,664	1,045,992	1,274,574	1,711,846	1,620,334	1,627,959
Net investment income	23,152,421	15,688,649	(9,095,275)	24,375,794	1,093,261	4,459,035	5,290,034	8,517,929	420,827	2,537,356
Difference between expected and actual experience	-	1,138,845	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(15,513,198)	(11,358,400)	(10,531,983)	(13,239,944)	(12,284,937)	(10,967,777)	(9,489,726)	(8,942,533)	(10,767,917)	(8,554,561)
Administrative expense	(78,405)	(64,241)	(162,971)	(114,661)	(89,363)	(78,221)	(81,213)	(75,769)	(60,954)	(62,287)
Other	-	-	-	-	22,391	-	11,590	930	64,490	(36,284)
Net change in plan fiduciary net position	13,390,131	9,516,788	110,344,400	23,866,857	754,954	4,116,665	4,476,421	8,842,278	(2,057,294)	65,476
Plan fiduciary net position- beginning	231,070,037	221,553,249	111,208,849	87,341,992	86,587,038	82,470,373	77,993,952	69,151,674	71,208,968	71,143,492
Plan fiduciary net position- ending	\$ 244,460,168	\$ 231,070,037	\$ 221,553,249	\$ 111,208,849	\$ 87,341,992	\$ 86,587,038	\$ 82,470,373	\$ 77,993,952	\$ 69,151,674	\$ 71,208,968
Net pension liability- ending	\$ 25,137,361	\$ 26,846,749	\$ 17,628,706	\$ 112,296,566	\$ 130,314,013	\$ 118,011,525	\$ 109,846,006	\$ 107,671,151	\$ 99,486,139	\$ 78,793,783
Plan fiduciary net position as a percentage of the total pension liability	90.68%	89.59%	92.63%	49.76%	40.13%	42.32%	42.88%	42.01%	41.01%	47.47%
Covered payroll	\$ 17,179,361	\$ 17,035,385	\$ 15,290,218	\$ 14,489,224	\$ 13,881,219	\$ 13,477,393	\$ 13,373,418	\$ 12,337,861	\$ 12,215,891	\$ 10,958,329
Net pension liability as a percentage of covered payroll	146.32%	157.59%	115.29%	775.04%	938.78%	875.63%	821.38%	872.69%	814.40%	719.03%

Schedule of Contributions
Single Employer OPEB Plan

Last Nine Fiscal Years

City of Tempe, Arizona

Reporting/Measurement year	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined Contributions in relation to the actuarially determined	\$ 9,085,000	\$ 9,432,000	\$ 9,614,000	\$ 8,139,000	\$ 7,028,000	\$ 7,081,000	\$ 7,134,000	\$ 6,984,000	\$ 7,171,851
	10,269,106	9,552,753	9,437,959	9,642,039	8,870,605	7,918,331	8,461,506	6,983,551	6,759,218
Contribution deficiency	<u>\$ (1,184,106)</u>	<u>\$ (120,753)</u>	<u>\$ 176,041</u>	<u>\$ (1,503,039)</u>	<u>\$ (1,842,605)</u>	<u>\$ (837,331)</u>	<u>\$ (1,327,506)</u>	<u>\$ 449</u>	<u>\$ 412,633</u>
Covered-employee payroll Contributions as a percentage covered-employee payroll	\$67,155,887	\$64,716,022	\$62,868,923	\$61,037,789	\$62,477,698	\$60,657,959	\$35,758,296	\$34,716,792	\$41,444,730
	15.29%	14.80%	15.00%	15.80%	14.20%	13.05%	23.66%	20.12%	16.31%

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

Schedule of Changes in the Net OPEB Liability and Related Ratios

Single Employer OPEB Plan

Last Nine Fiscal Years

City of Tempe, Arizona

Reporting/Measurement year	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 1,085,684	\$ 1,185,445	\$ 1,173,318	\$ 1,170,996	\$ 1,028,565	\$ 329,347	\$ 319,754	\$ 321,229	\$ 300,495
Interest	6,885,308	7,365,859	7,749,644	7,035,529	6,081,440	5,630,520	5,930,814	5,689,881	5,742,386
Changes of benefit terms	-	-	-	-	-	7,651,741	-	-	-
Differences between expected and actual experience	234,243	495,369	(888,785)	2,629,006	13,492,032	267,000	(4,271,517)	4,915,943	-
Changes of assumptions	-	(6,429,084)	(4,455,325)	9,688,529	3,190,142	753,880	1,581,360	503,616	-
Benefit payments, including refunds	(10,269,106)	(9,552,753)	(9,437,959)	(9,642,039)	(8,870,605)	(7,918,332)	(8,461,506)	(6,983,551)	(6,759,218)
Net change in total OPEB liability	(2,063,871)	(6,935,164)	(5,859,107)	10,882,021	14,921,574	6,714,156	(4,901,095)	4,447,118	(716,337)
Total OPEB liability- beginning	109,976,679	116,911,843	122,770,950	111,888,929	96,967,355	90,253,199	95,154,294	90,707,176	91,423,513
Total OPEB liability- ending	\$ 107,912,808	\$ 109,976,679	\$ 116,911,843	\$ 122,770,950	\$ 111,888,929	\$ 96,967,355	\$ 90,253,199	\$ 95,154,294	\$ 90,707,176
Plan fiduciary net position									
Contributions for benefits due	\$ 10,269,106	\$ 9,552,753	\$ 9,437,959	\$ 9,642,039	\$ 8,870,605	\$ 7,918,331	\$ 8,461,506	\$ 6,983,551	\$ 6,759,218
Net investment income	2,361,936	2,319,865	1,453,389	(2,728,646)	4,161,448	762,338	796,286	1,062,670	1,211,093
Benefit payments, including refunds	(10,269,106)	(9,552,753)	(9,437,959)	(9,642,039)	(8,870,605)	(7,919,331)	(8,461,506)	(6,983,551)	(6,759,218)
Net change in plan fiduciary net position	2,361,936	2,319,865	1,453,389	(2,728,646)	4,161,448	761,338	796,286	1,062,670	1,211,093
Plan fiduciary net position- beginning	20,154,930	17,835,065	16,381,676	19,110,322	14,948,874	14,187,536	13,391,250	12,328,580	11,117,487
Plan fiduciary net position- ending	\$ 22,516,866	\$ 20,154,930	\$ 17,835,065	\$ 16,381,676	\$ 19,110,322	\$ 14,948,874	\$ 14,187,536	\$ 13,391,250	\$ 12,328,580
Net OPEB liability- ending	\$ 85,395,942	\$ 89,821,749	\$ 99,076,778	\$ 106,389,274	\$ 92,778,607	\$ 82,018,481	\$ 76,065,663	\$ 81,763,044	\$ 78,378,596
Plan fiduciary net position as a percentage of the total OPEB liability	20.87%	18.33%	15.26%	13.34%	17.08%	15.42%	15.72%	14.07%	13.59%
Covered-employee payroll	\$ 67,155,887	\$ 64,716,022	\$ 62,868,923	\$ 61,037,789	\$ 62,477,698	\$ 60,657,959	\$ 35,758,296	\$ 34,716,792	\$ 41,444,730
Net OPEB liability as a percentage of covered-employee payroll	127.16%	138.80%	157.60%	174.30%	148.50%	135.21%	212.72%	235.51%	189.12%

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

Schedule of Investment Returns

Single Employer OPEB Plan

Last Nine Fiscal Years

City of Tempe, Arizona

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment	11.91%	13.41%	9.33%	-13.87%	28.40%	5.84%	6.43%	9.13%	11.41%

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, 2025

City of Tempe, Arizona

Note 1 - Actuarially determined contribution rates

Actuarially determined contribution rates. Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

PSPRS Actuarial Methods and Assumptions:

Actuarial Cost Method	Entry age normal
Amortization Level	Members with initial membership date before July 1, 2017: Level percent-of-pay, closed Members with initial membership on or after July 1, 2017: Level dollar closed
Remaining Amortization Period as of the 2023 Actuarial Valuation	Members with initial membership date before July 1, 2017: 18 years for unfunded actuarial accrued liability, 20 years for excess Members with initial membership on or after July 1, 2017: 10 years
Asset Valuation Method	Members with initial membership date before July 1, 2017: 7-year smoothed fair value; 80%/120% market corridor Members with initial membership on or after July 1, 2017: 5-year smoothed fair value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	Members with initial membership date before July 1, 2017: In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.40% to 7.30%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.50% to 7.40%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.50%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.00% to 7.85%. Members with initial membership on or after July 1, 2017: 7%
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage Growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 – 6.25%. In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011
Mortality	In the 2019 actuarial valuation, changed to PUBS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

Notes to Required Supplementary Information

June 30, 2025

City of Tempe, Arizona

For ASRS -

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

Factors that Affect Trends - The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. 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, 2020, actuarial valuation.

Note 2 - Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plan's OR plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

PSPRS allowed the City to phase in the increased contributions for members who were retired as of the law's effective date over three years. As a result, the City's pension contributions were less than the actuarially determined contributions for 2016 and 2017. The City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

City Sponsored Plan Schedule of Contributions - OPEB

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

Valuation Date:	Actuarially determined contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method:	Entry Age
Amortization Method:	Level percentage of payroll, closed
Amortization Period:	16 years
Asset Valuation Method:	Fair Value
Inflation:	2.60%
Salary Increases:	3.00% average, including inflation
Investment Rate of Return:	6.50%, net of plan investment expenses, including inflation
Retirement Rates:	From the 2021 ASRS and PSPRS actuarial valuations
Mortality Rates:	Mortality rates were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee, Retiree and Disabled Mortality Tables, with generational projection using Scale MP-2021.

Budgetary Comparison Schedule (Non-GAAP Basis)

City Wide Operating Budget

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
City total resources	\$ 784,999,687	\$ 493,280,184	\$ 291,719,503
Total revenues	<u>784,999,687</u>	<u>493,280,184</u>	<u>291,719,503</u>
City total expenditures	812,202,548	468,647,760	343,554,788
Total expenditures	<u>812,202,548</u>	<u>468,647,760</u>	<u>343,554,788</u>
Net change in fund balance	\$ (27,202,861)	\$ 24,632,424	\$ 51,835,285

Note: The City's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.

Budgetary Comparison Schedule (Non-GAAP Basis)

City Wide Capital Projects Budget

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
City total resources	<u>\$ 652,350,506</u>	<u>\$ 262,417,526</u>	<u>\$ 389,932,980</u>
Total revenues	<u>652,350,506</u>	<u>262,417,526</u>	<u>(389,932,980)</u>
City total expenditures	<u>775,133,790</u>	<u>262,417,526</u>	<u>512,716,264</u>
Total expenditures	<u>775,133,790</u>	<u>262,417,526</u>	<u>512,716,264</u>
Net change in fund balance	\$ (122,783,284)	\$ -	\$ 122,783,284



Combining Fund Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUNDS

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.

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

- **Streets Fund.** Used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- **Police Protection Fund.** Used for purchasing, constructing and equipping police functions.
- **Fire Protection Fund.** Used for purchasing, constructing and equipping fire functions.
- **Arts and Culture Fund.** Used for purchasing, developing or improving projects that allow for the support of the arts and cultural activities in the City.
- **Storm Sewers Fund.** Used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- **Transit Fund** - used for the acquisition of buses, the light rail system, and other traffic flow improvements.
- **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.
- **Signals Fund.** Used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.
- **Community Facilities District Fund.** Used for the improving and constructing in the Rio Salado Community Facilities District.

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2025

City of Tempe, Arizona

	Special Revenue									Total Special Revenue Funds
	Arts and Culture	Highway User Revenue	Community Development	Housing Assistance	Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Opioid Settlement	
Assets										
Pooled cash and investments	\$ 13,158,532	\$ 8,913,646	\$ 1	\$ 530,385	\$ 127,796	\$ 3,199,455	\$ 3,107,890	\$ 2,213,024	\$ 2,489,449	\$ 33,740,178
Receivables:										
Taxes	1,012,339	1,405,155	-	-	-	-	-	-	-	2,417,494
Accounts	-	-	-	97,937	-	5,000	208,029	-	7,189,336	7,500,302
Special assessment	-	-	-	-	-	-	-	-	-	-
Accrued interest	69,053	-	-	-	196	8,929	-	-	-	78,178
Due from other governments	-	-	326,677	106,000	-	7,281	2,247,286	-	-	2,687,244
Inventories	-	663,502	-	-	-	-	-	-	-	663,502
Prepaid items	-	-	68,488	1,661,804	-	-	-	-	-	1,730,292
Restricted cash and investments	473,558	-	604,222	-	-	31,533	-	266	-	1,109,579
Total assets	\$ 14,713,482	\$ 10,982,303	\$ 999,388	\$ 2,396,126	\$ 127,992	\$ 3,252,198	\$ 5,563,205	\$ 2,213,290	\$ 9,678,785	\$ 49,926,769
Liabilities										
Accounts payable	\$ 235,137	\$ 331,355	\$ 37,944	\$ 146,249	\$ -	\$ 13,173	\$ 224,129	\$ 9,503	\$ 41	\$ 997,531
Deposits	78,070	254	-	-	-	4,711	130,154	-	-	213,189
Accrued expenditures	193,028	205,760	12,561	302,383	-	-	-	-	6,102	719,834
Due to other funds	-	-	640,607	-	-	-	-	-	-	640,607
Unearned revenue	-	-	-	64,089	-	-	4,057,766	-	-	4,121,855
Matured bonds payable	365,000	-	-	-	-	-	-	-	-	365,000
Matured interest payable	108,500	-	-	-	-	-	-	-	-	108,500
Total liabilities	979,735	537,369	691,112	512,721	-	17,884	4,412,049	9,503	6,143	7,166,516
Deferred Inflows of Resources										
Unavailable revenue- special assessment	-	-	-	-	-	-	-	-	-	-
Unavailable revenue- other	-	-	-	-	-	-	-	-	7,189,336	7,189,336
Total deferred inflows of resources	-	-	-	-	-	-	-	-	7,189,336	7,189,336
Fund Balances										
Non-spendable	-	663,502	68,488	1,661,804	-	-	-	-	-	2,393,794
Restricted	13,733,747	9,781,432	239,788	221,601	127,992	3,234,314	1,151,156	2,203,787	2,483,306	33,177,123
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	13,733,747	10,444,934	308,276	1,883,405	127,992	3,234,314	1,151,156	2,203,787	2,483,306	35,570,917
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,713,482	\$ 10,982,303	\$ 999,388	\$ 2,396,126	\$ 127,992	\$ 3,252,198	\$ 5,563,205	\$ 2,213,290	\$ 9,678,785	\$ 49,926,769

Combining Balance Sheet
 Non-major Governmental Funds
 June 30, 2025

City of Tempe, Arizona

	<u>Debt Service Fund</u>
	<u>Special Assessment</u>
	<u>Debt Service</u>
Assets	
Pooled cash and investments	\$ 287,279
Receivables:	
Taxes	-
Accounts	-
Special assessment	7,699,415
Accrued interest	248,798
Due from other governments	-
Inventories	-
Prepaid items	-
Restricted cash and investments	179,250
Total assets	<u>\$ 8,414,742</u>
Liabilities	
Accounts payable	\$ -
Deposits	-
Accrued expenditures	-
Due to other funds	-
Unearned revenue	34,000
Matured bonds payable	-
Matured interest payable	179,250
Total liabilities	213,250
Deferred Inflows of Resources	
Unavailable revenue- special assessment	7,948,212
Unavailable revenue- other	-
Total deferred inflows of resources	<u>7,948,212</u>
Fund Balances	
Fund balance:	
Non-spendable	-
Restricted	253,280
Committed	-
Assigned	-
Unassigned	-
Total fund balances	<u>253,280</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,414,742</u>

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2025

City of Tempe, Arizona

	Capital Projects										Total Capital Projects Funds	Total Non- major Governmental Funds
	Streets	Police Protection	Fire Protection	Arts and Culture	Storm Sewers	Transit	Parks	Rio Salado	Signals	Community Facilities District		
Assets												
Pooled cash and investments	\$ 1,781,920	\$ 11,638,049	\$ 16,761,544	\$ 4,065,926	\$ -	\$ 26,652,547	\$ 1,889,778	\$ 384,636	\$ 5,484,416	\$ 3,596,078	\$ 72,254,894	\$ 106,282,351
Receivables:												
Taxes	-	-	-	-	-	-	-	-	-	-	-	2,417,494
Accounts	-	-	-	-	78,308	-	9,827	-	-	-	88,135	7,588,437
Special assessment	-	-	-	-	-	-	-	-	-	-	-	7,699,415
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	326,976
Due from other governments	436,949	-	-	-	-	196,160	-	-	-	-	633,109	3,320,353
Inventories	-	-	-	-	-	-	-	-	-	-	-	663,502
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	1,730,292
Restricted cash and	-	-	-	-	-	-	-	-	-	-	-	1,288,829
Total assets	\$ 2,218,869	\$ 11,638,049	\$ 16,761,544	\$ 4,065,926	\$ 78,308	\$ 26,848,707	\$ 1,899,605	\$ 384,636	\$ 5,484,416	\$ 3,596,078	\$ 72,976,138	\$ 131,317,649
Liabilities												
Accounts payable	\$ 12,549,416	\$ 354,136	\$ 1,573,994	\$ 87,841	\$ 16,270	\$ 2,105,007	\$ 3,377,226	\$ -	\$ 770,561	\$ 215,638	\$ 21,050,089	\$ 22,047,620
Deposits	-	1	-	-	-	-	-	-	-	-	1	213,190
Accrued expenditures	-	-	-	-	-	-	-	-	-	-	-	719,834
Due to other funds	-	-	-	-	72,998	-	-	-	-	-	72,998	713,605
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	4,155,855
Matured bonds payable	-	-	-	-	-	-	-	-	-	-	-	365,000
Matured interest payable	-	-	-	-	-	-	-	-	-	-	-	287,750
Total liabilities	12,549,416	354,137	1,573,994	87,841	89,268	2,105,007	3,377,226	-	770,561	215,638	21,123,088	28,502,854
Deferred Inflows of												
Unavailable revenue- special assessment	-	-	-	-	-	-	-	-	-	-	-	7,948,212
Unavailable revenue- other	-	-	-	-	-	-	9,827	-	-	-	9,827	7,199,163
Total deferred inflows of resources	-	-	-	-	-	-	9,827	-	-	-	9,827	15,147,375
Fund Balances												
Non-spendable	-	-	-	-	-	-	-	-	-	-	-	2,393,794
Restricted	5,303,954	138,153	2,738,499	4,026,866	-	6,600,677	3,042,762	-	296,474	3,380,440	25,527,825	58,958,228
Committed	-	1,163,252	4,390,875	19,540	-	-	7,819,617	384,636	1,918,522	325,040	16,021,482	16,021,482
Assigned	-	9,982,507	8,058,176	-	-	18,153,540	-	-	2,498,859	-	38,693,082	38,693,082
Unassigned	(15,634,501)	-	-	(68,321)	(10,960)	(10,517)	(12,349,827)	-	-	(325,040)	(28,399,166)	(28,399,166)
Total fund balances	(10,330,547)	11,283,912	15,187,550	3,978,085	(10,960)	24,743,700	(1,487,448)	384,636	4,713,855	3,380,440	51,843,223	87,667,420
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,218,869	\$ 11,638,049	\$ 16,761,544	\$ 4,065,926	\$ 78,308	\$ 26,848,707	\$ 1,899,605	\$ 384,636	\$ 5,484,416	\$ 3,596,078	\$ 72,976,138	\$ 131,317,649

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Special Revenue									
	Arts and Culture	Highway User Revenue	Community Development	Housing Assistance	Housing Affordability	Donations and Court Awards	Grants	Community Facilities District	Opioid Settlement	Total Special Revenue Funds
Revenues:										
Sales taxes	\$ 11,151,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,151,942
Intergovernmental:										
Federal grants	-	-	3,340,282	22,755,158	-	-	11,972,653	-	-	38,068,093
State grants	-	-	-	-	-	492,808	2,915,491	-	-	3,408,299
State sales tax	-	14,317,111	-	-	-	-	-	-	-	14,317,111
Other	-	-	-	-	-	642,139	5,395,578	-	812,885	6,850,602
Investment income (loss)	853,408	-	(17,318)	93,694	107,463	69,556	-	65	-	1,106,868
Charges for services	1,071,122	-	-	-	-	76,279	874	2,654,837	-	3,803,112
Fines and forfeitures	-	-	-	1,007	-	292,558	181,624	-	-	475,189
Other entities' participation	-	-	-	-	-	233,649	-	-	-	233,649
Licenses and permits	-	244,319	-	-	-	-	-	-	-	244,319
Miscellaneous	5,948	5,134	550,304	-	-	85,081	-	-	-	646,467
Total revenues	<u>13,082,420</u>	<u>14,566,564</u>	<u>3,873,268</u>	<u>22,849,859</u>	<u>107,463</u>	<u>1,892,070</u>	<u>20,466,220</u>	<u>2,654,902</u>	<u>812,885</u>	<u>80,305,651</u>
Expenditures:										
Current:										
General government	-	-	-	-	-	72,324	1,309,409	-	-	1,381,733
Public safety	-	-	-	-	-	536,895	6,358,218	-	-	6,895,113
Public works	-	13,423,142	-	-	-	643,147	-	-	-	14,066,289
Criminal justice	-	-	-	-	-	331,112	-	-	-	331,112
Community enrichment	10,107,867	-	3,529,414	21,955,973	-	386,824	4,019,883	3,300,234	97,865	43,398,060
Debt service:										
Principal retirement	365,000	-	549,000	-	-	-	-	-	-	914,000
Interest	217,000	-	1,304	-	-	-	-	-	-	218,304
Fiscal fees	1,500	-	-	-	-	-	-	-	-	1,500
Capital outlay	177,474	1,283,087	843,026	33,351	-	132	8,451,329	-	260	10,788,659
Total expenditures	<u>10,868,841</u>	<u>14,706,229</u>	<u>4,922,744</u>	<u>21,989,324</u>	<u>-</u>	<u>1,970,434</u>	<u>20,138,839</u>	<u>3,300,234</u>	<u>98,125</u>	<u>77,994,770</u>
Excess (deficiency) of revenues over expenditures	<u>2,213,579</u>	<u>(139,665)</u>	<u>(1,049,476)</u>	<u>860,535</u>	<u>107,463</u>	<u>(78,364)</u>	<u>327,381</u>	<u>(645,332)</u>	<u>714,760</u>	<u>2,310,881</u>
Other financing sources (uses):										
Transfers in	250,000	1,500,000	-	-	-	-	-	-	-	1,750,000
Transfers out	(860,000)	(4,157,615)	-	-	-	-	(49,469)	-	-	(5,067,084)
Issuance of debt	-	-	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	1,033	151,836	-	4,968	-	-	-	-	-	157,837
Total other financing sources (uses)	<u>(608,967)</u>	<u>(2,505,779)</u>	<u>-</u>	<u>4,968</u>	<u>-</u>	<u>-</u>	<u>(49,469)</u>	<u>-</u>	<u>-</u>	<u>(3,159,247)</u>
Net change in fund balances	1,604,612	(2,645,444)	(1,049,476)	865,503	107,463	(78,364)	277,912	(645,332)	714,760	(848,366)
Fund balance at beginning of year	12,129,135	13,090,378	1,357,752	1,017,902	20,529	3,312,678	873,244	2,849,119	1,768,546	36,419,283
Fund balance at end of year	<u>\$ 13,733,747</u>	<u>\$ 10,444,934</u>	<u>\$ 308,276</u>	<u>\$ 1,883,405</u>	<u>\$ 127,992</u>	<u>\$ 3,234,314</u>	<u>\$ 1,151,156</u>	<u>\$ 2,203,787</u>	<u>\$ 2,483,306</u>	<u>\$ 35,570,917</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Debt Service
	Special Assessment
	Debt Service
Revenues:	
Property taxes	\$ -
Investment income (loss)	-
Special assessment	1,983,125
Miscellaneous	-
Total revenues	<u>1,983,125</u>
Expenditures:	
Debt service:	
Principal retirement	1,585,000
Interest	398,125
Fiscal fees	<u>850</u>
Total expenditures	1,983,975
Excess (deficiency) of revenues over expenditures	<u>(850)</u>
Other financing sources (uses):	
Transfers in	-
Transfers out	-
Premium on issuance of debt	<u>-</u>
Total other financing sources	<u>-</u>
Net change in fund balances	(850)
Fund balance at beginning of year	<u>254,130</u>
Fund balance at end of year	<u><u>\$ 253,280</u></u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Capital Projects									Total Capital Projects Funds	Total Non-major Governmental Funds	
	Streets	Police Protection	Fire Protection	Arts and Culture	Storm Sewers	Transit	Parks	Rio Salado	Signals			Community Facilities District
Revenues:												
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,151,942
Intergovernmental:												
Federal grants	438,210	-	-	-	-	4,629,082	-	-	437,571	-	5,504,863	43,572,956
State grants	-	-	-	-	-	-	22,407	-	-	-	22,407	3,430,706
State sales tax	-	-	-	-	-	-	-	-	-	-	-	14,317,111
Other	-	-	-	-	-	-	-	-	51,768	-	51,768	6,902,370
Investment income (loss)	26,083	69,567	84,678	190	-	154,237	139,935	-	3,116	-	477,806	1,584,674
Charges for services	442,775	-	-	-	-	-	-	-	-	742,730	1,185,505	4,988,617
Fines and forfeitures	-	-	-	-	-	-	550	-	-	-	550	475,739
Other entities' participation	590,765	1,214,492	726,027	-	-	1,193,132	12,180,303	-	89,944	-	15,994,663	16,228,312
Special assessment	-	-	-	-	-	-	-	-	-	-	-	1,983,125
License and permits	-	-	-	-	-	-	-	-	-	-	-	244,319
Miscellaneous	-	-	-	-	78,308	19,904	-	-	-	-	98,212	744,679
Total revenues	<u>1,497,833</u>	<u>1,284,059</u>	<u>810,705</u>	<u>190</u>	<u>78,308</u>	<u>5,996,355</u>	<u>12,343,195</u>	<u>-</u>	<u>582,399</u>	<u>742,730</u>	<u>23,335,774</u>	<u>105,624,550</u>
Expenditures:												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	-	1,381,733
Public safety	-	2,080,694	1,283,687	-	-	-	-	-	-	-	3,364,381	10,259,494
Transportation	6,784,795	-	-	-	514,788	4,287,281	-	-	2,487,269	-	14,074,133	28,140,422
Criminal justice	-	-	-	-	-	-	-	-	-	-	-	331,112
Community enrichment	-	-	-	620,608	-	-	3,815,014	-	-	309,228	4,744,850	48,142,910
Debt service:												
Principal retirement	-	20,696	-	-	-	-	-	-	-	-	20,696	2,519,696
Interest	-	1,504	-	-	-	-	-	-	-	-	1,504	617,933
Fiscal fees	-	-	-	-	-	-	-	-	-	-	-	2,350
Capital outlay	24,330,286	11,007,293	6,678,490	514,647	135,958	9,448,814	28,296,026	-	738,502	934,160	82,084,176	92,872,835
Total expenditures	<u>31,115,081</u>	<u>13,110,187</u>	<u>7,962,177</u>	<u>1,135,255</u>	<u>650,746</u>	<u>13,736,095</u>	<u>32,111,040</u>	<u>-</u>	<u>3,225,771</u>	<u>1,243,388</u>	<u>104,289,740</u>	<u>184,268,485</u>
Excess (deficiency) of revenues over expenditures	<u>(29,617,248)</u>	<u>(11,826,128)</u>	<u>(7,151,472)</u>	<u>(1,135,065)</u>	<u>(572,438)</u>	<u>(7,739,740)</u>	<u>(19,767,845)</u>	<u>-</u>	<u>(2,643,372)</u>	<u>(500,658)</u>	<u>(80,953,966)</u>	<u>(78,643,935)</u>
Other financing sources (uses):												
Transfers in	3,901,299	168,123	-	860,000	-	5,648,000	-	-	300,000	-	10,877,422	12,627,422
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(5,067,084)
Issuance of debt	20,030,000	-	10,970,000	-	480,000	-	7,350,000	-	1,625,000	-	40,455,000	40,455,000
Premium on issuance of debt	970,000	-	530,000	-	20,000	-	352,000	-	75,000	-	1,947,000	1,947,000
Proceeds from sale of capital	-	-	-	-	-	-	-	-	-	-	-	157,837
Total other financing sources (uses)	<u>24,901,299</u>	<u>168,123</u>	<u>11,500,000</u>	<u>860,000</u>	<u>500,000</u>	<u>5,648,000</u>	<u>7,702,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>53,279,422</u>	<u>50,120,175</u>
Net change in fund balances	(4,715,949)	(11,658,005)	4,348,528	(275,065)	(72,438)	(2,091,740)	(12,065,845)	-	(643,372)	(500,658)	(27,674,544)	(28,523,760)
Fund balance at beginning of year	(5,614,598)	22,941,917	10,839,022	4,253,150	61,478	26,835,440	10,578,397	384,636	5,357,227	3,881,098	79,517,767	116,191,180
Fund balance at end of year	<u>\$ (10,330,547)</u>	<u>\$ 11,283,912</u>	<u>\$ 15,187,550</u>	<u>\$ 3,978,085</u>	<u>\$ (10,960)</u>	<u>\$ 24,743,700</u>	<u>\$ (1,487,448)</u>	<u>\$ 384,636</u>	<u>\$ 4,713,855</u>	<u>\$ 3,380,440</u>	<u>\$ 51,843,223</u>	<u>\$ 87,667,420</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 Fund Net Position

Internal Service Funds

June 30, 2025

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Assets				
Current assets:				
Pooled cash and investments	\$ 9,451,524	\$ 8,365,914	\$ 21,016,779	\$ 38,834,217
Restricted cash and investments	-	11,883,784		11,883,784
Accounts receivable	-	60,613	361,968	422,581
Accrued interest receivable	-	37,303	-	37,303
Net OPEB asset	26,264	-	-	26,264
Depreciable assets, net	43,114	-	-	43,114
Total assets	9,520,902	20,347,614	21,378,747	51,247,263
Deferred Outflows of Resources				
Deferred outflows related to pensions	137,712	-	-	137,712
Deferred outflows related to OPEB	2,682	-	-	2,682
Total deferred outflows of resources	140,394	-	-	140,394
Liabilities				
Current liabilities:				
Accounts payable	185,639	320,184	493,476	999,299
Accrued expense	29,087	-	2,805,715	2,834,802
Due to other funds	-	60,613	-	60,613
Compensated absences	61,645	-	-	61,645
Claims payable	8,737,176	7,940,249	1,967,033	18,644,458
Total current liabilities	9,013,547	8,321,046	5,266,224	22,600,817
Noncurrent liabilities:				
Compensated absences	103,842	-	-	103,842
Claims payable	2,188,052	6,635,450	-	8,823,502
Net OPEB liability	94,048	-	-	94,048
Net pension liability	683,864	-	-	683,864
Total noncurrent liabilities	3,069,806	6,635,450	-	9,705,256
Total liabilities	12,083,353	14,956,496	5,266,224	32,306,073
Deferred Inflows of Resources				
Deferred inflows related to pensions	46,491	-	-	46,491
Deferred inflows related to OPEB	13,607	-	-	13,607
Total deferred inflows of resources	60,098	-	-	60,098
Net Position				
Net investment in capital assets	43,114	-	-	43,114
Restricted	26,264	-	-	26,264
Unrestricted	(2,551,533)	5,391,118	16,112,523	18,952,108
Total net position	\$ (2,482,155)	\$ 5,391,118	\$ 16,112,523	\$ 19,021,486

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Operating revenues:				
Contributions	\$ 9,022,820	\$ 4,166,601	\$ 42,050,308	\$ 55,239,729
Miscellaneous	-	56,006	-	56,006
Total operating revenues	<u>9,022,820</u>	<u>4,222,607</u>	<u>42,050,308</u>	<u>55,295,735</u>
Operating expenses:				
Fees and services	8,607,999	5,265,846	41,889,515	55,763,360
Depreciation	5,580	-	-	5,580
Total operating expenses	<u>8,613,579</u>	<u>5,265,846</u>	<u>41,889,515</u>	<u>55,768,940</u>
Operating income (loss)	409,241	(1,043,239)	160,793	(473,205)
Nonoperating revenues				
Gain on sale of assets	7,449			7,449
Investment income	-	428,973	-	428,973
Total nonoperating revenues	<u>7,449</u>	<u>428,973</u>	<u>-</u>	<u>436,422</u>
Transfers in	-	2,306,519	-	2,306,519
Changes in net position	416,690	1,692,253	160,793	2,269,736
Total net position - beginning	(2,898,845)	3,698,865	15,951,730	16,751,750
Total net position - ending	<u>\$ (2,482,155)</u>	<u>\$ 5,391,118</u>	<u>\$ 16,112,523</u>	<u>\$ 19,021,486</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2025

City of Tempe, Arizona

	Risk Management	Worker's Compensation	Health	Total
Cash flows from operating activities:				
Receipts from other funds	\$ 9,022,820	\$ 4,166,601	\$ 41,893,948	\$ 55,083,369
Payments to employees	(829,343)	(180,769)	(115,396)	(1,125,508)
Payments made for claims	(4,887,378)	(4,279,644)	(41,178,003)	(50,345,025)
Miscellaneous cash receipts	-	56,006	-	56,006
Net cash provided (used) by in operating activities	3,306,099	(237,806)	600,549	3,668,842
Cash flows from noncapital financing activities:				
Transfer in	-	2,306,519	-	2,306,519
Net cash provided (used) by noncapital financing activities	-	2,306,519	-	2,306,519
Cash flows from capital financing activities:				
Purchase of capital assets	(48,694)	-	-	(48,694)
Proceeds from sale of assets	7,449	-	-	7,449
Net cash provided (used) by capital financing activities	(41,245)	-	-	(41,245)
Cash flows from investing activities:				
Investment income	-	417,355	-	417,355
Net cash provided (used) by investing activities	-	417,355	-	417,355
Net increase (decrease) in cash and cash equivalents	3,264,854	2,486,068	600,549	6,351,471
Cash and cash equivalents, beginning of year	6,186,670	17,763,630	20,416,230	44,366,530
Cash and cash equivalents, end of year	\$ 9,451,524	\$ 20,249,698	\$ 21,016,779	\$ 50,718,001
Reconciliation of cash and cash equivalents at end of year:				
Pooled cash and investments	\$ 9,451,524	\$ 8,365,914	\$ 21,016,779	\$ 38,834,217
Restricted Cash and investments	-	11,883,784	-	11,883,784
Cash and cash equivalents at end of year	\$ 9,451,524	\$ 20,249,698	\$ 21,016,779	\$ 50,718,001
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 409,241	\$ (1,043,239)	\$ 160,793	\$ (473,205)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	5,580	-	-	5,580
Change in assets and liabilities:				
(Increase) decrease in receivables	-	-	(156,360)	(156,360)
(Increase) decrease in net OPEB asset	(3,720)	-	-	(3,720)
Increase (decrease) in accounts payable	108,503	302,667	301,767	712,937
Increase (decrease) in accrued expenses	3,298	-	151,956	155,254
Increase (decrease) in claims payable	2,791,240	502,766	142,393	3,436,399
Increase (decrease) in compensated absence	19,861	-	-	19,861
(Increase) decrease in deferred outflows related to pension and OPEB	(52,512)	-	-	(52,512)

Increase (decrease) in deferred inflows related to pension and OPEB	10,740	-	-	10,740
Increase (decrease) in net pension liability	19,166	-	-	19,166
Increase (decrease) in net OPEB liability	<u>(5,298)</u>	<u>-</u>	<u>-</u>	<u>(5,298)</u>
Net cash provided (used) by operating activities	<u>\$ 3,306,099</u>	<u>\$ (237,806)</u>	<u>\$ 600,549</u>	<u>\$ 3,668,842</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 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Governmental activities										
Net investment in capital assets	\$ 463,290,704	\$ 441,875,868	\$ 435,421,987	\$ 538,278,359	\$ 529,205,694	\$ 523,422,276	\$ 491,949,237	\$ 483,438,668	\$ 519,530,983	\$ 564,120,959
Restricted	202,785,386	160,088,789	141,175,028	164,690,176	135,603,391	99,053,439	79,370,511	102,808,694	117,866,229	102,095,778
Unrestricted	123,361,861	196,377,950	206,108,533	111,429,390	89,964,094	85,960,972	70,642,228	13,318,115	(22,136,687)	(26,820,571)
Total governmental activities net position	<u>\$ 789,437,951</u>	<u>\$ 798,342,607</u>	<u>\$ 782,705,548</u>	<u>\$ 814,397,925</u>	<u>\$ 754,773,179</u>	<u>\$ 708,436,687</u>	<u>\$ 641,961,976</u>	<u>\$ 599,565,477</u>	<u>\$ 615,260,525</u>	<u>\$ 639,396,166</u>
Business-type activities										
Net investment in capital assets	\$ 83,745,808	\$ 102,002,361	\$ 97,816,016	\$ 137,380,192	\$ 151,450,264	\$ 140,978,804	\$ 124,836,951	\$ 111,354,858	\$ 104,387,674	\$ 69,467,178
Restricted	42,320,738	36,091,495	25,963,094	-	-	-	-	-	-	-
Unrestricted	184,678,037	139,062,597	140,236,122	162,925,142	145,707,685	148,328,973	153,206,243	153,208,008	151,904,179	170,405,834
Total business-type activities net position	<u>\$ 310,744,583</u>	<u>\$ 277,156,453</u>	<u>\$ 264,015,232</u>	<u>\$ 300,305,334</u>	<u>\$ 297,157,949</u>	<u>\$ 289,307,777</u>	<u>\$ 278,043,194</u>	<u>\$ 264,562,866</u>	<u>\$ 256,291,853</u>	<u>\$ 239,873,012</u>
Primary government										
Net investment in capital assets	\$ 547,036,512	\$ 543,878,229	\$ 533,238,003	\$ 675,658,551	\$ 680,655,958	\$ 664,401,080	\$ 616,786,188	\$ 594,793,526	\$ 623,918,657	\$ 633,588,137
Restricted	245,106,124	196,180,284	167,138,122	164,690,176	135,603,391	99,053,439	79,370,511	102,808,694	117,866,229	102,095,778
Unrestricted	308,039,898	335,440,547	346,344,655	274,354,532	235,671,779	234,289,945	223,848,471	166,526,123	129,767,492	143,585,263
Total primary government net position	<u>\$1,100,182,534</u>	<u>\$1,075,499,060</u>	<u>\$1,046,720,780</u>	<u>\$1,114,703,259</u>	<u>\$1,051,931,128</u>	<u>\$ 997,744,464</u>	<u>\$ 920,005,170</u>	<u>\$ 864,128,343</u>	<u>\$ 871,552,378</u>	<u>\$ 879,269,178</u>

Changes in Net Position (Exhibit S-2a)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Expenses										
Governmental activities:										
Police (j)	\$ -	\$ -	\$ -	\$ 106,879,997	\$ 109,735,808	\$ 107,096,572	\$ 101,620,981	\$ 107,357,688	\$ 111,570,351	\$ 93,057,663
Fire medical rescue (j)	-	-	-	48,723,812	46,151,382	49,941,616	44,646,087	40,900,261	48,345,996	34,319,479
Public safety (j)	185,040,405	181,268,814	177,106,183	-	-	-	-	-	-	-
Community services (a) (d)	-	-	-	39,506,898	35,564,456	36,442,527	28,463,648	29,739,525	27,956,647	27,402,656
Public works (g)	145,107,262	-	-	-	-	-	110,725,592	102,940,790	103,728,249	112,589,913
Transportation (k)	-	119,214,368	98,054,788	-	-	-	-	-	-	-
Engineering and transportation (g) (k)	-	-	-	79,306,002	88,643,038	102,020,829	-	-	-	-
Municipal utilities (g) (k)	-	-	-	301,324	746,213	506,510	-	-	-	-
Community development (a)	-	-	-	15,739,179	14,321,605	18,005,337	17,550,896	17,270,124	16,521,932	18,372,515
Human services (d) (a)	-	-	-	31,970,182	30,908,394	26,614,653	21,669,347	22,505,753	17,777,825	17,430,250
Community enrichment (a)	137,200,088	126,782,592	113,071,086	-	-	-	-	-	-	-
Criminal justice (l)	5,883,706	5,769,865	5,417,328	-	-	-	-	-	-	-
Municipal court (l)	-	-	-	5,048,832	5,077,211	5,257,225	4,985,853	5,007,487	4,909,370	4,354,299
General government (b)	50,627,498	52,332,996	57,489,311	-	-	-	-	-	-	-
Mayor and council (b)	-	-	-	612,841	434,176	461,629	491,026	405,716	473,324	337,046
City manager (d)(e)(c) (b)	-	-	-	9,346,396	10,707,904	7,455,774	7,150,485	7,045,025	6,815,022	7,371,101
City attorney (b)	-	-	-	3,760,903	3,748,495	3,724,210	3,137,658	3,283,818	3,160,056	2,961,497
Internal audit office (b)	-	-	-	550,591	619,106	516,840	434,770	476,584	376,249	425,674
Municipal budget office (d) (b)	-	-	-	425,769	106,535	269,344	172,182	288,182	261,313	259,133
Economic development office (h) (a)	-	-	-	1,512,840	787,714	771,575	-	-	-	-
Sustainability office (h) (b)	-	-	-	617,053	274,559	174,109	-	-	-	-
Office of strategic management and diversity (e) (b)	-	-	-	844,972	899,173	1,186,219	1,079,461	981,169	1,055,075	-
City clerk and elections (b)	-	-	-	997,382	957,343	1,036,845	829,499	979,356	815,016	868,596
Financial services (i) (b)	-	-	-	14,399,674	-	-	-	-	-	-
Human resources (i) (b)	-	-	-	4,425,590	-	-	-	-	-	-
Information technology (i) (b)	-	-	-	883,020	-	-	-	-	-	-
Internal services (b)(d)(i) (b)	-	-	-	-	18,570,150	19,779,369	15,650,001	16,749,283	18,821,669	8,252,013

Unallocated depreciation	-	-	-	1,451,338	1,502,243	1,716,431	1,716,431	1,716,725	1,777,887	1,785,487
Interest on long-term debt	20,749,765	19,891,073	18,057,610	17,344,833	9,529,375	9,921,992	12,503,655	11,817,213	9,847,278	12,924,841
Total governmental activities expenses	<u>544,608,724</u>	<u>505,259,708</u>	<u>469,196,306</u>	<u>384,649,428</u>	<u>379,284,880</u>	<u>392,899,606</u>	<u>372,827,572</u>	<u>369,464,699</u>	<u>374,213,259</u>	<u>342,712,163</u>
Business-type activities:										
Water and wastewater	114,111,095	92,323,601	96,368,865	89,403,602	86,542,908	77,716,351	77,906,953	76,903,243	70,364,126	75,515,527
Solid waste	19,985,620	20,428,137	21,167,692	19,872,919	17,319,217	16,909,091	15,791,378	17,494,354	15,918,430	14,881,636
Emergency medical transportation (f)	5,915,519	7,005,235	6,907,615	5,562,895	4,150,475	4,295,939	2,966,379	3,026,686	-	-
Golf course	-	172,560	3,554,898	3,500,205	3,336,616	3,038,086	2,937,558	2,802,184	2,520,474	2,734,351
Total business-type activities expenses	<u>140,012,234</u>	<u>119,929,533</u>	<u>127,999,070</u>	<u>118,339,621</u>	<u>111,349,216</u>	<u>101,959,467</u>	<u>99,602,268</u>	<u>100,226,467</u>	<u>88,803,030</u>	<u>93,131,514</u>
Total primary government expenses	<u>\$ 684,620,958</u>	<u>\$ 625,189,241</u>	<u>\$ 597,195,376</u>	<u>\$ 502,989,049</u>	<u>\$ 490,634,096</u>	<u>\$ 494,859,073</u>	<u>\$ 472,429,840</u>	<u>\$ 469,691,166</u>	<u>\$ 463,016,289</u>	<u>\$ 435,843,677</u>

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

- (a) In Fiscal Year 2023 the Community development, Community services, Human services and the economic development departments were reported under the Community enrichment function for financial reporting purposes only.
- (b) In Fiscal Year 2023 Mayor and Council, City Manager, City Attorney, Internal Audit, Municipal Budget, Sustainability, Office of Strategic Management and Diversity, City Clerk and Elections, Financial Services, Human Resources, and Information Technology were reported under the General Government function for financial reporting purposes only.
- (c) Tickmark not utilized
- (d) Tickmark not utilized
- (e) In Fiscal Year 2017, the Office of Strategic Management and Diversity was created. The Diversity office which was under the City Manager's office was moved into the new office.
- (f) In Fiscal Year 2018, the Emergency Medical Transportation Fund was established.
- (g) In Fiscal Year 2020, the Public Works department separated into two new departments: Municipal Utilities; Engineering and Transportation. In FY2025, Municipal Utilities; Engineering and Transportation merged into Public Works.
- (h) In Fiscal Year 2020, the Sustainability Office and the Economic Development Office were created. Both offices were previously part of the City Manager's office.
- (i) In Fiscal Year 2022, the Internal Services department separated into three new departments: Financial services, Human resources, and Information technology.
- (j) In Fiscal Year 2023 the Police and Fire medical rescue departments were reported under the Public safety function for financial reporting purposes only.
- (k) In Fiscal Year 2023 the Engineering and transportation and municipal utilities departments were reported under the Transportation function for financial reporting purposes only.
- (l) In Fiscal Year 2023 the Municipal court department was reported under the Criminal Justice function for financial reporting purposes only.

Changes in Net Position (Exhibit S-2b)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Program Revenues										
Governmental activities:										
Charges for services:										
Police (j)	\$ -	\$ -	\$ -	\$ 822,007	\$ 738,594	\$ 790,792	\$ 1,298,812	\$ 977,914	\$ 1,021,670	\$ 1,444,986
Fire medical rescue (j)	-	-	-	349,850	297,548	330,441	200,378	858,577	1,869,840	1,536,642
Public Safety (j)	2,022,890	2,512,811	2,010,414	-	-	-	-	-	-	-
Community services (a) (c) (m)	-	-	-	3,336,679	1,909,685	3,249,544	7,714,161	8,323,732	8,283,698	7,812,755
Transportation (k)	-	16,724,639	20,177,263	-	-	-	-	-	-	-
Engineering and transportation (e) (k)	-	-	-	15,076,973	10,492,178	16,315,473	-	-	-	-
Municipal utilities (e) (k)	-	-	-	-	289	5,897	-	-	-	-
Public works (e)	19,298,315	-	-	-	-	-	17,797,231	16,011,590	16,585,374	17,740,856
Community development (m)	-	-	-	22,270,861	16,682,427	21,113,072	14,283,336	15,684,471	13,250,819	12,665,828
Human services (c) (m)	-	-	-	2,736,199	1,948,647	3,285,787	10,031	9,501	7,820	13,926
Community enrichment (m)	30,986,365	27,708,900	21,068,644	-	-	-	-	-	-	-
Criminal justice (l)	1,312,040	1,539,433	7,935,474	-	-	-	-	-	-	-
Municipal court (l)	-	-	-	1,248,063	2,299,815	2,289,026	4,457,922	3,559,861	5,852,849	6,372,719
General government (n)	4,900,088	8,651,310	6,311,329	-	-	-	-	-	-	-
City manager (f)(h) (n)	-	-	-	-	-	-	-	-	7,597	-
City attorney (n)	-	-	-	-	30,000	27,013	23,487	19,361	16,940	14,174
Internal audit office (n)	-	-	-	-	-	-	-	-	-	-
Municipal budget office (n)	-	-	-	-	-	-	-	-	-	-
Economic development office (f) (m)	-	-	-	2,769,468	196,462	-	-	-	-	-
Sustainability office (f) (n)	-	-	-	6,045	15,544	-	-	-	-	-
Office of strategic management and diversity (h) (n)	-	-	-	1,000	-	-	-	-	-	-
City clerk and elections (n)	-	-	-	-	-	-	2,056	3,140	-	-
Financial services (g) (n)	-	-	-	3,597,830	-	-	-	-	-	-
Human resources (g) (n)	-	-	-	-	-	-	-	-	-	-
Information technology (g) (n)	-	-	-	-	-	-	-	-	-	-
Internal services (b)(g) (n)	-	-	-	-	3,423,684	1,804,246	2,827,988	3,000,921	1,797,928	2,186,635
Operating grants and contributions	46,515,358	39,108,463	36,149,703	26,374,825	36,398,251	32,178,593	34,467,594	30,237,598	27,582,362	26,831,238
Capital grants and contributions	39,575,665	11,887,956	22,911,000	18,931,868	36,754,274	76,680,266	39,638,190	4,094,624	6,355,742	8,091,341
Total governmental activities program revenues	144,610,721	108,133,512	116,563,827	97,521,668	111,187,398	158,070,150	122,721,186	82,781,290	82,632,639	84,711,100

Business-type activities:

Charges for services:

Water and wastewater	110,549,161	99,078,192	90,130,138	91,475,655	90,696,447	85,057,003	85,339,513	87,807,953	86,273,324	81,265,973
Solid waste	22,487,015	21,488,728	20,843,436	20,627,824	19,824,131	18,394,311	17,306,244	16,706,706	16,274,287	15,319,833
Emergency medical transportation (d)	6,372,774	7,583,401	8,226,766	5,990,395	4,135,310	4,375,755	3,442,151	2,280,247	-	-
Golf course	-	-	4,603,641	4,006,042	3,907,736	2,780,200	2,626,308	2,387,362	2,322,777	2,575,908
Total business-type activities program revenues	<u>139,408,950</u>	<u>128,150,321</u>	<u>123,803,981</u>	<u>122,099,916</u>	<u>118,563,624</u>	<u>110,607,269</u>	<u>108,714,216</u>	<u>109,182,268</u>	<u>104,870,388</u>	<u>99,161,714</u>

Total primary government program revenues	<u>\$ 284,019,671</u>	<u>\$ 236,283,833</u>	<u>\$ 240,367,808</u>	<u>\$ 219,621,584</u>	<u>\$ 229,751,022</u>	<u>\$ 268,677,419</u>	<u>\$ 231,435,402</u>	<u>\$ 191,963,558</u>	<u>\$ 187,503,027</u>	<u>\$ 183,872,814</u>
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Net (expense)/revenue

Governmental activities	\$(399,998,003)	\$(397,126,196)	\$(352,632,479)	\$(287,127,760)	\$(266,547,655)	\$(234,829,456)	\$(250,106,386)	\$(287,933,728)	\$(291,580,620)	\$(258,001,063)
Business-type activities	<u>(603,284)</u>	<u>8,220,788</u>	<u>(4,195,089)</u>	<u>4,487,095</u>	<u>7,214,408</u>	<u>8,647,802</u>	<u>9,111,948</u>	<u>10,206,120</u>	<u>16,067,358</u>	<u>6,030,200</u>
Total primary government net expense	<u>\$(400,601,287)</u>	<u>\$(388,905,408)</u>	<u>\$(356,827,568)</u>	<u>\$(282,640,665)</u>	<u>\$(259,333,247)</u>	<u>\$(226,181,654)</u>	<u>\$(240,994,438)</u>	<u>\$(277,727,608)</u>	<u>\$(275,513,262)</u>	<u>\$(251,970,863)</u>

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

- (a) Tickmark not utilized
- (b) Tickmark not utilized
- (c) Tickmark not utilized
- (d) In Fiscal Year 2018, the Emergency Medical Transportation Fund was established.
- (e) In Fiscal Year 2020, the Public Works department separated into two new departments: Municipal Utilities; Engineering and Transportation. In FY2025, Municipal Utilities; Engineering and Transportation merged into Public Works.
- (f) In Fiscal Year 2020, the Sustainability Office and the Economic Development Office were created. Both offices were previously part of the City Manager's office.
- (g) In Fiscal Year 2022, the Internal Services department separated into three new departments: Financial services, Human resources, and Information technology.
- (h) In Fiscal Year 2017, the Office of Strategic Management and Diversity was created. The Diversity office which was under the City Manager's office was moved into the new office.
- (i) not used in program revenues.
- (j) In Fiscal Year 2023 the Police and Fire medical rescue departments were reported under the Public safety function for financial reporting purposes only.
- (k) In Fiscal Year 2023 the Engineering and transportation and municipal utilities departments were reported under the Transportation function for financial reporting purposes only.
- (l) In Fiscal Year 2023 the Municipal court department was reported under the Criminal Justice function for financial reporting purposes only.
- (m) In Fiscal Year 2023 the Community development, Community services, Human services and the economic development departments were reported under the Community enrichment function for financial reporting purposes only.
- (n) In Fiscal Year 2023 Mayor and Council, City Manager, City Attorney, Internal Audit, Municipal Budget, Sustainability, Office of Strategic Management and Diversity, City Clerk and Elections, Financial Services, Human Resources, and Information Technology were reported under the General Government function for financial reporting purposes only.

Changes in Net Position (Exhibit S-2c)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
General revenues and other changes in net position										
Governmental activities:										
General revenues:										
Sales taxes	\$ 213,223,843	\$ 220,706,908	\$ 222,221,888	\$ 222,951,580	\$ 190,760,900	\$ 180,941,410	\$ 177,596,413	\$ 168,650,143	\$ 160,218,570	\$ 152,492,065
Intergovernmental revenue, unrestricted	93,675,840	100,839,012	84,994,033	58,954,757	60,503,495	52,940,012	48,024,343	48,403,871	44,671,765	41,472,528
Property taxes	65,921,804	63,045,369	63,596,741	59,488,492	52,210,522	51,525,619	48,706,817	47,495,555	45,308,519	43,316,151
Franchise taxes	3,280,977	3,255,826	2,742,874	3,055,126	2,846,569	2,772,127	3,036,531	3,290,220	3,182,193	3,363,615
Unrestricted investment earnings	8,891,379	9,260,955	4,594,728	(3,820,904)	829,560	7,950,512	7,936,949	1,489,603	662,115	1,683,445
Miscellaneous	6,254,246	12,670,187	7,524,676	3,646,464	4,770,561	3,241,181	5,924,186	5,506,328	5,435,113	7,419,129
Gain on sale of capital assets	-	-	-	767,622	1,692,302	638,133	674,569	1,667,264	7,538,846	5,298,681
Transfers	(154,742)	2,984,998	(193,514)	646,079	820,065	1,295,173	603,077	(1,454,082)	427,858	509,690
Special Item	-	-	(65,027,861)	-	-	-	-	-	-	-
Total governmental activities	391,093,347	412,763,255	320,453,565	345,689,216	314,433,974	301,304,167	292,502,885	275,048,902	267,444,979	255,555,304
Business-type activities:										
Unrestricted investment earnings	6,706,859	7,175,090	1,866,714	(1,777,102)	200,724	3,504,059	3,614,531	697,388	351,831	841,726
Miscellaneous	4,171,419	730,341	697,005	788,909	888,141	326,138	1,124,986	651,500	299,116	152,428
Gain (loss) on sale of capital assets	-	-	-	294,562	266,964	81,757	231,940	33,015	128,394	572,356
Capital contributions	-	-	-	-	100,000	-	-	-	-	-
Transfers	154,742	(2,984,998)	193,514	(646,079)	(820,065)	(1,295,173)	(603,077)	(25,122)	(427,858)	(509,690)
Special Item	-	-	(34,852,246)	-	-	-	-	-	-	-
Total business-type activities	11,033,020	4,920,433	(32,095,013)	(1,339,710)	635,764	2,616,781	4,368,380	1,356,781	351,483	1,056,820
Total primary government	\$ 402,126,367	\$ 417,683,688	\$ 288,358,552	\$ 344,349,506	\$ 315,069,738	\$ 303,920,948	\$ 296,871,265	\$ 276,405,683	\$ 267,796,462	\$ 256,612,124
Changes in net position										
Governmental activities	\$ (8,904,656)	\$ 15,637,059	\$ (32,178,914)	\$ 58,561,456	\$ 47,886,319	\$ 66,474,711	\$ 42,396,499	\$ 3,315,145	\$ (24,135,641)	\$ (2,445,759)
Business-type activities	10,429,736	13,141,221	(36,290,102)	3,147,385	7,850,172	11,264,583	13,480,328	10,312,582	16,418,841	7,087,020
Total primary government	\$ 1,525,080	\$ 28,778,280	\$ (68,469,016)	\$ 61,708,841	\$ 55,736,491	\$ 77,739,294	\$ 55,876,827	\$ 13,627,727	\$ (7,716,800)	\$ 4,641,261

Fund Balances, Governmental Funds (Exhibit S-3)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
General fund										
Fund balances:										
Non-spendable	\$ 1,686,050	\$ 1,390,248	\$ 1,211,974	\$ 976,468	\$ 391,694	\$ 396,885	\$ 491,024	\$ 711,092	\$ 638,685	\$ 782,276
Restricted	-	-	-	3,497,723	199,456	154,819	106,684	154,667	100,000	100,000
Committed	2,236,486	5,279,326	4,586,678	-	-	-	480,675	-	475,531	147,036
Assigned	38,625,337	38,625,337	39,500,000	24,869,373	20,579,412	17,408,412	18,713,280	15,336,906	14,762,667	10,291,768
Unassigned	116,399,149	120,298,222	126,393,523	142,653,835	138,855,354	116,285,953	97,995,211	93,995,709	80,099,820	78,629,198
Total general fund	<u>\$ 158,947,022</u>	<u>\$ 165,593,133</u>	<u>\$ 171,692,175</u>	<u>\$ 171,997,399</u>	<u>\$ 160,025,916</u>	<u>\$ 134,246,069</u>	<u>\$ 117,786,874</u>	<u>\$ 110,198,374</u>	<u>\$ 96,076,703</u>	<u>\$ 89,950,278</u>
All other governmental funds										
Fund balances:										
Non-spendable	\$ 2,406,497	\$ 2,500,764	\$ 1,850,205	\$ 1,622,640	\$ 1,670,998	\$ 1,458,623	\$ 1,527,574	\$ 1,553,045	\$ 1,623,799	\$ 1,594,761
Restricted	121,460,352	168,003,447	172,889,384	129,981,114	96,536,269	68,712,850	65,121,669	80,434,422	88,581,119	82,863,821
Committed	63,188,053	78,579,897	30,466,106	50,341,486	28,925,620	39,133,751	46,353,146	39,232,880	26,744,884	20,404,290
Assigned	62,454,139	45,662,796	36,469,492	15,405,309	11,880,755	23,310,919	12,308,616	11,261,680	15,774,827	15,186,266
Unassigned	(53,285,680)	(53,714,003)	(4,070,016)	(836,064)	(1,089,017)	(1,777,702)	(1,442,236)	(296,755)	-	(2,856,351)
Total all other governmental funds	<u>\$ 196,223,361</u>	<u>\$ 241,032,901</u>	<u>\$ 237,605,171</u>	<u>\$ 196,514,485</u>	<u>\$ 137,924,625</u>	<u>\$ 130,838,441</u>	<u>\$ 123,868,769</u>	<u>\$ 132,185,272</u>	<u>\$ 132,724,629</u>	<u>\$ 117,192,787</u>

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Revenues:										
Taxes	\$ 282,518,578	\$ 286,721,746	\$ 285,491,863	\$ 271,111,952	\$ 232,293,514	\$ 222,478,903	\$ 216,680,985	\$ 207,580,582	\$ 197,341,071	\$ 188,672,865
Intergovernmental	163,233,589	152,107,819	138,933,245	111,295,511	109,958,549	101,776,973	99,111,729	90,577,368	89,383,867	85,856,572
Property rental	4,312,131	4,099,430	3,172,790	3,349,508	-	-	-	-	-	-
Interest earnings	718,523	723,770	521,950	545,252	-	-	-	-	-	-
Investment earnings	21,101,921	21,603,619	3,892,348	(4,366,156)	829,560	7,950,512	7,936,949	1,489,603	662,115	1,683,445
Charges for services	37,655,744	35,095,210	33,010,063	24,488,695	17,845,292	27,538,387	29,552,529	30,445,583	30,134,108	31,752,038
Fines and forfeitures	4,992,673	5,607,005	4,605,768	5,373,996	4,909,416	6,154,697	7,191,904	7,670,630	8,982,209	9,357,450
Other entities' participation	17,122,019	3,960,238	2,631,499	3,917,813	4,316,313	4,755,503	3,778,658	5,972,968	1,916,336	1,751,971
Special assessments	1,983,125	2,057,895	1,911,731	2,126,515	2,541,561	2,442,290	1,990,732	2,027,722	2,173,798	2,439,086
Licenses and permits	10,498,582	9,053,660	7,633,873	7,487,684	6,888,387	7,400,258	6,951,095	8,330,276	5,446,638	6,308,241
Miscellaneous	4,666,978	7,010,116	9,544,794	13,473,798	11,999,740	9,453,724	9,005,664	8,502,999	8,761,291	9,867,156
Total revenues	548,803,863	528,040,508	491,349,924	438,804,568	391,582,332	389,951,247	382,200,245	362,597,731	344,801,433	337,688,824
Expenditures:										
Police (h)	-	-	-	310,896,560	96,040,799	96,427,720	93,078,088	87,341,647	82,429,673	81,154,550
Fire medical rescue (h)	-	-	-	161,837,533	41,303,945	40,622,999	38,797,039	33,159,702	31,383,875	30,724,706
Public safety (h)	166,082,729	157,548,136	144,936,068	-	-	-	-	-	-	-
Community services (c) (k)	-	-	-	33,952,582	30,307,131	30,336,733	25,228,594	25,507,377	23,770,512	22,516,873
Transportation (i)	-	89,541,016	80,198,409	-	-	-	-	-	-	-
Public works (e)	116,020,312	-	-	-	-	-	79,092,222	72,517,143	70,604,468	73,771,025
Engineering and transportation (e) (i)	-	-	-	39,980,688	41,665,283	54,873,909	-	-	-	-
Municipal utilities (e) (i)	-	-	-	-	78,310	377,524	-	-	-	-
Community development (k)	-	-	-	15,540,735	15,701,904	16,438,644	16,624,962	16,408,645	15,336,696	16,321,778
Human services (c) (k)	-	-	-	30,942,701	30,565,705	26,679,827	26,244,724	20,428,462	17,589,585	17,388,871
Community enrichment (k)	130,376,969	119,298,854	106,326,931	-	-	-	-	-	-	-
Criminal justice (j)	5,913,141	5,520,400	5,222,882	-	-	-	-	-	-	-
Municipal court (j)	-	-	-	4,993,995	4,825,954	5,105,605	5,133,357	5,158,342	4,886,110	4,262,778
General government (l)	36,182,439	42,306,565	39,897,072	-	-	-	-	-	-	-
Mayor and council (l)	-	-	-	600,044	486,599	457,553	495,829	403,658	417,734	342,645
City manager (b)(d)(f) (l)	-	-	-	9,344,242	10,038,861	7,427,628	7,397,648	7,182,164	6,800,149	7,292,703
City attorney (l)	-	-	-	4,118,555	3,407,246	3,571,789	3,515,785	3,261,843	3,098,124	2,920,857
Internal audit office (l)	-	-	-	573,579	542,627	506,977	459,746	490,396	408,867	403,108
Municipal budget office (c) (l)	-	-	-	297,671	174,398	255,729	261,798	294,404	262,696	236,768
Economic development office (f) (k)	-	-	-	1,463,481	748,363	738,759	-	-	-	-

Sustainability office (f) (l)	-	-	-	531,845	309,803	160,406	-	-	-	-
Office of strategic management and diversity (l)	-	-	-	1,236,388	1,258,230	1,244,678	1,088,773	987,828	932,200	-
City clerk and elections (l)	-	-	-	981,782	869,904	1,006,212	910,335	995,339	752,876	850,235
Financial services (g) (l)	-	-	-	14,533,212	-	-	-	-	-	-
Human resources (g) (l)	-	-	-	4,365,764	-	-	-	-	-	-
Information technology (g) (l)	-	-	-	11,639	-	-	-	-	-	-
Internal services (c)(a)(g)	-	-	-	-	19,427,458	18,004,773	15,716,010	16,263,826	16,334,235	7,433,821
Debt service:										
Principal	62,373,629	55,239,874	40,826,740	31,022,000	27,019,000	47,107,000	38,768,000	31,730,000	39,547,000	29,686,000
Interest	20,014,636	18,881,620	17,228,445	15,755,521	10,454,626	11,350,230	13,526,198	11,326,484	11,688,331	13,361,380
Fiscal fees	524,250	1,486,271	491,045	2,815,114	300,802	472,785	344,231	331,593	569,367	432,387
Capital outlay	143,313,380	103,128,115	73,242,561	73,518,401	56,128,602	60,975,054	53,518,221	32,418,674	30,298,582	45,373,210
Total expenditures	<u>\$ 680,801,485</u>	<u>\$ 592,950,854</u>	<u>\$ 508,370,153</u>	<u>\$ 759,314,032</u>	<u>\$ 391,655,550</u>	<u>\$ 424,142,534</u>	<u>\$ 420,201,560</u>	<u>\$ 366,207,527</u>	<u>\$ 357,111,080</u>	<u>\$ 354,473,695</u>
Deficiency of revenues over expenditures before other financing sources (uses)	\$ (131,997,622)	\$ (64,910,343)	\$ (17,020,229)	\$ (320,509,464)	\$ (73,218)	\$ (34,191,287)	\$ (38,001,315)	\$ (3,609,796)	\$ (12,309,647)	\$ (16,784,871)

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

- (a) Tickmark not used
- (b) Tickmark not used
- (c) Tickmark not used
- (d) In Fiscal Year 2017, the Office of Strategic Management and Diversity was created. The Diversity office which was under the City Manager's office was moved into the new office.
- (e) In Fiscal Year 2020, the Public Works department separated into two new departments: Municipal Utilities; Engineering and Transportation. In FY2025, Municipal Utilities; Engineering and Transportation merged into Public Works.
- (f) In Fiscal Year 2020, the Sustainability Office and the Economic Development Office were created. Both offices were previously part of the City Manager's office.
- (g) In Fiscal Year 2022, the Internal Services department separated into three new departments: Financial services, Human resources, and Information technology.
- (h) In Fiscal Year 2023 the Police and Fire medical rescue departments were reported under the Public safety function for financial reporting purposes only.
- (i) In Fiscal Year 2023 the Engineering and transportation and municipal utilities departments were reported under the Transportation function for financial reporting purposes only.
- (j) In Fiscal Year 2023 the Municipal court department was reported under the Criminal Justice function for financial reporting purposes only.
- (k) In Fiscal Year 2023 the Community development, Community services, Human services and the economic development departments were reported under the Community enrichment function for financial reporting purposes only.
- (l) In Fiscal Year 2023 Mayor and council. City manager, city Attorney, Internal Audit, Municipal budget, Sustainability, Office of strategic management and diversity, City Clerk and Elections, Financial services, human resources, Information technology, and Internal services were reported under the General government function for financial reporting purposes only.

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Other financing sources (uses):										
Transfers in	\$ 19,644,736	\$ 56,420,842	\$ 42,065,224	\$ 42,875,301	\$ 42,696,445	\$ 30,942,109	\$ 38,729,874	\$ 42,297,460	\$ 27,870,785	\$ 30,410,514
Transfers out	(22,105,997)	(56,229,927)	(50,439,388)	(42,229,222)	(41,876,380)	(29,646,936)	(38,126,797)	(43,372,403)	(27,442,927)	(29,900,824)
Issuance of debt	76,125,000	55,395,000	52,382,158	384,186,600	23,862,732	37,325,000	27,130,000	25,025,000	12,290,000	13,630,000
Premium on issuance of debt	4,310,017	5,023,129	5,395,948	4,897,404	6,515,503	-	5,655,061	4,083,395	1,754,028	5,413,632
Lease proceeds	-	-	1,294,308	-	-	74,604	-	87,798	-	-
Sbita lease proceeds	1,351,090	1,316,631	3,927,816	-	-	-	-	-	-	-
Proceeds from sale of capital assets	1,217,125	802,356	3,179,625	789,301	1,740,949	665,377	1,220,174	1,685,856	4,483,481	5,350,923
Issuance of refunding bonds	-	6,910,000	-	38,195,000	-	18,260,000	2,665,000	-	34,095,000	34,422,798
Payment to refunding bond escrow agent	-	(7,399,000)	-	(37,643,577)	-	-	-	(12,614,996)	(19,082,453)	(35,888,204)
Total other financing sources	80,541,971	62,239,031	57,805,691	391,070,807	32,939,249	57,620,154	37,273,312	17,192,110	33,967,914	23,438,839
Net change in fund balances	\$(51,455,651)	\$ (2,671,312)	\$40,785,462	\$70,561,343	\$32,866,031	\$23,428,867	\$ (728,003)	\$13,582,314	\$21,658,267	\$ 6,653,968
Debt service as a percentage of noncapital expenditures	15.3%	15.1%	13.3%	6.8%	11.2%	16.1%	14.3%	12.9%	15.7%	13.9%

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
2016	\$ 4,057,021,000	\$ 1,342,058,000	\$ 548,882,000	\$ 656,237,000	\$ 653,818,000	\$ 166,167,000	\$ 89,261,000	\$ 75,989,000	\$ 7,589,433,000	1.80 %
2017	4,323,045,000	1,391,183,000	539,476,000	679,897,000	654,944,000	184,412,000	96,055,000	75,694,000	7,944,706,000	1.80
2018	4,527,666,000	1,526,503,000	552,373,000	705,920,000	662,203,000	209,961,000	89,259,000	59,140,000	8,333,025,000	1.80
2019	4,649,114,000	1,755,549,000	554,618,000	736,240,000	675,955,000	228,785,000	94,108,000	74,142,000	8,768,511,000	1.80
2020	5,075,059,000	1,734,138,000	427,008,000	678,918,000	853,617,000	156,197,000	68,804,000	52,347,000	9,046,088,000	1.80
2021	5,547,684,000	1,835,514,000	420,360,000	676,710,000	640,451,000	111,374,000	46,901,000	49,253,000	9,328,247,000	1.80
2022	6,504,492,000	2,047,036,000	433,999,000	907,502,000	668,052,000	227,406,000	88,694,000	63,861,000	10,941,042,000	1.80
2023	6,274,459,000	2,366,430,000	460,900,000	983,173,000	685,242,000	281,700,000	118,813,000	70,734,000	11,241,451,000	1.80
2024	6,112,329,000	2,471,466,000	483,729,000	1,016,272,000	744,178,000	275,234,000	151,742,000	62,454,000	11,317,404,000	1.80
2025	6,245,390,000	2,134,692,000	522,966,000	1,033,410,000	760,882,000	278,225,000	124,551,000	50,586,000	11,150,702,000	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2016	53.46 %	17.68 %	7.23 %	8.65 %	8.61 %	2.19 %	1.18 %	1.00 %	100 %
2017	54.42	17.51	6.79	8.56	8.24	2.32	1.21	0.95	100
2018	54.33	18.32	6.63	8.47	7.95	2.52	1.07	0.71	100
2019	53.02	20.02	6.33	8.40	7.71	2.61	1.07	0.84	100
2020	56.10	19.17	4.72	7.51	9.44	1.73	0.76	0.57	100
2021	59.47	19.68	4.51	7.25	6.87	1.19	0.50	0.53	100
2022	59.45	18.71	3.97	8.29	6.11	2.08	0.81	0.58	100
2023	55.82	21.03	4.10	8.75	6.10	2.51	1.06	0.63	100
2024	54.01	21.84	4.27	8.98	6.58	2.43	1.34	0.55	100
2025	56.01	19.14	4.69	9.27	6.82	2.50	1.12	0.45	100

Source: City of Tempe, Arizona Tax and License Division

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

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	<i>City Sales Tax Rates</i>			Total City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
	General Fund Sales Tax Rate	Transit Special Revenue Fund Sales Tax Rate	Arts+Culture/ Performing Arts Special Revenue Fund Sales Tax Rate				
2016	1.20 %	0.50 %	0.10 %	1.80 %	0.70 %	5.60 %	8.10 %
2017	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2018	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2019	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2020	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2021	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2022	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2023	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2024	1.20	0.50	0.10	1.80	0.70	5.60	8.10
2025	1.20	0.50	0.10	1.80	0.70	5.60	8.10

Source: City of Tempe, Arizona Tax and License Division

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 fair 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 16% 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
2016	Primary	\$ 1,040,045,065	\$ 604,094,072	\$ 458,995,411	\$ 303,832,779	\$ 2,453,154	\$ 5,495,047	\$ 820,971,174	\$ 1,593,944,354	0.93	\$12,152,815,646	13.12 %
	Secondary	1,119,535,292	681,597,591	569,311,744	395,569,487	2,501,825	6,440,828	901,610,148	1,873,346,619	1.59	14,573,138,077	12.85
2017	Primary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	0.94	12,936,980,827	12.90
	Secondary	1,066,869,523	604,354,126	480,671,687	340,922,305	2,213,159	5,507,068	831,185,771	1,669,352,097	1.59	16,688,127,422	10.00
2018	Primary	1,121,945,426	655,920,933	502,268,412	378,171,085	2,238,277	5,400,480	891,707,903	1,774,236,710	0.92	13,773,672,226	12.88
	Secondary	1,121,945,426	655,920,933	502,268,412	378,171,085	2,238,277	5,400,480	891,707,903	1,774,236,710	1.57	17,858,194,237	9.94
2019	Primary	1,130,477,624	701,270,049	528,812,064	404,759,028	2,063,797	3,229,286	907,642,388	1,862,969,460	0.92	14,500,815,905	12.85
	Secondary	1,130,477,624	701,270,049	528,812,064	404,759,028	2,063,797	3,229,286	907,642,388	1,862,969,460	1.50	19,292,541,580	9.66
2020	Primary	1,226,011,101	724,469,285	549,262,440	452,477,990	2,106,703	5,460,842	949,264,953	2,010,523,408	0.90	15,652,812,327	12.84
	Secondary	1,226,011,101	724,469,285	549,262,440	452,477,990	2,106,703	5,460,842	949,264,953	2,010,523,408	1.50	21,407,207,731	9.39
2021	Primary	1,260,003,905	789,897,255	580,182,705	494,195,105	2,082,237	5,536,167	1,003,325,543	2,128,571,831	0.89	16,641,307,485	12.79
	Secondary	1,260,003,905	789,897,255	580,182,705	494,195,105	2,082,237	5,536,167	1,003,325,543	2,128,571,831	1.50	23,585,521,332	9.02
2022 (b)	Primary	1,374,583,030	848,054,327	608,638,569	525,409,409	2,228,245	5,725,998	1,081,805,791	2,282,833,787	0.89	17,774,367,390	12.84
	Secondary	1,374,583,030	848,054,327	608,638,569	525,409,409	2,228,245	5,725,998	1,081,805,791	2,282,833,787	1.48	26,023,287,469	8.77
2023	Primary	1,392,066,474	892,654,128	637,487,403	575,020,890	2,799,655	5,877,028	1,120,498,024	2,385,407,554	0.88	18,860,241,682	12.65
	Secondary	1,392,066,474	892,654,128	637,487,403	575,020,890	2,799,655	5,877,028	1,120,498,024	2,385,407,554	1.50	27,897,790,751	8.55
2024	Primary	1,434,029,632	930,177,005	666,181,366	620,087,504	3,941,671	5,865,630	1,175,912,652	2,484,370,156	0.88	19,894,637,071	12.49
	Secondary	1,434,029,632	930,177,005	666,181,366	620,087,504	3,941,671	5,865,630	1,175,912,652	2,484,370,156	1.53	34,616,715,701	7.18
2025	Primary	1,404,284,082	975,861,225	693,097,435	681,339,141	4,691,483	6,303,848	1,188,284,951	2,577,292,263	0.87	21,059,425,050	12.24
	Secondary	1,404,284,082	975,861,225	693,097,435	681,339,141	4,691,483	6,303,848	1,188,284,951	2,577,292,263	1.55	42,065,565,681	6.13

Source: Maricopa County Assessor - State Abstract
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.

(b) FY2022 data was obtained from the August abstract because February was unavailable. All other years are based on the February abstract.

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

Last Ten Fiscal Years

Rate per \$100 of Assessed Value

City of Tempe, Arizona

Fiscal Year		Schools				County-Wide Jurisdiction								Total
		City of Tempe (a)	Tempe Union	Tempe Elementary (b)	East Valley Institute of Technology	Maricopa County	Community College	County Ed Equalization Rate	Flood District	Central Arizona Water	Fire District Assistance	County Library District	Special Health Care District	
2016	Primary	\$ 0.93	\$ 2.22	\$ 3.22	\$ -	\$ 1.36	\$ 1.26	\$ 0.51	\$ -	\$ -	\$ -	\$ -	\$ 0.19	\$ 9.69
	Secondary	1.59	0.66	2.25	0.05	-	0.23	-	0.16	0.14	0.01	0.06	0.11	5.26
	Total	2.52	2.88	5.47	0.05	1.36	1.49	0.51	0.16	0.14	0.01	0.06	0.30	14.95
2017	Primary	0.94	2.24	3.09	-	1.40	1.24	0.50	-	-	-	-	0.20	9.61
	Secondary	1.59	0.66	2.20	0.05	-	0.23	-	0.18	0.14	0.01	0.06	0.11	5.23
	Total	2.53	2.90	5.29	0.05	1.40	1.47	0.50	0.18	0.14	0.01	0.06	0.31	14.84
2018	Primary	0.92	2.06	2.96	-	1.40	1.20	0.49	-	-	-	-	0.20	9.23
	Secondary	1.57	0.60	2.09	0.05	-	0.21	-	0.18	0.14	0.01	0.06	0.09	5.00
	Total	2.49	2.66	5.05	0.05	1.40	1.41	0.49	0.18	0.14	0.01	0.06	0.29	14.23
2019	Primary	0.92	1.99	2.05	-	1.40	1.17	0.47	-	-	-	-	0.19	8.19
	Secondary	1.50	0.66	2.85	0.05	-	0.20	-	0.18	0.14	0.01	0.06	0.10	5.75
	Total	2.42	2.65	4.90	0.05	1.40	1.37	0.47	0.18	0.14	0.01	0.06	0.29	13.94
2020	Primary	0.90	1.93	2.70	-	1.40	1.16	0.46	-	-	-	-	0.19	8.74
	Secondary	1.50	0.64	2.01	0.05	-	0.17	-	0.18	0.14	0.01	0.06	0.15	4.91
	Total	2.40	2.57	4.71	0.05	1.40	1.33	0.46	0.18	0.14	0.01	0.06	0.34	13.65
2021	Primary	0.89	1.87	2.62	-	1.40	1.13	0.44	-	-	-	-	0.18	8.53
	Secondary	1.50	0.63	1.85	0.05	-	0.16	-	0.18	0.14	0.01	0.06	0.12	4.70
	Total	2.39	2.50	4.47	0.05	1.40	1.29	0.44	0.18	0.14	0.01	0.06	0.30	13.23
2022	Primary	0.89	1.84	2.61	-	1.35	1.11	0.43	-	-	-	-	0.18	8.41
	Secondary	1.48	0.60	1.84	0.05	-	0.11	-	0.18	0.14	0.01	0.06	0.12	4.59
	Total	2.37	2.44	4.45	0.05	1.35	1.22	0.43	0.18	0.14	0.01	0.06	0.30	13.00
2023	Primary	0.88	1.75	2.51	-	1.25	1.09	-	-	-	-	-	0.18	7.66
	Secondary	1.50	0.60	1.97	0.05	-	0.10	-	0.16	0.14	0.01	0.05	0.07	4.65
	Total	2.38	2.35	4.48	0.05	1.25	1.19	-	0.16	0.14	0.01	0.05	0.25	12.31

2024	Primary	0.88	1.70	2.42	-	1.20	1.08	-	-	-	-	-	0.17	7.45
	Secondary	1.53	0.72	1.93	0.05	-	0.06	-	0.15	0.14	0.01	0.05	0.10	4.74
	Total	2.41	2.42	4.35	0.05	1.20	1.14	-	0.15	0.14	0.01	0.05	0.27	12.19
2025	Primary	0.87	1.70	1.63	-	1.16	1.05	-	-	-	-	-	0.17	6.58
	Secondary	1.55	0.67	2.42	0.05	-	0.06	-	0.15	0.14	0.01	0.05	0.09	5.19
	Total	2.42	2.37	4.05	0.05	1.16	1.11	-	0.15	0.14	0.01	0.05	0.26	11.77

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 \$11.40, \$11.18 or \$15.04, 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 Jurisdiction								Total
		City of Tempe	Tempe Union	Tempe Elementary (a)	East Valley Institute of Technology	Maricopa County	Community College	Flood District	County Ed Equalization Rate	Central Arizona Water	Fire District Assistance	County Library District	Special Health Care District	
2016	Primary	\$ 14,877,877	\$ 67,301,586	\$ 40,281,153	\$ -	\$ 471,193,529	\$ 437,227,709	\$ -	\$ 174,988,030	\$ -	\$ -	\$ -	\$ 67,273,204	\$1,273,143,088
	Secondary	25,281,551	19,895,071	28,161,726	7,614,014	-	80,036,848	49,512,136	-	48,660,147	4,013,398	19,250,761	37,341,000	319,766,652
	Total	40,159,428	87,196,657	68,442,879	7,614,014	471,193,529	517,264,557	49,512,136	174,988,030	48,660,147	4,013,398	19,250,761	104,614,204	1,592,909,740
2017	Primary	15,690,240	70,920,943	40,273,959	-	506,222,142	447,212,880	-	181,352,524	-	-	-	70,777,141	1,332,449,829
	Secondary	26,577,755	20,881,916	28,658,765	8,034,256	-	82,211,035	58,463,580	-	50,677,352	4,030,569	20,091,335	39,747,000	339,373,563
	Total	42,267,995	91,802,859	68,932,724	8,034,256	506,222,142	529,423,915	58,463,580	181,352,524	50,677,352	4,030,569	20,091,335	110,524,141	1,671,823,392
2018	Primary	16,404,593	68,659,932	40,876,811	-	535,870,745	457,339,611	-	186,400,980	-	-	-	73,820,558	1,379,373,230
	Secondary	27,834,226	19,909,974	28,971,774	8,489,725	-	81,872,034	62,198,813	-	53,530,745	3,893,879	21,268,052	35,191,536	343,160,758
	Total	44,238,819	88,569,906	69,848,585	8,489,725	535,870,745	539,211,645	62,198,813	186,400,980	53,530,745	3,893,879	21,268,052	109,012,094	1,722,533,988
2019	Primary	17,118,826	69,668,285	29,725,536	-	566,289,063	473,275,205	-	191,959,243	-	-	-	76,921,021	1,424,957,179
	Secondary	28,030,238	23,042,843	41,355,451	9,005,606	-	82,713,190	66,310,571	-	56,684,864	4,319,354	22,475,317	42,153,890	376,091,324
	Total	45,149,064	92,711,128	71,080,987	9,005,606	566,289,063	555,988,395	66,310,571	191,959,243	56,684,864	4,319,354	22,475,317	119,074,911	1,801,048,503
2020	Primary	18,114,816	72,156,009	42,303,940	-	605,109,318	499,542,385	-	196,326,940	-	-	-	80,459,388	1,514,012,796
	Secondary	30,177,956	23,880,002	31,468,300	9,617,828	-	74,279,486	70,887,943	-	60,196,609	4,082,918	24,016,045	62,843,632	391,450,719
	Total	48,292,772	96,036,011	73,772,240	9,617,828	605,109,318	573,821,871	70,887,943	196,326,940	60,196,609	4,082,918	24,016,045	143,303,020	1,905,463,515
2021	Primary	18,980,475	73,991,571	43,485,838	-	640,280,922	514,159,761	-	202,808,377	-	-	-	84,240,979	1,577,947,923
	Secondary	32,017,977	25,111,276	30,666,905	11,299,160	-	74,558,711	75,415,664	-	64,150,864	4,096,425	25,411,963	55,365,219	398,094,164
	Total	50,998,452	99,102,847	74,152,743	11,299,160	640,280,922	588,718,472	75,415,664	202,808,377	64,150,864	4,096,425	25,411,963	139,606,198	1,976,042,087
2022	Primary	20,086,813	77,439,694	46,760,224	-	655,778,021	541,422,496	-	208,194,759	-	-	-	88,031,823	1,637,713,830
	Secondary	33,620,224	25,352,189	32,864,175	11,999,126	-	55,787,637	80,429,826	-	68,372,664	4,186,635	27,090,614	56,990,223	396,693,313
	Total	53,707,037	102,791,883	79,624,399	11,999,126	655,778,021	597,210,133	80,429,826	208,194,759	68,372,664	4,186,635	27,090,614	145,022,046	2,034,407,143
2023	Primary	20,948,649	77,052,844	47,230,052	-	643,295,202	560,363,573	-	-	-	-	-	92,081,287	1,440,971,607
	Secondary	35,773,957	26,264,408	37,005,233	12,684,601	-	53,051,463	75,704,791	-	72,706,057	4,252,620	26,045,384	37,132,768	380,621,282
	Total	56,722,606	103,317,252	84,235,285	12,684,601	643,295,202	613,415,036	75,704,791	-	72,706,057	4,252,620	26,045,384	129,214,055	1,821,592,889
2024	Primary	21,802,825	78,024,561	47,274,546	-	659,075,503	590,508,449	-	-	-	-	-	96,224,945	1,492,910,829
	Secondary	37,983,522	33,196,482	37,795,010	13,397,769	-	32,680,233	77,344,624	-	77,038,310	4,421,757	26,704,487	53,203,259	393,765,453
	Total	59,786,347	111,221,043	85,069,556	13,397,769	659,075,503	623,188,682	77,344,624	-	77,038,310	4,421,757	26,704,487	149,428,204	1,886,676,282
2025	Primary	22,543,575	80,470,934	33,025,765	-	676,087,804	611,634,606	-	-	-	-	-	100,651,292	1,524,413,976
	Secondary	40,061,431	31,584,019	49,021,276	14,162,704	-	32,734,732	79,198,583	-	80,568,428	4,654,662	27,414,483	52,728,777	412,129,095
	Total	\$ 62,605,006	\$ 112,054,953	\$ 82,047,041	\$ 14,162,704	\$ 676,087,804	\$ 644,369,338	\$ 79,198,583	\$ -	\$ 80,568,428	\$ 4,654,662	\$ 27,414,483	\$ 153,380,069	\$ 1,936,543,071

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

- (a) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the *Direct and Overlapping Governmental Activities Debt- Property Tax Supported Schedule* (Exhibit S-17).
- (b) 2022 Tax Levy Rate for County Ed Equalization (State Equalization Tax) was 0.00.

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy for Fiscal Year (a)	Adjustments	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	% of Original Levy		Amount	% of Adjusted Levy
2016	\$ 40,471,289	\$ (362,147)	\$ 40,109,142	\$ 39,886,362	98.6 %	\$ 221,625	\$ 40,107,987	100.0 %
2017	42,580,125	(411,041)	42,169,084	41,757,608	98.1	404,759	42,162,367	100.0
2018	44,161,889	(242,341)	43,919,548	43,501,882	98.5	414,683	43,916,565	100.0
2019	45,529,984	(266,244)	45,263,740	44,892,921	98.6	366,136	45,259,057	100.0
2020	48,265,218	(204,779)	48,060,439	47,378,445	98.2	675,444	48,053,889	100.0
2021	50,936,177	(315,300)	50,620,877	49,942,161	98.0	653,044	50,595,205	99.9
2022	54,040,262	24,951	54,065,213	53,371,592	98.8	548,859	53,920,451	99.9
2023	57,217,825	(530,451)	56,687,374	55,973,207	97.8	390,197	56,363,404	98.7
2024	60,312,401	(792,768)	59,519,633	58,550,432	97.1	—	58,550,432	98.4
2025	62,699,948	(299,271)	62,400,677	61,719,839	98.4	-	61,719,839	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

Taxpayer:	Fiscal Year 2025			Fiscal Year 2016		
	Net Assessed Limited Property Values	Rank	Percentage of Net Assessed Limited Property Values	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value
Arizona Public Service	\$ 150,785,262	1	5.71 %	\$ 25,479,567	2	1.60 %
Quarter On Scottsdale Llc	33,494,707	2	1.27	-	-	-
Scottsdale Fashion Square Llc	31,610,174	3	1.20	-	-	-
Salt River Project (T&D)	25,080,173	4	0.95	-	-	-
18700 Hayden Road Llc	23,172,771	5	0.88	-	-	-
Camden Usa Inc	19,843,787	6	0.75	-	-	-
Fmt Scottsdale Owner Llc (Imps)	17,270,142	7	0.65	-	-	-
Weingarten Nostat Inc	17,030,596	8	0.65	-	-	-
Scottsdale Fashion Square Llc	16,514,282	9	0.63	-	-	-
Scottsdale Promenade Llc	14,619,689	10	0.55	-	-	-
Arizona Mills Mall LLC	-	-	-	26,368,205	1	1.65
Verizon Wireless	-	-	-	25,180,513	3	1.58
Qwest Corporation	-	-	-	11,240,146	4	0.71
KBSII Fountainhead LLC	-	-	-	10,920,803	5	0.69
Honeywell Internation Inc	-	-	-	8,817,697	6	0.55
Tempe Campus	-	-	-	7,909,650	7	0.50
JDM II Tempe Oc LLC	-	-	-	7,798,764	8	0.49
JP Morgan Chase Bank	-	-	-	6,853,312	9	0.43
Pky W Rrio Salado LLC	-	-	-	6,659,109	10	0.42
Total	\$ 349,421,583		13.24 %	\$ 137,227,766		8.62 %

Source 2025; Maricopa County Treasurer Office.

Source 2016: RBC Capital Markets

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

Excise Tax Collections (Exhibit S-13)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Privilege and use tax (a)	\$ 131,594,465	\$ 135,520,956	\$ 137,347,979	\$ 140,443,769	\$ 118,865,174	\$ 113,398,508	\$ 111,283,725	\$ 105,643,666	\$ 99,865,430	\$ 95,804,083
State shared sales tax	40,382,995	49,275,176	34,924,472	25,683,520	23,228,957	19,899,062	17,958,644	18,266,956	16,145,681	15,357,220
State shared income tax	29,121,493	28,128,266	27,216,492	24,105,004	27,983,270	24,875,451	22,408,078	22,604,114	21,511,044	19,470,946
Franchise tax	3,559,571	3,430,257	2,863,995	3,055,126	2,846,569	2,772,127	3,036,531	3,290,220	3,182,193	3,363,615
Vehicle license tax	9,854,241	9,412,813	9,132,854	9,166,233	9,291,268	8,165,499	7,657,621	7,532,801	7,015,040	6,644,362
Permits and fees (b)	10,498,582	9,053,660	17,733,066	8,005,559	12,328,064	15,896,029	13,739,509	14,815,290	10,244,664	11,543,817
Fines and forfeitures (c)	4,992,673	5,607,005	4,144,727	4,934,285	4,404,217	5,612,670	6,434,188	6,839,148	8,094,581	8,464,633
Total	\$ 230,004,020	\$ 240,428,133	\$ 233,363,585	\$ 215,393,496	\$ 198,947,519	\$ 190,619,346	\$ 182,518,296	\$ 178,992,195	\$ 166,058,633	\$ 160,648,676

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

- (a) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000 (expiring December 2020), the 0.1% Arts and Culture Tax approved by voters in November 2018 (effective January 2021) and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.
- (b) Amounts include all licenses/permits and Community Development and Engineering and Transportation fees/charges for services.
- (c) Amounts include fines and forfeitures for General Fund only.

Ratios of Net General Bonded Debt Outstanding (Exhibit S-14)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental General Obligation Debt	Enterprise General Obligation Debt and WIFA	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
2016	\$ 180,750,000	\$ 196,122,761	\$ 26,115,095	\$ 20,693,070	\$ 382,294,786	\$ 1,593,944,354	10.0 %	24.0 %	\$ 2,213
2017	178,555,000	198,182,660	27,517,521	21,456,909	382,798,272	1,669,352,097	10.0	22.3	2,053
2018	180,435,000	201,216,644	32,224,134	13,114,979	400,760,799	1,774,236,710	9.4	22.9	2,098
2019	183,990,000	206,499,363	38,801,412	3,463,501	425,827,274	1,862,969,450	9.7	22.9	2,214
2020	191,860,000	185,795,463	33,458,848	4,158,853	406,955,458	2,010,523,406	9.3	20.2	2,078
2021	196,865,000	163,289,583	36,837,470	6,898,943	390,093,110	2,128,571,831	8.9	18.7	2,198
2022	212,220,000	195,886,352	44,910,501	8,447,041	444,569,812	2,282,833,787	8.9	19.5	2,686
2023	243,407,158	183,268,233	45,530,393	9,524,199	462,681,585	2,385,407,554	9.8	19.4	2,488
2024	271,690,000	208,366,315	49,855,654	6,896,565	523,015,404	2,484,369,283	10.7	21.1	2,755
2025	323,370,000	237,858,725	52,907,268	1,919,139	612,216,854	2,577,292,263	12.5	23.8	3,220

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-15)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental Activities										Total Government-Type Debt
	General Obligation Bonds	Special Assessment Bonds	Excise Tax Revenue Bonds	Premium on Debt Payable	HUD Section 108 Loan	Capital Improvement Notes	SBITA	Leases	Financed Purchases	Certificates of Participation	
2016	\$ 180,750,000	\$ 19,980,000	\$ 123,389,000	\$ 22,291,058	\$ 4,181,000	\$ -	\$ -	\$ -	\$ 61,399	\$ -	\$ 350,652,457
2017	178,555,000	18,730,000	116,009,000	20,515,300	3,794,000	-	-	-	34,743	-	337,638,043
2018	180,435,000	17,415,000	97,994,000	21,847,912	3,389,000	-	-	-	65,610	-	321,146,522
2019	183,990,000	16,035,000	87,269,000	25,046,197	2,966,000	-	-	-	40,972	-	315,347,169
2020	191,860,000	27,750,000	76,604,000	21,731,892	2,524,000	-	-	-	81,216	-	320,551,108
2021	196,865,000	25,755,000	69,582,000	26,374,477	2,062,000	-	-	-	979,231	-	321,617,708
2022	212,220,000	23,865,000	69,442,000	24,718,409	1,580,000	-	-	-	8,710	343,000,000	674,834,119
2023	243,407,158	21,895,000	60,787,000	28,097,020	1,076,000	-	2,637,704	1,085,876	4,514	336,000,000	694,990,272
2024	271,690,000	19,835,000	55,048,000	30,392,466	549,000	-	2,613,840	853,724	-	317,570,000	698,552,030
2025	323,370,000	17,690,000	41,935,000	31,974,375	-	-	2,460,588	616,437	-	297,190,000	715,236,400

Fiscal Year	Business-Type Activities										Percentage of Personal Income
	General Obligation Bonds	Excise Tax Revenue Bonds	Revenue Obligations	Premium on Debt Payable	WIFA Loans	Financed Purchases	SBITA	Total Business-Type Debt	Total Primary Government	Per Capita	
2016	\$ 185,025,000	\$ 91,876,000	\$ -	\$ 26,735,479	\$ 11,097,761	\$ 63,750	\$ -	\$ 314,797,990	\$ 665,450,447	3,816	14.23 %
2017	187,835,000	80,466,000	-	26,648,171	10,347,660	318,834	-	305,615,665	643,253,707	3,553	12.63
2018	191,635,000	69,876,000	-	27,703,607	9,581,644	213,267	-	299,009,518	643,253,707	3,525	12.53
2019	197,700,000	57,886,000	-	30,951,583	8,799,363	736,327	-	296,073,273	611,420,442	3,178	10.23
2020	177,795,000	54,331,000	38,000,000	27,176,457	8,000,463	480,916	-	305,783,836	626,334,944	3,199	9.62
2021	156,105,000	50,543,000	72,100,000	35,391,535	7,184,583	327,068	-	321,651,186	643,268,894	3,562	10.44
2022	189,535,000	46,703,000	69,570,000	37,695,756	6,351,352	166,851	-	350,021,959	1,024,856,078	6,193	24.38
2023	177,767,872	42,528,000	66,895,000	35,672,156	5,500,392	-	494,365	328,857,785	1,019,630,082	5,483	13.38
2024	203,735,000	37,557,000	64,120,000	35,884,002	4,631,315	-	342,455	346,269,772	1,044,821,821	5,504	12.48
2025	234,115,000	52,020,000	61,245,000	37,001,987	3,743,725	-	444,387	388,570,099	1,103,806,499	5,806	12.73

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

City of Tempe, Arizona

Governmental Unit:	2025 Net Limited Assessed Valuation	Debt Outstanding	<i>Portion Applicable To City of Tempe</i>		Combined Tax Rate per \$100 Assessed
			Percent	Amount	
Debt repaid with property taxes:					
State of Arizona	\$88,425,625,840	None	2.91 %	None	\$ —
Maricopa County	58,328,686,360	None	4.42	None	1.5011
Maricopa Special Health Care District	58,328,686,360	\$ 544,135,000	4.42	\$ 24,042,971	0.2665
Maricopa County Community College	58,328,686,360	576,915,000	4.42	2,545,758	1.1047
Tempe Elementary School District No. 3	2,026,991,042	161,650,000	84.34	136,333,776	4.0477
Mesa Unified School District No. 4	4,064,865,288	211,485,000	0.65	1,377,622	6.5261
Kyrene Elementary School District No. 28	2,715,520,369	217,655,000	30.18	65,695,736	3.3826
Scottsdale Unified School District No. 48	7,025,018,982	265,255,000	0.31	817,151	3.2504
Tempe Union High School District No. 213	4,742,511,408	144,820,000	53.33	77,232,414	2.3628
East Valley Institute of Technology	28,325,407,262	None	9.10	None	0.0500
Subtotal overlapping debt				308,045,428	
City direct debt (governmental activities)	\$ 2,577,292,263	\$ 715,236,400	100.00 %	715,236,400	2.4291
Total direct and overlapping debt				\$ 1,023,281,828	

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-17)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Assessed Valuation	<u>\$6,624,732,683</u>	<u>\$5,002,722,528</u>	<u>\$3,445,248,462</u>	<u>\$3,270,464,268</u>	<u>\$2,985,831,463</u>	<u>\$2,723,618,126</u>	<u>\$2,457,096,949</u>	<u>\$2,285,492,942</u>	<u>\$2,125,705,145</u>	<u>\$1,593,944,354</u>
20% Limitation:										
Debt limit equal to 20% of assessed valuation	\$1,000,544,506	\$ 842,278,925	\$ 689,049,692	\$ 654,092,854	\$ 597,166,293	\$ 544,723,625	\$ 491,419,390	\$ 457,098,588	\$ 425,141,029	\$ 318,788,871
Total net debt applicable to 20% limit	<u>474,313,637</u>	<u>409,957,304</u>	<u>367,391,618</u>	<u>394,798,663</u>	<u>344,099,415</u>	<u>357,900,003</u>	<u>369,823,502</u>	<u>353,760,024</u>	<u>337,734,652</u>	<u>330,432,281</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 526,230,869</u>	<u>\$ 432,321,621</u>	<u>\$ 321,658,074</u>	<u>\$ 259,294,191</u>	<u>\$ 253,066,878</u>	<u>\$ 186,823,622</u>	<u>\$ 121,595,888</u>	<u>\$ 103,338,564</u>	<u>\$ 87,406,377</u>	<u>\$ -</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	47.41%	48.67%	53.32%	60.36%	57.62%	65.70%	75.26%	77.39%	79.44%	103.65%
6% Limitation:										
Debt limit equal to 6% of assessed valuation	\$ 300,163,352	\$ 252,683,677	\$ 206,714,908	\$ 196,227,856	\$ 179,149,888	\$ 163,417,088	\$ 147,425,817	\$ 137,129,577	\$ 127,542,309	\$ 95,636,661
Total net debt applicable to 6% limit	<u>133,358,241</u>	<u>110,312,688</u>	<u>97,469,864</u>	<u>91,074,059</u>	<u>84,050,477</u>	<u>76,093,198</u>	<u>77,915,351</u>	<u>77,206,874</u>	<u>80,243,108</u>	<u>81,905,000</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 166,805,111</u>	<u>\$ 142,370,989</u>	<u>\$ 109,245,044</u>	<u>\$ 105,153,797</u>	<u>\$ 95,099,411</u>	<u>\$ 87,323,890</u>	<u>\$ 69,510,466</u>	<u>\$ 59,922,703</u>	<u>\$ 47,299,201</u>	<u>\$ 13,731,661</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	44.43%	43.66%	47.15%	46.41%	46.92%	46.56%	52.85%	56.30%	62.91%	85.64%

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

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

Remaining General Obligation Bond Authorizations (Exhibit S-18)

City of Tempe, Arizona

	<u>Authorization</u>	<u>Prior Issues</u>	<u>Current Year Issue</u>	<u>Remaining Authorization</u>
2016 Program:				
Water/Wastewater	\$ 148,000,000	\$ 143,864,657	\$ 4,135,343	\$ -
Streets/Transportation/Storm Drains	25,000,000	20,000,000	-	-
Public Safety - Police/Fire	20,000,000	34,000,000	-	-
Community Services/Park Improvements	34,000,000	27,000,000	-	-
Municipal Infrastructure Preservation	27,000,000	25,000,000	-	-
Total 2016 Program	<u>254,000,000</u>	<u>249,864,657</u>	<u>4,135,343</u>	<u>-</u>
2020 Program:				
Water/Wastewater	134,000,000	-	48,926,989	85,073,011
Streets/Transportation/Storm Drains	74,000,000	21,731,401	23,200,000	29,068,599
Public Safety - Police/Fire	34,000,000	27,497,636	6,502,364	-
Community Services/Park Improvements	45,000,000	32,826,953	7,705,743	4,467,304
Municipal Infrastructure Preservation	62,000,000	52,753,594	9,246,406	-
	<u>349,000,000</u>	<u>134,809,584</u>	<u>95,581,502</u>	<u>118,608,914</u>
Grand Total	<u><u>\$1,184,500,000</u></u>	<u><u>\$ 384,674,241</u></u>	<u><u>\$ 132,874,350</u></u>	<u><u>\$ 666,951,409</u></u>

Source: City of Tempe, Arizona Accounting Division

Pledged-Revenue Coverage (Exhibit S-19)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Special Assessment Bonds			Excise Tax Revenue Obligations		
	Special Assessment Collections	Debt Service (d)	Coverage	Excise Tax Revenue Collections (a)	Debt Service (d)	Coverage
2016	\$ 2,439,086	\$ 2,214,178	1.10	\$160,648,676	\$ 45,696,593	3.52
2017	2,173,798	2,209,650	0.98	166,058,633	36,355,425	4.57
2018	2,027,722	2,212,190	0.92	178,992,195	20,743,689	8.63
2019	1,990,732	2,211,570	0.90	182,518,296	20,739,629	8.80
2020	2,442,290	2,207,767	1.11	190,619,346	12,637,348	15.08
2021	2,143,728	2,210,533	0.97	198,947,519	12,652,543	15.72
2022	2,126,515	1,989,250	1.07	206,991,736	12,703,056	16.29
2023	1,911,731	1,984,125	0.96	233,366,585	11,938,011	19.55
2024	1,582,150	1,985,500	0.80	240,428,133	8,755,062	27.46
2025	1,656,907	1,585,000	1.05	230,004,020	14,135,000	16.27

Fiscal Year	Performing Arts/Arts + Culture Excise Tax Obligations			Transit Excise Tax Obligations		
	0.1% Privilege and Use Tax Collections (b)	Debt Service (d)	Coverage	0.5% Privilege and Use Tax Collections (c)	Debt Service (d)	Coverage
2016	\$ 7,656,210	\$ 5,921,676	1.29	\$ 37,288,527	\$ 4,658,463	8.00
2017	8,084,891	3,427,850	2.36	39,512,636	4,372,288	9.04
2018	8,436,503	3,428,850	2.46	41,074,434	4,311,491	9.53
2019	8,823,434	3,428,100	2.57	43,063,185	4,116,542	10.46
2020	9,131,870	3,433,850	2.66	44,373,904	4,118,094	10.78
2021 (e)	4,895,809	—	N/A	47,534,174	4,978,120	9.55
2022	11,202,441	504,233	22.22	54,736,977	5,901,166	9.28
2023	11,647,867	580,750	20.06	57,815,447	4,689,492	12.33
2024	11,482,634	579,250	19.82	57,413,170	4,695,249	12.33
2025	11,151,942	582,000	19.16	55,759,709	4,689,034	11.89

Source: City of Tempe, Arizona Accounting Division

- (a) Excise tax revenue collections include privilege and use tax, state shared privilege and use tax, state shared income tax, franchise tax, permits and fees, and fines and forfeitures. Note that the privilege and use tax exclude the 0.5% excise tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which is restricted to fund programs of the Tempe Convention and Visitor's Bureau.

- (b) The 0.1% privilege and use tax is a Performing Arts Center Tax approved by voters in September 2000 (expiring December 31, 2020) and the 0.1% Arts & Culture Tax approved by voters in November 2018 (effective January 1, 2021).
- (c) The 0.5% privilege and use tax is a Transit Tax approved by voters in September 1996.
- (d) The debt service amount does not include fiscal agent fees.
- (e) Beginning January 1, 2021, the Performing Arts Excise Tax ended and there was no outstanding Performing Arts Excise Tax Obligation debt service after Fiscal Year 2020.

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

Excise Tax Obligations (Excluding Transit Excise Tax Obligations)

City of Tempe, Arizona

Senior Excise Tax Obligations

Fiscal Year	Pledged Excise Tax Revenues (a)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (b)	Outstanding Senior Excise Tax Obligations Coverage (c)	Revenue Available for Debt Service (d)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (e)	Coverage (f)
2025	\$ 230,004,020	\$ 14,135,000	16.27	\$ 227,020,962	\$ 582,000	390.07 %
2026		5,525,000	41.63		578,350	392.53
2027		5,830,000	39.45		579,700	391.62
2028		6,100,000	37.71		581,000	390.74
2029		6,390,000	35.99		582,250	389.90
2030		5,095,000	45.14		577,500	393.11
2031		5,325,000	43.19		582,000	390.07
2032		3,180,000	72.33		580,250	391.25
2033		2,765,000	83.18		577,500	393.11
2034		845,000	272.19		578,750	392.26
2035		890,000	258.43		578,750	392.26
2036		935,000	245.99		577,500	393.11
2037		980,000	234.70			
2038		1,030,000	223.30			
2039		1,080,000	212.97			
2040		1,135,000	202.65			
2041		1,190,000	193.28			
2042		1,250,000	184.00			
2043		1,310,000	175.58			
2044		1,380,000	166.67			
2045		1,445,000	159.17			

2038
2039

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues received by the City in Fiscal Year 2025. 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
2016	\$ 18,390,000
2019R	8,110,000
2021R	14,210,000
2025	—
	<u>\$ 40,710,000</u>

- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2025 excise tax revenues to total debt service requirements for the City's revenue bonds.
- (d) Consists of Arts and Culture Excise Taxes and Excise Taxes (net of current year annual debt service on Outstanding Senior Excise Tax Obligations) received in Fiscal Year 2025.
- (e) Includes the annual debt service requirements of the City of Tempe, Arizona Arts and Culture Excise Tax Obligations, Series 2021, currently outstanding in the principal amount of \$5,895,000. Debt service requirements do not include fiscal fees.
- (f) Pursuant to the Purchase Agreement, the City agrees that the Arts and Culture Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Arts and Culture Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

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

Transit Excise Tax Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations				
Fiscal Year	Pledged Excise Tax Revenues (a)		Outstanding Senior Excise Tax Obligations Debt Service Requirements (b)	Outstanding Senior Excise Tax Obligations Coverage (c)
2025	\$	55,759,709	\$ 4,689,034	12.33
2026			4,692,521	12.32
2027			4,690,698	12.33
2028			4,693,842	12.32
2029			4,686,310	12.34
2030			4,699,737	12.30
2031			4,693,299	12.32
2032			4,692,892	12.32
2033			4,692,175	12.32
2034			4,695,933	12.31
2035			4,695,126	12.31
2036			2,019,412	28.63
2037			1,568,538	36.86
2038			861,150	67.14
2039			859,685	67.25
2040			862,680	64.64

Source: City of Tempe, Arizona Accounting Division

- (a) Excise Tax Revenues recognized by the City in Fiscal Year 2025.
- (b) Includes annual remaining debt service requirements for the Series 2017R City of Tempe, Arizona Transit Excise Tax Refunding Obligations in the principal amount outstanding of \$16,060,000; the Series 2020 City of Tempe, Arizona Transit Excise Tax Obligations in the principal amount outstanding of \$12,165,000; and the Series 2021R City of Tempe, Arizona Transit Excise Tax Refunding Obligations in the principal amount outstanding of \$28,330,000.
- (c) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2025 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

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

Water/Sewer Revenue Obligations

City of Tempe, Arizona

<i>Senior Excise Tax Obligations</i>				
Fiscal Year	Pledged Water/Sewer Net Revenues (a)		Outstanding Water & Sewer Revenue Obligation Debt Service Requirements	Outstanding Water & Sewer Revenue Obligation Coverage (b)
2025	\$	47,820,374	\$ 5,329,470	6.01
2026			5,329,025	6.01
2027			5,329,388	6.01
2028			5,330,308	6.01
2029			5,326,535	6.02
2030			5,333,070	6.01
2031			5,324,280	6.02
2032			5,330,548	6.01
2033			5,331,108	6.01
2034			5,330,843	6.01
2035			5,329,620	6.01
2036			5,327,190	6.01
2037			5,328,303	6.01
2038			5,327,458	6.01
2039			5,329,523	6.01
2040			5,328,998	6.01
2041			2,850,750	16.77

Source: City of Tempe, Arizona Accounting Division

- (a) Net Revenues are defined as that portion of the Revenues remaining after providing sufficient funds for the Current Expenses of the System.
- (b) The estimated coverage figures shown reflect the ratio of actual Fiscal Year 2025 Pledged Water/Sewer Net Revenues the annual total Debt Service Requirements for the Water & Sewer Revenue Obligations.

Demographic and Economic Statistics (Exhibit S-23)

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)
2025	190,114	\$ 8,671,289,654	\$ 45,611	\$ 106,238	30.4	21,708	61,256	3.40 %
2024	189,834	8,374,337,076	44,114	102,861	30.1	22,268	60,731	3.10
2023	185,950	7,622,648,350	40,993	96,012	30.7	23,806	60,839	3.10
2022	186,194	7,181,502,580	38,570	91,012	30.5	23,986	58,088	2.90
2021	180,587	6,159,822,570	34,110	82,283	29.8	23,838	56,095	6.20
2020	195,805	6,511,691,080	33,256	79,758	29.6	25,275	57,009	9.80
2019	192,364	5,975,402,932	31,063	72,792	30.4	25,478	55,224	4.10
2018	185,038	5,594,253,854	30,233	71,916	30.0	25,527	54,456	3.90
2017	182,498	5,134,033,736	28,531	67,501	29.5	24,891	75,729	4.30
2016	173,510	4,881,183,320	28,132	65,814	28.7	25,656	74,293	5.90

- Source:
- (a) Estimate 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 through FY 18-19 and by ESRI beginning FY 19-20.
 - (d) Arizona Department of Education (Azed.gov)
 - (e) ASU - Office of Institutional Analysis. Fiscal Year 2018 and going forward the amount is for the ASU Tempe campus only.
 - (f) <https://www.azcommerce.com/oeo/labor-market/unemployment/#content-block-1>

Principal Employers (Exhibit S-24)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

	Fiscal Year 2025			Fiscal Year 2016		
	Employees (a)	Rank	Employment	Employees (b)	Rank	Employment
<i>Employers:</i>						
Arizona State University	8,030	1	20.90 %	8,818	1	30.11 %
State Farm Insurance Association	6,670	2	17.36 %	3,082	3	10.52
Amazon	5,310	4	13.82 %	1,958	7	6.69
SRP	5,050	5	13.14 %	-	-	-
City of Tempe	2,950	6	7.68 %	2,236	5	7.64
Kyrene School District 28	2,259	7	5.88 %	1,824	10	6.23
Doordash	2,120	8	5.52 %	-	-	-
ABM Industries Inc	2,060	9	5.36 %	-	-	-
Wells Fargo	2,000	10	5.21 %	2,000	6	6.83
Honeywell	1,970	-	5.13 %	3,553	2	12.13
Tempe Elementary School District #3	-	-	-	1,658	8	5.66
US Airways	-	-	-	1,619	9	5.53
	-	-	-	2,537	4	8.66
Total	38,419		100.0 %	29,285		100.0 %

Source: (a) <https://geo.azmag.gov/maps/azemployer>

(b) City of Tempe, Arizona Comprehensive Annual Financial Report, Fiscal Year 2016

Full-Time Equivalent City Government Employees by Function (Exhibit S-25)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal year 2025	Fiscal year 2024	Fiscal year 2023	Fiscal year 2022	Fiscal year 2021	Fiscal year 2020	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal Year 2016
Police	532	525	519	520	516	516	512	508	505	500
Fire medical rescue	250	244	241	230	221	220	214	174	155	156
Community services	389	384	349	306	283	297	305	304	297	286
Community development	84	86	89	86	82	84	79	85	83	88
Municipal court	46	44	44	43	43	43	43	43	43	42
Mayor and council	7	7	7	7	7	7	7	7	7	7
City manager	28	30	26	32	28	31	32	31	33	32
City attorney	31	31	30	29	28	28	27	25	25	26
Internal audit office	4	4	3	4	4	4	4	4	4	4
Municipal budget office	5	5	4	4	4	4	4	4	4	4
Economic development office	7	7	6	6	3	3	-	-	-	-
City clerk and elections	6	6	6	6	5	5	5	5	5	4
Financial services	110	110	108	108	-	-	-	-	-	-
Human resources	23	23	23	20	-	-	-	-	-	-
Information technology	89	88	85	82	-	-	-	-	-	-
Strategic Management & Government Relations	7	6	6	-	-	-	-	-	-	-
Diversity, Equity & Inclusion	1	1	1	-	-	-	-	-	-	-
Diversity, Equity & Inclusion	3	3	3	-	-	-	-	-	-	-
Communication Marketing	14	14	13	-	-	-	-	-	-	-
Education, Career & Family	-	106	108	-	-	-	-	-	-	-
Community Health & Human	206	103	95	-	-	-	-	-	-	-
Public works	317	278	-	-	-	-	429	431	430	470
Transportation & Sustainability	100	126								
Engineering and transportation	-	-	121	118	116	106	-	-	-	-
Municipal utilities	-	-	277	261	257	267	-	-	-	-
Internal services	-	-	-	-	207	212	210	217	206	156
Human services	-	-	-	190	156	147	54	50	46	49
Office of strategic management and diversity	-	-	-	6	6	8	7	6	6	6
Total	2,259	2,231	2,170	2,060	1,967	1,983	1,932	1,888	1,849	1,824

Source: City of Tempe, Arizona Fiscal Year 2025 Annual Budget

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

Operating Indicators by Function/Program (Exhibit S-26)

Last Ten Fiscal Years

City of Tempe, Arizona

Function /Program	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police										
Crime rate (per 100,000 population)	5,198	5,880	4,237	4,944	4,606	4,247	4,752	4,478	5,063	4,900
Traffic accidents	4,365	4,632	4,818	3,833	3,012	4,945	5,857	5,621	5,638	5,376
Emergency service average response time (minimum)	6:16	6:35	6:23	6:19	6:24	6:27	6:66	6:60	6:36	6:83
Citizen calls for police service	73,729	81,061	83,813	85,516	79,072	83,427	90,055	91,012	88,515	86,229
Operating expenditures per citizen calls (a) \$	\$ 1,824	\$ 1,499	\$ 1,282	\$ 1,167	\$ 1,212	\$ 1,166	\$ 1,015	\$ 968	\$ 917	\$ 926
Fire										
Firefighters per capita (10,000)		9.32	9.52		9.33	9.3	9.33	8.86	11.60	8.82
Number of fire calls	2,353	2,546	2,532	2,746	2,369	2,207	1,980	2,212	2,565	1,944
Number of medical calls	22,469	23,311	24,533	24,729	21,582	21,761	22,209	22,093	26,633	20,021
Number of other assistance calls	1,797	2,098	1,991	2,045	2,068	2,117	2,324	1,916	2,637	1,963
Emergency service average response time (minimum)	0.04	4:43	4:40	4:38	4:31	4:31	4:31	4:15	3:36	4:16
Percent of emergency responses taking 6.0 minutes or less (d)	78%	79%	79%	80%	82%	80%	80%	75%	74%	73%
Transportation										
Percent of on-time bus performance (f)	83%	82%	83%	85%	87%	N/A	92%	92%	90%	90%
Annual bus boardings	4,443,615	3,909,167	3,676,750	2,701,540	1,967,142	4,741,442	6,022,149	6,407,657	6,484,875	6,841,497
Annual rail boardings (e)	2,646,063	2,823,038	2,511,247	1,703,120	1,241,440	2,588,121	3,008,033	3,145,896	N/A	N/A
Number of square yards of asphalt repaired	819,522	1,177,933	1,062,443	1,021,983	720,275	918,426	1,225,309	736,076	731,425	402,900
Library										
Registered borrowers	76,248	73,305	87,848	88,366	110,808	104,791	93,689	100,155	97,443	140,000
Circulation	1,047,380	992,008	914,753	763,686	497,675	566,745	743,931	802,492	855,055	800,000
Community development										
Number of permits issued for commercial / industrial	542	460	464	369	447	476	541	503	644	775
Valuation of commercial/industrial permits \$	\$ 746,648,858	\$ 649,286,761	\$ 409,458,156	\$ 570,407,379	\$ 435,445,691	\$ 725,909,656	\$ 790,508,270	\$ 739,627,514	\$ 270,664,400	\$ 333,250,987
Number of permits issued for residential	1,366	805	1,247	1,382	965	603	573	532	122	474
Valuation of residential permits \$	\$ 49,280,014	\$ 36,587,866	\$ 32,319,819	\$ 44,418,957	\$ 37,855,549	\$ 40,035,903	\$ 32,849,626	\$ 35,888,436	\$ 157,887,839	\$ 274,402,813
Number of permits issued other	389	548	390	583	981	1102	1053	1165	1	1
Valuation of other permits \$	\$ 41,619,324	\$ 102,205,815	\$ 73,063,218	\$ 24,408,687	\$ 32,290,151	\$ 25,876,027	\$ 35,278,125	\$ 40,037,341	\$ 60,000	\$ 150,000
Water/wastewater										
Number of customer accounts (annual average)	43,007	42,932	43,327	43,319	42,949	43,724	43,284	43,214	42,647	43,061
Total water gallons treated (million gallons - mg)	14,532	14,339	14,190	15,580	16,600	15,154	15,506	16,090	15,506	15,278
Operating and maintenance cost per customer account \$	\$ 1,358	\$ 1,396	\$ 1,305	\$ 1,167	\$ 1,070	\$ 783	\$ 995	\$ 979	\$ 953	\$ 941
Total wastewater gallons treated (million gallons per day)	18.8	19.0	19.4	19.6	19.0	19.0	19.1	19.1	19.4	19.4
Solid waste collection										
Residential container/recycling cost per ton \$	\$ 21	\$ 77	\$ 177	\$ 232	\$ 258	\$ 159	\$ 235	\$ 111	\$ 139	\$ 138

Number of residential accounts	33,744	33,574	33,326	33,328	34,540	33,245	33,263	32,869	33,160	33,001
Residential recycling diversion rate (c)	20%	21%	18%	20%	18%	23%	23%	28%	19%	21%
Number of commercial accounts	1,516	1,471	1,454	1,487	1,722	1,491	1,565	1,641	1,671	1,709
Commercial collection cost per ton	\$ 107	\$ 131	\$ 103	\$ 97	\$ 98	\$ 342	\$ 113	\$ 100	\$ 93	\$ 91

- (a) Source: City of Tempe, Arizona Municipal Budget Office and other applicable City departments.
- (b) The numbers are revised by department to reflect change in methodology in tracking.
- (c) This calculation consists of the blue container program and green organics.
- (d) For Fiscal Years 2017 and prior, the percents measured were for 5.0 minutes or less.
- (e) For Fiscal Years 2017 and prior, this data was not requested.
- (f) Due to a system conversion, data was not available for all of Fiscal Year 2020 and for part of Fiscal Year 2021.

Capital Asset Statistics by Function/Program (Exhibit S-27)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol units (squads)	20	21	21	21	21	21	21	21	21	24
Fire stations	7	7	7	7	7	7	6	6	6	6
Transportation										
Streets (miles)	1,321	1,321	1,321	1,775	1,775	1,241	1,241	1,241	1,241	1,241
Streetlights	12,361	12,267	12,301	12,274	11,559	11,483	11,414	12,048	12,026	11,969
Traffic signals	248	249	254	249	244	235	230	230	229	228
Buses	131	118	118	120	124	124	124	124	125	125
Parks and recreation										
Acreage (a)	1,519	1,519	1,519	1,519	1,519	1,875	1,875	1,875	1,875	1,872
Playgrounds	44	44	44	44	44	45	45	45	45	45
Sports fields (b)	66	66	66	66	66	200	200	200	200	200
Community centers	6	6	5	5	5	5	5	5	5	5
Golf courses	2	2	2	2	2	2	2	2	2	2
Water/wastewater										
Water mains (miles)	850	850	850	850	850	850	850	850	850	833
Water production capacity (million gallons per day)	137	137	137	137	137	137	137	137	137	125
Water storage capacity (million gallons)	54	54	54	54	54	54	54	54	54	54
Sanitary sewers (miles)	495	495	495	495	495	495	495	495	495	495
Storm sewers (miles)	231	231	231	231	231	231	231	231	231	231
Wastewater treatment capacity (million gallons per day)	29	29	29	29	29	29	29	29	29	29
Solid waste collection										
Collection trucks	42	42	42	42	42	42	43	43	43	45

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

Water Connections by Customer Type, Sewer Connections and Sewage Treated (Exhibit S-28)

Last Four Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Water Connections					
Customer Type:					
Single Family	34,911	35,038	35,007	35,135	35,204
Multifamily	1,951	1,936	1,933	1,902	1,907
Commercial	3,988	3,878	3,946	3,946	3,950
Industrial	72	73	73	73	73
Landscape	2,043	2,007	2,000	2,014	2,005
Total (a)	42,965	42,932	42,959	43,070	43,139
Sewer connections					
No. of Sewer Connections	40,678	40,699	40,707	40,784	40,596
Sewage treated					
91st Avenue Plant (MGD)	18.8	19.0	19.4	19.2	19

Source: City of Tempe, Municipal Utilities Department.

(a) Total number of accounts billed in any month is less than the total number of connections due to vacancies.

Note: This schedule is required for the Series 2021 City of Tempe, Arizona Water and Sewer Revenue Obligations and is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Water Deliveries (Exhibit S-29)

Last Four Calendar Years

City of Tempe, Arizona

	Calendar Year 2025 (c)	Calendar Year 2024 (c)	Calendar Year 2023 (c)	Calendar Year 2022 (c)	Calendar Year 2021
Water Deliveries					
Residential (a)	21,958	21,785	20,257	20,077	22,512
Commercial	10,077	10,884	10,245	10,447	11,324
Other (b)	11,564	11,336	10,475	10,377	11,617
Total	43,599	44,005	40,977	40,901	45,453

Source: City of Tempe, Municipal Utilities Department.

- (a) Residential includes both single family and multifamily housing.
- (b) Other includes industrial, landscape and construction.
- (c) Water Deliveries are from January through November 30 each calendar year.

Note: This schedule is required for the Series 2021 City of Tempe, Arizona Water and Sewer Revenue Obligations and is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Metered Water Usage Charges (Exhibit S-30)

Last Four Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Single Family Residential-Inside City					
Tier Level (gallons used)					
0 - 6,000	\$ 3.16	\$ 2.90	\$ 2.53	\$ 1.90	\$ 1.84
6,001 - 8,000	\$ 3.16	2.90	2.53	2.91	2.83
8,001 - 12,000	\$ 5.17	4.51	3.93	2.91	2.83
12,001 - 16,000	\$ 5.17	4.51	3.93	4.01	3.89
16,001 - 20,000	\$ 6.62	5.74	5.00	4.01	3.89
20,001 - 36,000	\$ 6.62	5.74	5.00	5.08	4.93
36,001 - 40,000	\$ 7.88	6.64	5.79	5.08	4.93
Over 40,000	\$ 7.88	6.64	5.79	5.58	5.42
Single Family Residential-Outside City					
Tier Level (gallons used)					
0 - 6,000	\$ 4.11	\$ 3.29	\$ 3.29	\$ 2.46	\$ 2.39
6,001 - 8,000	\$ 4.11	3.29	3.29	3.79	3.68
8,001 - 12,000	\$ 6.72	5.11	5.11	3.79	3.68
12,001 - 16,000	\$ 6.72	5.11	5.11	5.21	5.06
16,001 - 20,000	\$ 8.61	6.50	6.50	5.21	5.06
20,001 - 36,000	\$ 8.61	6.50	6.50	6.60	6.41
36,001 - 40,000	\$ 10.24	7.53	7.53	6.60	6.41
Over 40,000	\$ 10.24	7.53	7.53	7.26	7.05
Charges Per Thousand Gallons (a)					
Customer Class-Inside City					
Multifamily	\$ 3.53	\$ 2.81	\$ 2.81	\$ 2.11	\$ 2.11
Commercial	\$ 4.03	3.16	3.16	2.73	2.73
Construction	\$ 5.35	4.66	4.66	4.42	4.42
Industrial	\$ 3.96	3.12	3.12	2.85	2.85
Landscape	\$ 5.37	4.26	4.26	4.08	4.08
Customer Class-Outside City					
Multifamily	\$ 4.59	\$ 3.65	\$ 3.65	\$ 2.74	\$ 2.74
Commercial	\$ 5.24	4.11	4.11	3.55	3.55
Construction	\$ 6.96	6.06	6.06	5.74	5.74
Industrial	\$ 5.15	4.06	4.06	3.71	3.71
Landscape	\$ 6.98	5.54	5.54	5.30	5.30

Source: City of Tempe, Municipal Utilities Department.

(a) Volume charge per one thousand (1,000) gallons usage based on customer class.

Note: This schedule is required for the Series 2021 City of Tempe, Arizona Water and Sewer Revenue Obligations and is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Water Rates and Sewer Rates Per Meter Size(Exhibit S-31)

Last Four Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Water Monthly Service Charge					
Inside City					
5/8 inch	\$ 12.10	\$ 11.75	\$ 10.25	\$ 13.55	\$ 13.55
3/4 inch	13.60	13.20	11.50	15.30	15.30
1 inch	20.10	19.30	16.80	22.80	22.80
1 1/2 inch	41.85	39.75	34.65	48.40	48.40
2 inch	79.40	75.10	65.45	94.35	94.35
3 inch	118.95	112.35	97.90	213.45	213.45
4 inch	277.65	261.75	228.10	307.65	307.65
6 inch	800.35	753.85	656.95	1,183.00	1,183.00
8 inch	1,241.50	1,168.15	1,018.85	2,064.50	2,064.50
10 inch	1,858.75	1,750.20	1,525.25	3,092.90	3,092.90
1.0" installed to accommodate sprinklers	12.10	11.75	10.25	13.55	13.55
Outside City					
5/8 inch	\$ 15.75	\$ 15.28	\$ 13.35	\$ 17.62	\$ 17.62
3/4 inch	17.70	17.16	14.95	19.89	19.89
1 inch	26.15	25.09	21.85	29.64	29.64
1 1/2 inch	54.40	51.68	45.05	62.92	62.92
2 inch	103.20	97.63	85.10	122.66	122.66
3 inch	154.65	146.06	127.25	277.49	277.49
4 inch	360.95	340.28	296.55	399.95	399.95
6 inch	1,040.45	980.01	854.05	1,537.90	1,537.90
8 inch	1,613.95	1,518.60	1,324.50	2,683.85	2,683.85
10 inch	2,416.40	2,275.26	1,982.85	4,020.77	4,020.77
1.0" installed to accommodate sprinklers	15.75	15.28	13.35	17.62	17.62
Sewer Monthly Base Charge					
5/8 inch	\$ 10.90	\$ 9.90	\$ 9.30	\$ 10.30	\$ 10.30
3/4 inch	12.50	11.40	10.70	14.00	14.00
1 inch	19.25	17.70	16.65	25.10	25.10
1 1/2 inch	42.00	39.00	36.70	46.70	46.70
2 inch	81.30	75.75	71.30	72.60	72.60
3 inch	122.70	114.55	107.80	176.00	176.00
4 inch	288.70	269.95	254.05	349.00	349.00
6 inch	835.60	782.00	736.00	695.00	695.00
8 inch	1,297.10	1,214.10	1,142.65	1,650.00	1,650.00
10 inch	1,942.90	1,818.75	1,711.75	2,600.00	2,600.00

Source: City of Tempe, Municipal Utilities department.

Note: This schedule is required for the Series 2021 City of Tempe, Arizona Water and Sewer Revenue Obligations and is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Sewer Service Rates(Exhibit S-32)

Last Four Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Sewage Return Flow Rate of Metered Water Use					
Customer Class					
Multifamily	95%	95%	95%	95%	95%
Multifamily w/ sprinkler	95%	95%	95%	95%	95%
Commercial: self-service laundry	95%	95%	95%	95%	95%
Commercial: laundry/dry cleaners	95%	95%	95%	95%	95%
Commercial: restaurants/bakeries	95%	95%	95%	75%	75%
Commercial: food sales	95%	95%	95%	75%	75%
Commercial: hospitals	95%	95%	95%	85%	85%
Commercial: other	95%	95%	95%	90%	90%
Volume Charge per 1,000 gallons					
Customer Class					
Multifamily	\$ 3.26	\$ 2.54	\$ 2.39	\$ 1.84	\$ 1.84
Multifamily w/ sprinkler	—	3.28	2.39	3.28	3.28
Commercial: self-service laundry	3.54	3.22	3.03	2.82	2.82
Commercial: laundry/dry cleaners	5.49	4.72	4.44	7.91	7.91
Commercial: restaurants/bakeries	5.49	4.72	4.44	7.91	7.91
Commercial: food sales	5.49	4.72	4.44	4.58	4.58
Commercial: hospitals	3.54	3.22	3.03	3.06	3.06
Commercial: other	3.54	3.22	3.03	3.06	3.06

Source: City of Tempe, Municipal Utilities Department.

Note: This schedule is required for the Series 2021 City of Tempe, Arizona Water and Sewer Revenue Obligations and is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

