



Inspire Excellence...
Every Child
Every Adult
Every Day

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3 TEMPE, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
TEMPE, ARIZONA
YEAR ENDED JUNE 30, 2014**

Prepared by:

Elizabeth Yeskey, CPA, Assistant Superintendent of
Business and Support Services and the
District Finance Department

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INTRODUCTORY SECTION

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December 17, 2014

Citizens and Governing Board
Tempe Elementary School District No. 3
3205 South Rural Road
Tempe, Arizona 85282

State law mandates that school districts required to undergo an annual single audit publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Tempe Elementary School District No. 3 (District) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by CliftonLarsonAllen LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

Accounting principles generally accepted in the United States of America 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 District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

The District is one of 58 public school districts located in Maricopa County, Arizona. It provides a program of public education from kindergarten through grade eight with an estimated current enrollment of 11,045 students. The District has 15 elementary schools, four middle schools and two K-8 schools.

The District's Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, construction and maintenance of District facilities, and food services.

The District encompasses an area of 36 square miles in the south-central portion of Maricopa County. The District is bordered to the west by Phoenix, the State capital, to the north by Scottsdale and to the east by Mesa. These cities, together with the cities of Tempe and Glendale, form the Phoenix metropolitan area, a principal hub of economic and political activities in Arizona.

The City of Tempe was founded in 1872 and incorporated in 1894. It is bordered by the cities of Phoenix, Scottsdale, Mesa and Chandler. Tempe has a well-developed and long established economic base and is comprised of well-planned commercial, industrial, retail and residential areas. It is also the home of the state's largest university, Arizona State University (ASU), which has an enrollment of over 60,000 students, and is one of the largest universities in the nation. The City operates under the governance of a six-member city council and mayor. The city is landlocked and unable to annex additional land and its population is approximately 162,000 residents.

The annual expenditure budget serves as the foundation for the District's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget approved by the District's Governing Board. The expenditure budget is prepared by fund for all Governmental Funds, and includes function and object code detail for the General Fund and some Special Revenue and Capital Projects Funds. The legal level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the individual fund level for all funds. Funds that are not required to legally adopt a budget may have overexpenditures of budgeted funds. The budget for these funds is simply an estimate and does not prevent the District from exceeding the budget as long as the necessary revenue is earned.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy. The Phoenix metropolitan area and the rest of Maricopa County have become one of the fastest growing regional markets in the United States. The number of manufacturing and wholesale businesses located in the metropolitan area is approaching 3,000. This growth has been stimulated by a combination of warm climate, a substantial well-educated labor pool, a wide range of support industries, and a governmental climate that is supportive of economic growth and investment.

A few of the major firms represented in the Phoenix metropolitan area include Honeywell International, Inc., Banner Health Systems, Wal-Mart Stores, Inc., and Wells Fargo Company. In addition, the metropolitan area provides excellent educational and training opportunities through seven community colleges, four private colleges and graduate schools, and one state university.

Maricopa County is located in the south-central portion of Arizona and encompasses an area of approximately 9,226 square miles. Its boundaries encompass the cities of Phoenix, Scottsdale, Mesa, Tempe, Glendale, Chandler, and such towns as Gilbert, Paradise Valley and Fountain Hills. Maricopa County is currently the nation's fourth largest county in terms of population size and the 14th in land area. The County's 2009 population was estimated at 4,000,000 and expected to reach 6 million by 2030. Maricopa County has a very wide range of economic sectors supporting its substantial growth.

The City of Tempe has a diversified economic base with Arizona State University being the top employer with over 11,000 employees. The proximity to Sky Harbor airport, the central location to freeway linkage to the metropolitan Phoenix area and the light rail system makes Tempe an attractive employment location. There are a large number of financial services and insurance companies located in the city including the regional headquarters for JP Morgan Chase Manhattan Bank, the headquarters for Edward Jones and headquarters for Wells Fargo loan services. Tempe continues to attract new large companies to the city. In FY 2013, it was announced that State Farm will locate its regional headquarters in Tempe in the new Marina Heights development. In FY 2014, GoDaddy opened its Global Technology Center at the ASU Research Park in south Tempe and Amkor is building their new US Headquarters. Recently announced, Shutterfly will also be coming to Tempe in the Discovery Business Campus.

Tempe Town Lake continues to be a recreational and economic centerpiece of Tempe and is the second most visited tourist attraction behind the Grand Canyon. A short distance away in downtown Tempe, a new \$350 million development is planned which will house a luxury hotel and conference center that is expected to bring 300,000 people to Tempe each year. Another major development is the Liberty Center at Rio Salado which will ultimately bring an estimated 6,500 jobs to the city. On the north side of Tempe Town Lake, a master planned business park called the Grand at Papago Park Center, will offer over 3 million square feet of commercial development and accommodate over 10,000 employees and residents. In addition to City of Tempe growth, the ASU Stadium District will be developing up to 10 million square feet for office, research and technology, and residential space which will have a positive economic impact to Tempe.

Long-Term Financial Planning. The District's financial future is looking positive as student enrollment is increasing and the economy continues to recover. Financial stability is based on student enrollment and state funding. The goal is to keep all the students who are currently enrolled, continue to attract out of district students, and bring back students who have left for other schools. Marketing schools and programs has been center to the District's recruitment and retention of students. While marketing has been successful in the elementary schools, more focus is spent on the middle schools where enrollment decline continues to be greatest. The District has increased its middle school educational choices with the opening of the Tempe Academy of International Studies, the creation of a STEM (Science, Technology, Engineering and Math) program at Fees College Preparatory Middle School, the expansion of ASPIRE (a self-contained gifted program) at Connolly Middle School, and the technology focus at Gililand Middle School. In addition to the expansion of these programs, future educational offerings will include an alternative program and dance, theater, and fine arts.

Recent Legislative changes have provided the District the capacity to sell the remaining \$37 million of bonds approved by voters November 2009. The sale of the entire \$37 million will occur early 2015. These funds will be used over the next three years to renovate the next two elementary schools identified in the District's Long-Range Facility plan and complete scheduled critical maintenance projects. The District is currently in the planning stages for a future bond election to fund the next phase of the Long-Range facility plan, critical maintenance projects and student transportation vehicles.

AWARDS AND ACKNOWLEDGMENT


Awards. The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-third consecutive year that the District has received this prestigious award. In addition, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded these certificates, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

These certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the programs' requirements and we are submitting it to ASBO and GFOA to determine its eligibility for the fiscal year 2013-14 certificates.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the finance department.

In closing, without the leadership and support of the Governing Board of the District, preparation of this report would not have been possible.

Respectfully submitted



Christine Busch
Superintendent



Elizabeth Yeskey, CPA
Assistant Superintendent of Business and Support
Services

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014**

Governing Board

Rochelle L. Wells
President

Melanie Beikman
Vice-President

Jim Lemmon
Member

Teresa Devine
Member

Kathy Espinoza
Member

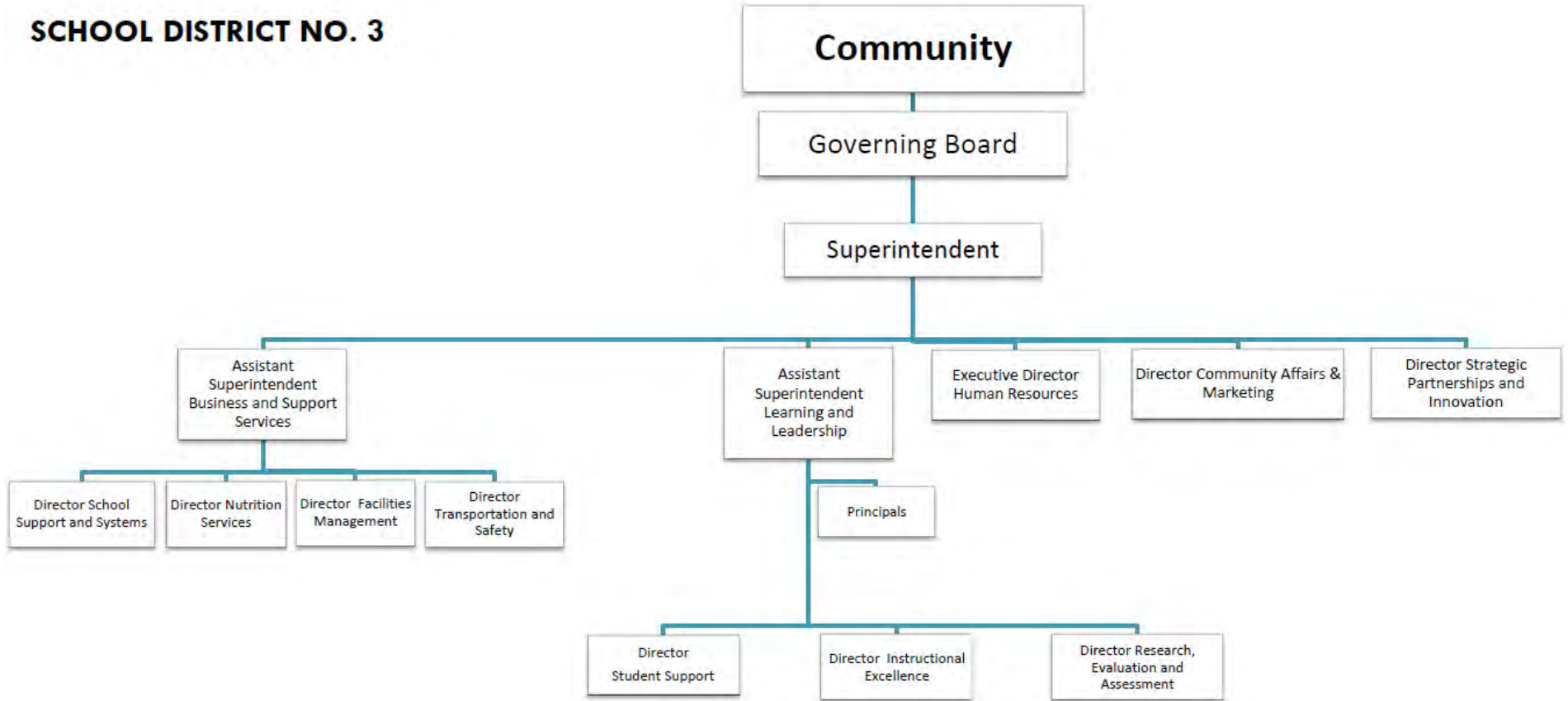
Administrative Staff

Christine Busch, Superintendent

Elizabeth Yeskey, CPA, Assistant Superintendent of Business and Support Services

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
ORGANIZATIONAL CHART
JUNE 30, 2014

TEMPE ELEMENTARY
SCHOOL DISTRICT NO. 3



Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Tempe Elementary School District No. 3

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Handwritten signature of Terrie S. Simmons in black ink.

Terrie S. Simmons, RSBA, CSBO
President

Handwritten signature of John D. Musso in black ink.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

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

Presented to

**Tempe Elementary School
District No. 3, Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Tempe Elementary School District No. 3
Tempe, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tempe Elementary School District No. 3 (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tempe Elementary School District No. 3 as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 - 21, the Other Postemployment Benefit Plan Schedule of Funding Progress on page 57, and the General Fund Budget and Actual Schedule on pages 58 - 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tempe Elementary School District No. 3's basic financial statements. The combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

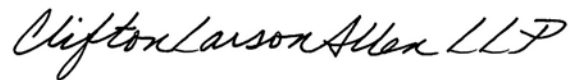
The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Governing Board
Tempe Elementary School District No. 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of Tempe Elementary School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Tempe Elementary School District No. 3's internal control over financial reporting and compliance.



Phoenix, Arizona
December 17, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

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**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

As management of the Tempe Elementary School District No. 3 (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year by \$92,997,740 (net position).
- ◆ The District's total net position increased by \$10,241,181.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,476,875, a decrease of \$2,547,528 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit \$587,720.
- ◆ The District's total bonded debt decreased by \$10,530,000 (10.8%) during the current fiscal year. This decrease was a result of scheduled principal payments on the outstanding bonds. The interest and premium on the capital appreciation bonds came due during the fiscal year resulting in a \$4,764,960 decrease in outstanding liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the District's net position changed during the most recent 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are for public education.

The government-wide financial statements can be found immediately following this MD&A.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Unrestricted Capital Outlay Fund, and Bond Building Fund, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation.

An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 24 - 29 of this report.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Proprietary Funds – The District maintains one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for certain transportation services to other District departments on a cost reimbursement basis. Because these activities predominately benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 30 - 32 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund includes the student activities fund and employee withholding fund reported as agency funds. Agency funds are custodial in nature and do not present results of operations or a measurement focus.

The basic fiduciary fund financial statement can be found on page 33 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 34 - 56 of this report.

Required Supplementary Information

The District has the option of presenting the General Fund budget to actual statements and major special revenue funds budget and actual statements as part of the basic financial statements or as other required supplementary information. The District has elected to present those schedules as required supplementary information. Additionally, the District reports the schedule of funding progress for its other postemployment benefits as other required supplementary information. The required supplementary information can be found on pages 57 - 60.

Other Information

Combining statements and schedules for all nonmajor governmental funds and fiduciary funds are presented on pages 61 – 76 and statistical data is presented on pages 77 – 96.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$92,997,740 at the close of the most recent fiscal year.

A summary of the District's Statement of Net Position is as follows:

**Table A-1
The District's Net Position**

	Governmental Activities		
	2014	2013	% Change
ASSETS			
Current and Other Assets	\$ 50,522,686	\$ 52,051,836	-2.94%
Capital Assets	157,163,761	160,621,733	-2.15%
Total Assets	207,686,447	212,673,569	-2.34%
DEFERRED OUTFLOWS			
Amount on Refunding	786,617	975,516	-19.36%
LIABILITIES			
Other Liabilities	22,082,998	21,633,081	2.08%
Long-term Liabilities	93,392,326	109,259,445	-14.52%
Total Liabilities	115,475,324	130,892,526	-11.78%
NET POSITION			
Net Investment in Capital Assets	78,019,640	68,675,552	13.61%
Restricted	4,952,352	5,667,460	-12.62%
Unrestricted	10,025,748	8,413,547	19.16%
Total Net Position	\$ 92,997,740	\$ 82,756,559	12.38%

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District'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 used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net position.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Change in Net Position

During the current fiscal year, the District's net position increased by \$10,241,181. A summary of the District's Statement of Activities is as follows:

**Table A-2
Change in Net Position**

	Governmental Activities		
	2014	2013	% Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 1,388,198	\$ 1,425,119	-2.59%
Operating Grants and Contributions	18,731,922	20,151,116	-7.04%
General Revenues:			
Property Taxes	76,222,294	77,664,135	-1.86%
Grants and Contributions Not Restricted to Specific Programs			
State Equalization and Additional State Aid	24,467,591	22,713,466	7.72%
County Equalization	2,469,097	2,346,167	5.24%
Federal Aid Not Restricted	832,147	989,849	-15.93%
Unrestricted Investment Earnings	137,039	147,521	-7.11%
Other	1,279,210	1,480,370	-13.59%
Total Revenues	125,527,498	126,917,743	-1.10%
EXPENSES			
Instruction	61,862,648	57,664,627	7.28%
Support Services - Student and Staff	16,570,731	15,962,390	3.81%
Support Services - Administration	5,630,548	5,268,355	6.87%
Operation and Maintenance of Plant and Central Services	15,720,736	15,896,301	-1.10%
Student Transportation	5,034,220	5,024,477	0.19%
Operation of Noninstructional Services	5,936,758	5,686,639	4.40%
Interest on Long-term Debt	4,530,676	5,101,573	-11.19%
Total Expenses	115,286,317	110,604,362	4.23%
CHANGE IN NET POSITION	10,241,181	16,313,381	-37.22%
Net Position - Beginning of Year	82,756,559	66,443,178	24.55%
NET POSITION - END OF YEAR	\$ 92,997,740	\$ 82,756,559	12.38%

Program revenues made up of charges for services, operating grants and contributions and capital grants and contributions decreased from the prior year by \$1,456,115. The decrease was mostly due to the reduction of networking projects awarded and funded by federal e-rate monies.

General revenues increased \$65,870 primarily due to an increase in state assistance to fund the increase in budget.

District expenses increased by \$4,681,955 from the prior fiscal year. The increase was due to salary and health insurance premiums for employees.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,476,875, a decrease of \$2,547,528 in comparison with the prior year. At June 30, 2014 the District reported a deficit unassigned fund balance, the deficit is due to a shortage in the secondary property tax levy due to an error in the 2012 tax rate. District management has assigned fund balance for capital projects and other post employment benefits. The remainder of fund balance is nonspendable or restricted to indicate that is not available for new spending.

At June 30, 2014, fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2012-13
General Fund	\$ 6,071,517	\$ (6,461,282)
Debt Service Fund	(4,491,064)	5,517,160
Unrestricted Capital Outlay	8,667,473	1,496,771
Bond Building Fund	8,286,063	(2,375,603)
Nonmajor Governmental Funds	4,942,886	(724,574)

The General Fund decrease of \$6,461,282 was due to transferring \$2,632,260 of soft capital allocation funds to the unrestricted capital outlay fund. The remaining decrease was due to a reduction of property taxes levied due to large fund balance from the previous year.

The Debt Service Fund increase of \$5,517,160 was due to was due to an increase in property taxes levied to repay an advance from the general fund in previous years.

The Unrestricted Capital Outlay Fund increase of \$1,496,771 is due to the transfer from the general fund of \$2,632,260 of soft capital allocation balance.

The Bond Building Fund decrease of \$2,375,603 was a result of completion of several large capital projects.

The Nonmajor Governmental Funds decrease of \$724,574 was primarily due to planned large cafeteria equipment purchases from the Food Services fund.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$735,949. In Arizona, school districts build their original "adopted" budget based on the previous year's 100th day average daily attendance. The District is allowed to increase or decrease its budget. The \$735,949 increase was a result of growth in student enrollment. General Fund revenues of \$71,680,795 exceeded budgeted revenues of \$71,470,060 by \$210,735. Actual General Fund expenditures were \$2,040,989 less than budget during the fiscal year as a result of unused contingency, employee vacancy savings and planned carry-forward to maintain financial stability. Actual expenditures were within 2.7% of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$157,163,761 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, and furniture, equipment and vehicles. The net decrease in the District's investment in capital assets for the current fiscal year was 2.2%.

The District's major capital asset additions during the current fiscal year were as follows:

- Interior renovation of Fuller School.
- Chiller replacement project at the Connelly middle school.
- Roof replacement at Arredondo, Gilliland, McKemy and Sanchez sites.
- School safety and security improvements throughout the District.

**Table A-4
Capital Assets (Net)**

	Governmental Activities	
	2014	2013
Land	\$ 1,748,080	\$ 1,748,080
Construction in Progress	843,101	245,139
Land Improvements	8,688,996	8,465,065
Buildings and Building Improvements	134,081,707	137,341,502
Furniture, Equipment, and Vehicles	11,801,877	12,821,947
Total Capital Assets, Net	\$ 157,163,761	\$ 160,621,733

Additional information on the District's capital assets can be found in Note 3.A.3 of this report.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$86,700,000. This debt is backed by the full faith and credit of the District.

**Table A-5
Outstanding Debt**

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$ 86,700,000	\$ 97,230,000

The District's total bonded debt decreased by \$10,530,000 (10.8%) during the current fiscal year. This decrease was due to scheduled principal payments on the outstanding bonds. The interest and premium on the capital appreciation bonds came due during the fiscal year resulting in a \$4,764,960 decrease in outstanding liabilities.

State statutes limit the amount of bonded debt a nonunified school district may issue to 15 percent of its net secondary assessed valuation. The current debt limitation for the District is \$180,879,038, which is significantly in excess of the District's outstanding bonded debt. In addition, Class B bonded debt is limited to the greater of 10% of the net secondary assessed valuation of the District or \$1,500 per student for a nonunified school district. The District's Class B bonded debt limitation is \$120,586,025.

Additional information on the District's long-term debt can be found in Note 3.D. of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The financial position of the District continues to look positive for the next fiscal year as student enrollment continues to increase and the state's economy improves. In November, the taxpayers of the District approved a 15% override of its Maintenance and Operations budget which will provide funding for the next five years to maintain small class sizes and educational programs for its students.

Of significant financial importance is the resolution of the Cave Creek vs Ducey school funding lawsuit. In September 2013, the Arizona Supreme Court ruled that under Proposition 301 (from November 2000) the state must adjust the K-12 per pupil "base level" annually for inflation. The state had not funded inflation for school districts between fiscal years 2009 and 2013. In its September 2013 ruling, the Arizona Supreme Court sent the case back to Maricopa Superior Court to determine the state's financial commitment for the base level inflation adjustments. In July 2014, the court ordered that the amount of per pupil funding be reset to an amount that included prior years' inflation. The State of Arizona has reset the amount for FY 2015 but does not have appropriate funds to meet the obligation. If the State should fund the reset amount, the District would see a budget increase of an estimated \$4 million for FY 2015. The District is hopeful that this issue will be settled by the end of fiscal year 2015.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The remaining bonds from the authorization from November 2009 will be sold early 2015. The \$37 million will be used to renovate two schools and fund various critical maintenance projects for the next three years. The District is also looking at a potential refunding of up to \$28 million in qualified bonds for debt service and taxpayer savings.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Tempe Elementary School District No. 3, 3205 South Rural Road, Tempe, Arizona 85282.

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BASIC FINANCIAL STATEMENTS

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 25,174,242
Restricted Cash and Investments	8,894,956
Receivables	
Accounts Receivable	297,872
Property Taxes	4,946,869
Intergovernmental	10,912,306
Prepaid Item	169,521
Inventory	126,920
Capital Assets:	
Non-Depreciable	2,591,181
Depreciable, Net	<u>154,572,580</u>
Total Assets	<u>207,686,447</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amount on Refunding	<u>786,617</u>
LIABILITIES	
Accounts Payable	1,944,477
Accrued Wages and Benefits	1,117,355
Other Liabilities	87,428
Line of Credit Payable	1,445,000
Accrued Interest	6,958,738
Matured Debt Principal Payable	10,530,000
Long-Term Liabilities:	
Due Within One Year	13,207,629
Due in More Than One Year	<u>80,184,697</u>
Total Liabilities	<u>115,475,324</u>
NET POSITION	
Net Investment in Capital Assets	78,019,640
Restricted	
Classroom Site - Teacher Compensation	321,371
Instructional Improvement Programs	298,607
State Instructional Programs	22,607
Food Services	1,980,186
Community Programs	673,525
Instructional Aids	46,937
Noninstructional Programs	1,358,263
Capital Projects	250,856
Unrestricted	<u>10,025,748</u>
Total Net Position	<u>\$ 92,997,740</u>

See accompanying Notes to Basic Financial Statements.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 61,862,648	\$ 717,343	\$ 8,658,189	\$ -	\$ (52,487,116)
Support Services:					
Students	7,939,542	-	324,045	-	(7,615,497)
Instructional Staff	8,631,189	-	2,989,486	-	(5,641,703)
General Administration	927,091	-	-	-	(927,091)
School Administration	4,703,457	-	1,317	-	(4,702,140)
Central Services	4,735,819	-	224,778	-	(4,511,041)
Operation and Maintenance of Plant	10,984,917	-	993,658	-	(9,991,259)
Student Transportation	5,034,220	-	83,017	-	(4,951,203)
Operation of Noninstructional Services	5,936,758	670,855	5,100,595	-	(165,308)
Interest on Long-Term Debt	4,530,676	-	356,837	-	(4,173,839)
Total	<u>\$ 115,286,317</u>	<u>\$ 1,388,198</u>	<u>\$ 18,731,922</u>	<u>\$ -</u>	<u>(95,166,197)</u>
		General Revenues:			
		Property Taxes			76,222,294
		Grants and Contributions Not Restricted to Specific Programs:			
		State Equalization and Additional State Aid			24,467,591
		County Equalization			2,469,097
		Federal Aid Not Restricted			832,147
		Investment Earnings			137,039
		Other			1,279,210
		Total General Revenues			<u>105,407,378</u>
		Change in Net Position			10,241,181
		Net Position - Beginning			82,756,559
		Net Position - Ending			<u>\$ 92,997,740</u>

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Debt Service	Unrestricted Capital Outlay	Bond Building
ASSETS				
Cash and Investments	\$ -	\$ 17,855,837	\$ 1,892,974	\$ -
Restricted Cash and Investments	-	-	-	8,894,956
Receivables:				
Accounts Receivable	-	-	-	-
Property Taxes	4,137,961	595,323	204,119	-
Intergovernmental	9,406,838	-	18,992	-
Prepaid Item	-	-	88,111	-
Inventory	24,218	-	-	-
Due From Other Funds	-	-	6,762,698	-
Advance to Other Funds	5,000,000	-	-	-
Total Assets	<u>\$ 18,569,017</u>	<u>\$ 18,451,160</u>	<u>\$ 8,966,894</u>	<u>\$ 8,894,956</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 585,801	\$ -	\$ 162,205	\$ 608,893
Accrued Wages and Benefits	68,593	-	-	-
Other Liabilities	-	-	-	-
Due to Other Funds	6,102,425	-	-	-
Line of Credit Payable	1,445,000	-	-	-
Advance From Other Funds	-	5,000,000	-	-
Matured Bond Interest Payable	-	6,958,738	-	-
Matured Debt Principal Payable	-	10,530,000	-	-
Total Liabilities	<u>8,201,819</u>	<u>22,488,738</u>	<u>162,205</u>	<u>608,893</u>
Deferred Inflows of Resources				
Unavailable Revenue	<u>4,295,681</u>	<u>453,486</u>	<u>137,216</u>	<u>-</u>
Fund Balances				
Nonspendable	5,024,218	-	88,111	-
Restricted	-	-	-	8,286,063
Assigned	1,635,019	-	8,579,362	-
Unassigned	<u>(587,720)</u>	<u>(4,491,064)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>6,071,517</u>	<u>(4,491,064)</u>	<u>8,667,473</u>	<u>8,286,063</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,569,017</u>	<u>\$ 18,451,160</u>	<u>\$ 8,966,894</u>	<u>\$ 8,894,956</u>

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Totals
\$ 5,333,202	\$ 25,082,013
-	8,894,956
297,872	297,872
9,466	4,946,869
1,486,476	10,912,306
81,410	169,521
102,702	126,920
-	6,762,698
-	5,000,000
<u>\$ 7,311,128</u>	<u>\$ 62,193,155</u>

\$ 577,933	\$ 1,934,832
1,033,142	1,101,735
87,428	87,428
660,273	6,762,698
-	1,445,000
-	5,000,000
-	6,958,738
-	10,530,000
<u>2,358,776</u>	<u>33,820,431</u>

<u>9,466</u>	<u>4,895,849</u>
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184,112	5,296,441
4,758,774	13,044,837
-	10,214,381
-	(5,078,784)
<u>4,942,886</u>	<u>23,476,875</u>

<u>\$ 7,311,128</u>	<u>\$ 62,193,155</u>
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**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances for Governmental Funds \$ 23,476,875

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

Property taxes and grant revenues not collected within 60 days subsequent to fiscal year-end are unavailable in the governmental funds. 4,895,849

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Governmental Capital Assets	\$ 240,771,826	
Less: Accumulated Depreciation	<u>(83,608,065)</u>	157,163,761

The internal service fund is used by management to charge the cost of certain transportation to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. 66,964

The reacquisition price related to the issuance of long-term debt to advance refund prior debt was included in other financing uses in the statement of revenues, expenditures and changes in fund balances in prior years; however, for government-wide presentation, the reacquisition price (deferred amount on the refunding) is amortized on a straight line basis over the lesser of the maturity of the refunding bonds or the refunded bonds and the balance is reported as a deferred outflow in the statement of net position. 786,617

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

Bonds Payable	(86,700,000)	
Bond Premium Payable	(1,516,801)	
Other Postemployment Benefits	(2,071,527)	
Compensated Absence Payable	<u>(3,103,998)</u>	<u>(93,392,326)</u>

Total Net Position of Governmental Activities \$ 92,997,740

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Debt Service	Unrestricted Capital Outlay	Bond Building
Revenues:				
Property Taxes	\$ 44,717,426	\$ 24,795,480	\$ 6,618,734	\$ -
Intergovernmental	27,145,869	356,837	74,360	-
Food Service Sales	-	-	-	-
Charges for Services	-	-	-	-
Rents and Royalties	268,800	-	-	-
Contributions and Donations	195,943	-	-	-
Investment Earnings	16,256	73,182	29,866	-
Other	643,253	-	-	-
Total Revenues	<u>72,987,547</u>	<u>25,225,499</u>	<u>6,722,960</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	41,691,941	-	5,480,991	-
Support Services:				
Students	7,537,226	-	27,474	-
Instructional Staff	5,125,393	-	567,718	-
General Administration	838,740	-	24,961	-
School Administration	4,679,909	-	-	-
Central Services	3,935,241	-	428,727	-
Operations and Maintenance of Plant	9,364,772	-	139,787	112,741
Student Transportation	3,920,470	-	50,785	38,867
Operation of Noninstructional Services	20,433	-	133,702	-
Debt Service:				
Principal Retirement	-	10,530,000	-	-
Interest on Long-term Debt	-	9,178,339	-	-
Capital Outlay:				
Facilities Acquisition	387,083	-	1,004,304	2,223,995
Total Expenditures	<u>77,501,208</u>	<u>19,708,339</u>	<u>7,858,449</u>	<u>2,375,603</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,513,661)	5,517,160	(1,135,489)	(2,375,603)
Other Financing Sources (Uses):				
Transfers In	726,108	-	2,632,260	-
Transfers Out	(2,632,260)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,906,152)</u>	<u>-</u>	<u>2,632,260</u>	<u>-</u>
Net Change in Fund Balances	(6,419,813)	5,517,160	1,496,771	(2,375,603)
Fund Balances, Beginning of Year	12,532,799	(10,008,224)	7,170,702	10,661,666
Decrease in Inventories	(41,469)	-	-	-
Fund Balances, End of Year	<u>\$ 6,071,517</u>	<u>\$ (4,491,064)</u>	<u>\$ 8,667,473</u>	<u>\$ 8,286,063</u>

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Totals
\$ 341	\$ 76,131,981
18,375,085	45,952,151
670,855	670,855
323,772	323,772
124,771	393,571
321,782	517,725
17,735	137,039
118,232	761,485
<u>19,952,573</u>	<u>124,888,579</u>
8,882,075	56,055,007
378,430	7,943,130
2,938,799	8,631,910
-	863,701
29,905	4,709,814
259,480	4,623,448
1,165,941	10,783,241
216,036	4,226,158
5,966,719	6,120,854
-	10,530,000
-	9,178,339
99,796	3,715,178
<u>19,937,181</u>	<u>127,380,780</u>
15,392	(2,492,201)
-	3,358,368
<u>(726,108)</u>	<u>(3,358,368)</u>
<u>(726,108)</u>	<u>-</u>
(710,716)	(2,492,201)
5,667,460	26,024,403
(13,858)	(55,327)
<u>\$ 4,942,886</u>	<u>\$ 23,476,875</u>

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances-Total Governmental Funds \$ (2,492,201)

Amounts reported for 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 Capital Assets	\$ 4,423,938	
Less Current Year Depreciation	<u>(7,866,298)</u>	(3,442,360)

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of capital assets. (15,612)

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

Property Taxes		90,313
Medicaid Revenue		512,887

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position.

Principal Payments on Bonds	10,530,000	
Amortization of Bond Premium	468,837	
Amortization of Deferred Amount on Refunding	(188,899)	
Premium on Capital Appreciation Bonds	1,153,610	
Interest Accretion on Capital Appreciation Bonds	<u>3,214,115</u>	15,177,663

Some expenses reported in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in the governmental funds.

Change in Compensated Absences	(119,800)	
Change in Other Postemployment Liability	620,357	
Change in Inventory Balances	<u>(55,327)</u>	445,230

Internal service funds are used by the District to charge the costs of transportation services individual funds. The net revenue of the internal service funds is reported with governmental activities. (34,739)

Change in Net Position of Governmental Activities \$ 10,241,181

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 92,229
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts and Contracts Payable	9,645
Accrued Wages and Benefits	15,620
Total Liabilities	25,265
Net Position	
Unrestricted	66,964
Total Net Position	\$ 66,964

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Service	\$ 234,811
Operating Expenses	
Cost of Sales and Service	269,716
Operating Loss	(34,905)
Nonoperating Revenue (Expense)	
Interest	166
Change in Net Position	(34,739)
Net Position	
Beginning of Year	101,703
End of Year	\$ 66,964

See accompanying Notes to Basic Financial Statements.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash Received from Services Provided	\$ 234,811
Cash Payments to Suppliers	(77,935)
Cash Paid to Employees	(203,159)
Net Cash Used by Operating Activities	<u>(46,283)</u>
Cash Flows From Investing Activities	
Interest Received on Investment	<u>166</u>
Net Decrease in Cash and Cash Equivalents	(46,117)
Cash and Cash Equivalents, Beginning of Year	<u>138,346</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 92,229</u></u>
Reconciliation of Operating Loss	
To Net Cash Used for Operating Activities	
Operating Loss	\$ (34,905)
Change in Assets and Liabilities:	
Decrease in Accounts and Contracts Payable	(13,447)
Increase in Accrued Wages and Benefits	2,069
Net Cash Used by Operating Activities	<u><u>\$ (46,283)</u></u>

See accompanying Notes to Basic Financial Statements.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014**

	Agency Funds
ASSETS	
Current Assets	
Cash and Investments	\$ 89,883
LIABILITIES	
Due to Student Groups	\$ 60,648
Due to Other Entities	29,235
Total Liabilities	\$ 89,883

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tempe Elementary School District No. 3 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

A. Reporting Entity

The District is a special purpose government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes, intergovernmental grants and aid, tuition, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

Major Governmental Funds

General Fund

The General Fund is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. For budget purposes, it is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within five subsections titled regular education programs, special education programs, pupil transportation, desegregation and K-3 reading program.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Governmental Funds (Continued)

Debt Service Fund

The Debt Service Fund accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs.

Unrestricted Capital Outlay Fund

The Unrestricted Capital Outlay Fund, a capital project fund, accounts for transactions relating to the acquisition of items by purchase, lease-purchase, or lease as prescribed by A.R.S. §15-903(C).

Bond Building Fund

The Bond Building Fund, a capital project fund, accounts for proceeds from District bond issues that are expended on the acquisition or lease of sites, construction or renovation of school buildings, improving school grounds, or purchasing pupil transportation vehicles.

Additionally, the District reports the following fund type:

Proprietary Fund

The District reports an Internal Service Fund that accounts for activities related to the operation of District functions that provide transportation services to other district departments on a cost reimbursement basis.

Agency Funds

The Agency Funds are custodial in nature and do not present results of operations or a measurement focus and are described as follows:

The Student Activities Fund accounts for monies raised by students to finance student clubs and organizations but held by the District as an agent.

The Employee Withholding Fund accounts for voluntary deductions temporarily held by the District as an agent.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other District departments for certain transportation services. Operating expenses for the internal service fund include the cost of providing services to other departments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for governmental activities, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

For purposes of its statement of cash flows, the District considers cash on hand, demand deposits, cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

A.R.S. require the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Debt Service and Bond Building Funds, which is invested separately. As required by statute, interest earned by the Debt Service and Bond Building Funds is recorded in the Debt Service Fund.

Statute authorizes the District to separately invest monies of the Bond Building and Debt Service Funds in the State or County Treasurer's investment pools; obligations issued and guaranteed by the United States or any of its agencies or instrumentalities; specified state and local government bonds; and interest bearing savings accounts or certificates of deposit.

Statute authorizes the District to deposit monies of Auxiliary Operations and Student Activities in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes, employee insurance programs, and federal savings bonds. Some of these bank accounts may be interest bearing.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies in interest bearing savings accounts and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

2. Restricted Cash and Investments

Proceeds of the District's bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

3. Property Taxes

Maricopa County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

4. Intergovernmental Receivables

Intergovernmental receivables are comprised of federal grants and aid (\$2,380,907), instructional improvement funds due from the state (\$191,064), and state and county equalization and state aid (\$8,340,335).

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

5. Interfund Receivables/Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

Individual funds also borrow resources from other funds on a long-term basis. These receivables and payables are classified as "advances to other funds" and "advances from other funds" and are eliminated in the preparation of the government-wide financial statements.

6. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenses when consumed rather than when purchased in the government-wide statements and are recorded as an expenditure at the time of purchase in the fund financial statements.

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

7. Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture, equipment and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

7. Capital Assets (Continued)

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Land Improvements	15-50 Years
Buildings and Improvements	15-50 Years
Furniture, Equipment and Vehicles	5-15 Years

8. Deferred Outflows of Resources

The deferred outflows of resources reported in the government-wide financial statements, represent the reacquisition costs related to the refunding of bonded debt. The reacquisition costs are amortized and expensed over the lesser of the maturity of the refunded bonds or the refunding bonds.

9. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column.

Bond premiums and discounts are amortized over the life of the bonds using the straight line method. 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 during the current period. 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.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

11. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2014 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

12. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the District's capital assets make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

13. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the District's Governing Board, which is the highest level of decision making authority within the District, through formal resolution. Only the District Governing Board can remove or change the constraints placed on committed fund balances. Fund balances must be committed or removed from commitment prior to fiscal year end through formal resolution.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

13. Fund Balance Classifications (Continued)

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District Governing Board has authorized, through formal resolution, the Chief Financial Officer to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Notes to Required Supplementary Information for exceptions). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year end.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within five subsections (see preceding description of General Fund), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

No supplementary budgetary appropriations were necessary during the year.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Deficit Fund Equity

At June 30, 2014, the District reported a deficit fund balance in the following fund.

Major Governmental Funds	
Debt Service Fund	<u>\$ (4,491,064)</u>

The deficit is due to a shortage in the secondary property tax levy due to an error in the tax rate in prior years. The District's secondary property tax levy has been adjusted to recover the shortage in the debt service fund in the upcoming fiscal year.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2014 consist of the following:

Deposits:	
Cash in Bank	\$ 172,293
Investments:	
Cash on Deposit with County Treasurer	<u>33,986,788</u>
Total Deposits and Investments	<u>34,159,081</u>
Less: Fiduciary Funds	
Restricted Cash and Investments	<u>(89,883)</u> <u>(8,894,956)</u>
Total Cash and Investments	<u>\$ 25,174,242</u>

Deposits

The bank balances of the deposits at June 30, 2014 totaled \$412,679, all of which was insured by federal depository insurance.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments

At June 30, 2014, the District's investments were reported at fair value. The District's investment in the County Treasurer's investment pools represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investment and is not subject to custodial credit risk.

Interest Rate Risk – The District does not have an investment policy with regard to interest rate risk. The District manages its exposure to declines in fair values by limiting its investments to monies deposited with the County Treasurer, which has a maturity of less than one year.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy with respect to custodial credit risk as all investments are deposited with the County Treasurer.

Credit Risk – The District does not have an investment policy with respect to credit risk, however, the District's investments are limited by state statute. In accordance with state statutes, the District only invests in the State or County Treasurer investment pools, U.S. government securities or state or local bonds. The District's cash on deposit with the County Treasurer did not receive a quality credit rating from a national credit rating agency.

Concentration of Credit Risk – The District does not have an investment policy with respect to concentration credit risk. The District's investments consist only of cash and investments on deposit with County Treasurer.

2. Receivables

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables (Continued)

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

Governmental funds report deferred inflows of resources for unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unavailable revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
General Fund:	
Delinquent Property Taxes Receivable	\$ 3,231,834
Medicaid earned, but not received	1,063,847
Debt Service Fund:	
Delinquent Property Taxes Receivable	453,486
Unrestricted Capital Outlay Fund:	
Delinquent Property Taxes Receivable	137,216
Nonmajor Governmental Funds:	
Delinquent Property Taxes Receivable	9,466
	\$ 4,895,849

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,748,080	\$ -	\$ -	\$ 1,748,080
Construction in Progress	245,139	1,479,316	(881,354)	843,101
Total Capital Assets, Not Being Depreciated	<u>1,993,219</u>	<u>1,479,316</u>	<u>(881,354)</u>	<u>2,591,181</u>
Capital Assets, Being Depreciated:				
Land Improvements	13,082,157	832,680	-	13,914,837
Buildings and Building Improvements	195,873,937	2,032,868	(621,469)	197,285,336
Furniture, Equipment, and Vehicles	26,694,244	960,428	(674,200)	26,980,472
Total Capital Assets, Being Depreciated	<u>235,650,338</u>	<u>3,825,976</u>	<u>(1,295,669)</u>	<u>238,180,645</u>
Accumulated Depreciation for:				
Land Improvements	(4,617,092)	(608,749)	-	(5,225,841)
Buildings and Building Improvements	(58,532,435)	(5,292,663)	621,469	(63,203,629)
Furniture, Equipment, and Vehicles	(13,872,297)	(1,964,886)	658,588	(15,178,595)
Total Accumulated Depreciation	<u>(77,021,824)</u>	<u>(7,866,298)</u>	<u>1,280,057</u>	<u>(83,608,065)</u>
Total Capital Assets, Being Depreciated, Net	<u>158,628,514</u>	<u>(4,040,322)</u>	<u>(15,612)</u>	<u>154,572,580</u>
Governmental Activities Capital Assets, Net	<u>\$ 160,621,733</u>	<u>\$ (2,561,006)</u>	<u>\$ (896,966)</u>	<u>\$ 157,163,761</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Instruction	\$ 6,028,659
Support Services:	
Students	2,389
Instructional Staff	157,646
General Administration	103,063
Business and Other Support Services	296,912
Operations and Maintenance of Plant	262,885
Student Transportation	827,260
Operation of Noninstructional Services	187,484
	<u>\$ 7,866,298</u>

The Governing Board authorized the closing of the McKemy and Meyer Elementary Schools in prior fiscal years. During 2014, the McKemy site reopened and is used to offer the International Baccalaureate program. The program occupies approximately 45% of the square footage of the school site. The remaining space is currently used for storage. The District plans to open the remaining portion of the school in two phases. Phase one will occur in fiscal year 2014-15 and phase two will occur in fiscal year 2015-16 at which time the school will be fully utilized

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

During fiscal year 2014, approximately 25% of the Meyer site was leased to a third party. The site will be used for instruction in fiscal year 2015-16 as the Laird school site is remodeled and in fiscal year 2016-17 as the Arredondo school site is remodeled. Following the remodels, the Meyer site will be fully utilized as a preschool early childhood center. At June 30, 2014 the net book value of the assets included on the statement of net position was \$7,644,404.

4. Construction Commitments

The District had major contractual commitments related to various capital projects at June 30, 2014, for the construction of various school site improvements. At June 30, 2014, the District had spent \$807,154 on these projects and had remaining contractual commitments with contractors of \$1,473,200. These projects are being financed with school improvement bonds. The District's commitments with contractors for the various school improvement projects were as follows:

<u>Project</u>	<u>Governmental Activities</u>	
	<u>Spent-to-Date</u>	<u>Estimated Remaining</u>
Fuller	\$ 598,156	\$ 172,288
Curry	5,047	19,659
Rover	71,424	113,623
Fees Middle School	59,578	4,416
Getz School	72,949	16,255
Connolly Middle School	-	34,321
Intervention Learning Program	-	13,760
Hudson	-	8,843
Nevitt	-	108,120
Laird	-	786,500
Fees	-	4,252
Frank	-	97,388
District Wide	-	93,775
Totals	<u>\$ 807,154</u>	<u>\$ 1,473,200</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

As of June 30, 2014, advances to and from funds were as follows:

Advance To	Advance From General Fund
Debt Service Fund	\$ 5,000,000

The advance was made in the prior fiscal year to cover debt service payments due July 1, 2012. The advance is schedule to be repaid in fiscal year 2015.

As of June 30, 2014, interfund receivable and payables were as follows:

Due To	Due From		
	General Fund	Nonmajor Governmental Funds	Total
Unrestricted Capital Outlay Fund	\$ 6,102,425	\$ 660,273	\$ 6,762,698

The above interfund receivables and payables are recorded to eliminate deficit cash balances for cash received immediately following the fiscal year end.

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Transfers To	Transfer From		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 726,108	\$ 726,108
Unrestricted Capital Outlay Fund	2,632,260	-	2,632,260
Total	\$ 2,632,260	\$ 726,108	\$ 3,358,368

Transfers were made to record indirect costs transferred to the indirect cost pool for various federal grants. A transfer was made to move the Soft Capital Allocation dollars from the General Fund to the Unrestricted Capital Outlay Fund.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Short-Term Debt

The District drew upon a line of credit administered by the Maricopa County Treasurer. The line of credit was used to provide cash flow for short-term cash flow needs. The line of credit will be repaid as cash is available.

	Beginning Balance	Additions	Retirements	Ending Balance
Line of Credit	\$ -	\$ 44,485,000	\$ (43,040,000)	\$ 1,445,000

D. Long Term Obligations

The District has long-term bonds payable issued to provide funds for the acquisition and construction of major capital facilities. The principal and interest paid on the bonds are recorded in the Debt Service Fund. Compensated absences and net other post employment benefit obligations are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding, net of principal amounts maturing July 1, 2014 are as follows:

Purpose	Interest Rate	Maturity Dates	Original Issue	Amount Outstanding	Due Within One Year
Refunding Bonds, Series 2004	4.0 - 5.25%	7/1/15-16	\$ 9,925,000	\$ 2,065,000	\$ 1,105,000
Refunding Bonds, Series 2004, 2nd	3.5 - 5.25%	7/1/15-17	11,450,000	4,740,000	1,780,000
School Improvement Bonds, (Project of 2006), Series A	4.00 - 4.75%	7/1/2025	15,000,000	2,500,000	-
Refunding Bonds, Series 2007	4.00 - 5.00%	7/1/15-25	16,550,000	13,010,000	1,115,000
School Improvement Bonds, (Project of 2006), Series A	4.50 - 4.75%	7/1/21-24	25,000,000	25,000,000	-
School Improvement Bonds, (Project of 2005), Series C	3.00 - 4.00%	7/1/15-17	25,215,000	19,615,000	7,250,000
School Improvement Bonds, (Project of 2009), Series A	3.00 - 6.00%	7/1/15-27	25,170,000	19,770,000	375,000
Total Bonds Payable				<u>\$ 86,700,000</u>	<u>\$ 11,625,000</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long Term Obligations (Continued)

Changes in long term obligations for the year ended June 30, 2014 are as follows:

	Beginning Balances	Additions	Retirements	Ending Balances	Due within One Year
Governmental Activities:					
Bonds Payable	\$ 97,230,000	\$ -	\$ (10,530,000)	\$ 86,700,000	\$ 11,625,000
Bond Premium Payable	1,985,638	-	(468,837)	1,516,801	-
Premium on Capital					
Appreciation Bonds	1,153,610	-	(1,153,610)	-	-
Interest Accretion on					
Capital Appreciation Bonds	3,214,115	397,235	(3,611,350)	-	-
	<u>103,583,363</u>	<u>397,235</u>	<u>(15,763,797)</u>	<u>88,216,801</u>	<u>11,625,000</u>
Other Long-Term Liabilities					
Compensated Absences	2,984,198	1,709,616	(1,589,816)	3,103,998	1,582,629
Other Postemployment Benefits	2,691,884	1,586,342	(2,206,699)	2,071,527	-
Total Debt	<u>\$ 109,259,445</u>	<u>\$ 3,693,193</u>	<u>\$ (19,560,312)</u>	<u>\$ 93,392,326</u>	<u>\$ 13,207,629</u>

Debt service requirements on long term debt at June 30, 2014 are as follows:

Years	Governmental Activities		
	Principal	Interest	Total
2015	\$ 11,625,000	\$ 4,012,025	\$ 15,637,025
2016	12,755,000	3,537,238	16,292,238
2017	6,620,000	3,007,937	9,627,937
2018	2,350,000	2,727,200	5,077,200
2019	2,605,000	2,610,700	5,215,700
2020-2024	38,950,000	9,581,250	48,531,250
2025-2027	11,795,000	989,850	12,784,850
Totals	<u>\$ 86,700,000</u>	<u>\$ 26,466,200</u>	<u>\$ 113,166,200</u>

State statutes limit the amount of bonded debt a nonunified school district may issue to 15 percent of its net secondary assessed valuation. The current debt limitation for the District is \$180,879,038, which is significantly in excess of the District's outstanding bonded debt. In addition, Class B bonded debt is limited to the greater of 10% of the net secondary assessed valuation of the District or \$1,500 per student for a nonunified school district. The District's Class B bonded debt limitation is \$120,586,025.

E. Lease of District Property

The District leases land to a third party under the provisions of a long-term lease agreement classified as an operating lease. Annual rental revenue from the lease is recognized in the General Fund. The lease has a remaining noncancelable lease term of 26 years through June 30, 2040. The lease has renewal options to extend the lease through June 30, 2050 and June 30, 2060. As of June 30, 2014, the renewal options have not been exercised.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Lease of District Property (Continued)

The future minimum payments required under the lease at June 30, 2014 are as follows:

Year Ending June 30:	
2015	\$ 264,000
2016	264,000
2017	264,000
2018	264,000
2019	264,000
2020-2024	1,408,000
2025-2029	1,430,000
2030-2034	1,518,000
2035-2039	1,540,000
2040	308,000
Total minimum payments required	<u><u>\$ 7,524,000</u></u>

F. Fund Balance Classifications

The fund balance classifications of the governmental funds as of June 30, 2014, were as follows:

	General Fund	Debt Service Fund	Unrestricted Capital Outlay Fund	Bond Building Fund	Nonmajor Governmental Funds	Totals
Nonspendable						
Prepaid Item	\$ -	\$ -	\$ 88,111	\$ -	\$ 81,410	\$ 169,521
Inventory	24,218	-	-	-	102,702	126,920
Advance to Other Funds	5,000,000	-	-	-	-	5,000,000
Total Nonspendable	<u>5,024,218</u>	<u>-</u>	<u>88,111</u>	<u>-</u>	<u>184,112</u>	<u>5,296,441</u>
Restricted						
Teacher Compensation and Other Qualified Programs (A.R.S. 15-977)	-	-	-	-	321,371	321,371
Instructional Improvement Programs	-	-	-	-	298,607	298,607
State Instructional Programs	-	-	-	-	22,607	22,607
Food Services	-	-	-	-	1,796,074	1,796,074
Community Programs	-	-	-	-	673,525	673,525
Instructional Aides	-	-	-	-	46,937	46,937
Noninstructional Programs	-	-	-	-	1,358,263	1,358,263
Capital Projects	-	-	-	8,286,063	241,390	8,527,453
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,286,063</u>	<u>4,758,774</u>	<u>13,044,837</u>
Assigned						
Other Postemployment Benefits	1,635,019	-	-	-	-	1,635,019
Capital Projects	-	-	8,579,362	-	-	8,579,362
Total Assigned	<u>1,635,019</u>	<u>-</u>	<u>8,579,362</u>	<u>-</u>	<u>-</u>	<u>10,214,381</u>
Unassigned						
	(587,720)	(4,491,064)	-	-	-	(5,078,784)
Total Fund Balance	<u><u>\$ 6,071,517</u></u>	<u><u>\$ (4,491,064)</u></u>	<u><u>\$ 8,667,473</u></u>	<u><u>\$ 8,286,063</u></u>	<u><u>\$ 4,942,886</u></u>	<u><u>\$ 23,476,875</u></u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$10 million per occurrence on a claims made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims made basis.

The Arizona School Risk Retention Trust is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its' members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The District carries commercial insurance for all other risks of loss, including workers' compensation. Settled claims resulting from this risk have not exceeded commercial insurance coverage in any of the past three years.

B. Contingent Liabilities

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the District has some exposure to loss; however, the District is vigorously defending these claims and any loss or dollar value of the loss is not determinable.

C. Subsequent Event

Subsequent to June 30, 2014, the Governing Board authorized the issuance and sale of refunding bonds not to exceed \$28,000,000 and school improvement bonds totaling \$37,560,000 for the purpose of making school improvements in accordance with the authority granted by the voters.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans

Arizona State Retirement System

Plan Description

The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report is available on their Web site (www.azasrs.gov) or may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2014, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54% (11.30% for retirement and 0.24% for long-term disability) of the members' annual covered payroll, the District was required by statute to contribute at the actuarially determined rate of 11.54% (10.70% for retirement, 0.60% for health insurance premium, and 0.24% for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and two preceding years, all of which were equal to required contributions, were as follows:

Arizona State Retirement System Last Three Fiscal years			
	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years Ended June 30,			
2014	\$ 5,921,297	\$ 332,035	\$ 132,814
2013	5,875,943	372,621	137,583
2012	5,684,392	375,112	138,503

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits

In addition to the pension benefits described above, the District provides postemployment health care benefits to eligible retirees in accordance with the compensation plan adopted by the District's Governing Board.

The cost of postemployment benefits, from an accrual basis of accounting perspective, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In implementing the requirements of GASB Statement No. 45 - *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District recognizes the cost of postemployment benefits in the year the employee services are received, reports accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from the prior years will be amortized over 30 years, as of July 1, 2014.

Plan Description

Under authority of the Governing Board, the District provides postretirement health benefits for certain retirees and their dependents, in accordance with the Plan. The plan is a single-employer defined benefit plan administered by the District. The District contributes 100% of these premiums if the employee served 10 total years and retires before July 1, 2009 and 20 years if the employee retires on or after July 1, 2009 and has reached the age of 55, or the employee qualifies for full retirement under the state of Arizona's retirement plan. Employees hired after July 1, 2004, are not eligible for the benefits. The District's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the plan. The number of participants as of the effective date or the biannual OPEB valuation follows.

Retirees	204
Active Employees	<u>518</u>
Total	<u><u>722</u></u>

As stated in the plan description above, there was a change effective July 1, 2009 in the eligibility requirements of the plan from 10 years of service to 20 years of service. Retirees are allowed to continue on the District's plan until reaching the age of 65.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits (Continued)

Funding Policy

The District currently pays for postemployment benefits on a pay-as-you-go basis. The District has assigned fund balance of \$1.6 million recorded in the General Fund as current state statute does not allow school districts to create a trust fund for these purposes. Legislation has been proposed that would allow school districts to establish a trust that could be used to accumulate and invest assets necessary to pay for the accumulated liability and it is the District's intent that if legislation is passed, the funds will be transferred.

Annual OPEB Costs and Net OPEB Obligation

The District's annual other postemployment benefit costs is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The District's annual OPEB cost for the current year and the related information are as follows at June 30, 2014:

Annual Required Contribution (ARC)	\$ 1,630,466
Interest adjustment to ARC	121,135
Amortization adjustment to ARC	<u>(165,259)</u>
Annual OPEB Cost	1,586,342
Contributions Made	<u>(2,206,699)</u>
Increase in Net OPEB Obligation	(620,357)
Net OPEB Obligation - Beginning of Year	<u>2,691,884</u>
Net OPEB Obligation - End of Year	<u><u>\$ 2,071,527</u></u>

The District's OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and two prior fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 1,586,342	\$ 2,206,699	139.11%	\$ 2,071,527
June 30, 2013	1,616,477	1,427,550	88.31%	2,691,884
June 30, 2012	2,359,367	1,144,181	48.50%	2,502,957

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits (Continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, was as follows:

Actuarial Accrued Liability	\$ 19,512,177
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 19,512,177</u>
Funded Ratio	0.00%
Covered Payroll	\$ 53,244,072
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	36.65%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information that show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits on the substantive plan (the plan understood by the employer and plan members) include the type of benefits in force at the valuation date and the pattern of sharing benefits between the District and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the fiscal year were as follows:

Actuarial Valuation Date	July 1, 2014
Actuarial Cost Method	Entry age normal, level dollar
Amortization Method	30 - year amortization open, level dollar
Remaining Amortization Period	30 years as of July 1, 2014
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Inflation Rate	N/A
Projected Salary Increases	N/A
Medical Cost Trend Rate	7.0% in 2012-13, graded down .25% per year until a rate of 5.0%

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REQUIRED SUPPLEMENTARY INFORMATION

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**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 19,512,177	0.00%	\$ 19,512,177	\$ 53,244,072	36.65%
July 1, 2012	-	21,419,992	0.00%	21,419,992	55,201,128	38.80%
July 1, 2010	-	29,895,965	0.00%	29,895,965	56,125,335	53.27%

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 46,640,069	\$ 46,640,069	\$ 44,717,474	\$ (1,922,595)
Intergovernmental	24,829,991	24,829,991	26,963,191	2,133,200
Investment Earnings	-	-	30	30
Other	-	-	100	100
Total Revenues	<u>71,470,060</u>	<u>71,470,060</u>	<u>71,680,795</u>	<u>210,735</u>
Expenditures:				
Regular Education:				
Instruction	26,694,254	27,301,772	26,413,227	888,545
Support Services				
Students	1,639,367	1,575,772	1,542,945	32,827
Instructional Staff	2,427,287	2,399,780	2,425,623	(25,843)
General Administration	571,575	614,564	608,325	6,239
School Administration	3,189,680	3,306,184	3,266,561	39,623
Central Services	2,804,912	2,915,005	2,762,690	152,315
Operations and Maintenance of Plant	7,967,807	8,505,049	8,221,100	283,949
Operation of Noninstructional Services	-	19,568	19,568	-
Total Regular Education	<u>45,294,882</u>	<u>46,637,694</u>	<u>45,260,039</u>	<u>1,377,655</u>
Special Education:				
Instruction	9,079,242	8,225,654	8,048,896	176,758
Support Services				
Students	3,051,368	3,334,515	3,111,004	223,511
Instructional Staff	553,423	628,120	623,168	4,952
General Administration	80,320	80,171	74,184	5,987
School Administration	156,244	158,209	157,403	806
Operations and Maintenance of Plant	408,933	408,983	408,126	857
Total Special Education	<u>13,329,530</u>	<u>12,835,652</u>	<u>12,422,781</u>	<u>412,871</u>
Pupil Transportation:				
Student Transportation Services	2,710,598	2,734,823	2,662,564	72,259
Desegregation:				
Instruction	6,014,826	5,814,826	5,750,681	64,145
Support Services				
Students	2,811,870	2,811,870	2,752,015	59,855
Instructional Staff	1,598,667	1,598,667	1,578,792	19,875
General Administration	148,344	148,344	135,229	13,115
School Administration	1,086,687	1,086,687	1,173,328	(86,641)
Central Services	385,374	385,374	371,266	14,108
Operations and Maintenance of Plant	560,812	560,812	560,840	(28)
Student Transportation Services	1,271,668	1,271,668	1,182,055	89,613
Total Desegregation	<u>13,878,248</u>	<u>13,678,248</u>	<u>13,504,206</u>	<u>174,042</u>
K-3 Reading Program	688,129	750,919	746,757	4,162
Total Expenditures	<u>\$ 75,901,387</u>	<u>\$ 76,637,336</u>	<u>\$ 74,596,347</u>	<u>\$ 2,040,989</u>

(Continued)

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS (CONTINUED)
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Net Change in Fund Balance	\$ (4,431,327)	\$ (5,167,276)	\$ (2,915,552)	\$ 2,251,724
Fund Balance, Beginning of Year	-	-	5,436,239	5,436,239
Decrease in Inventory	-	-	(41,469)	(41,469)
Fund Balance, End of Year	<u>\$ (4,431,327)</u>	<u>\$ (5,167,276)</u>	<u>\$ 2,479,218</u>	<u>\$ 7,646,494</u>

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

The District's adopted budget is prepared on a basis consistent with U.S. generally accepted accounting principles, with the following exceptions:

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the District's Maintenance and Operation Fund in addition to several other District funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; however, for budgetary purposes, the District prepares a separate Maintenance and Operation Fund budget.
- 2) Contributions to the assets earmarked for other postemployment benefits are budgeted as a Maintenance and Operation Fund expenditure in the year contributed. Activity of the earmarked assets is not budgeted as part of the Maintenance and Operation Fund.

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present only the activity of the District's Maintenance and Operation Fund for budgetary purposes.

	General Fund				
	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 72,987,547	\$ 77,501,208	\$ (1,906,152)	\$ 12,532,799	\$ 6,071,517
Non Maintenance and Operation Activity Included in General Fund	(873,953)	(2,428,726)	1,906,152	(5,418,205)	(1,957,280)
Assets Earmarked for Other Postemployment Benefits	<u>(432,799)</u>	<u>(476,135)</u>	<u>-</u>	<u>(1,678,355)</u>	<u>(1,635,019)</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	<u>\$ 71,680,795</u>	<u>\$ 74,596,347</u>	<u>\$ -</u>	<u>\$ 5,436,239</u>	<u>\$ 2,479,218</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Classroom Site Fund - accounts for the revenues and expenditures of State apportioned education sales tax monies.

Instructional Improvement Fund - accounts for the revenues and expenditures for State apportioned Indian Gaming monies.

Special Projects Fund - accounts for the revenues and expenditures of state and federally funded projects.

Food Services Fund - accounts for the financial operations of preparing and serving regular and incidental meals and snacks in connection with school functions.

Other Special Revenue Fund - accounts for the revenues and expenditures of the following activities or objectives: civic center, community school, extracurricular activity fee tax credit, fingerprinting, textbooks, and insurance refund.

CAPITAL PROJECTS FUNDS

Adjacent Ways Fund - Accounts for transactions relating to the improvement of public ways adjacent to school property, in accordance with A.R.S. §15-995.

Building Renewal Fund - accounts for monies received from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovation to areas, systems, or buildings that will maintain or extend their useful life.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Special Revenue Funds			
	Classroom Site	Instructional Improvement	Special Projects	Food Services
ASSETS				
Cash and Investments	\$ 1,181,105	\$ 107,543	\$ -	\$ 1,864,062
Receivables				
Accounts Receivables	-	-	105,825	-
Property Taxes	-	-	-	-
Intergovernmental	-	191,064	1,168,398	127,014
Prepaid Item	-	-	-	81,410
Inventory	-	-	-	102,702
Total Assets	<u>\$ 1,181,105</u>	<u>\$ 298,607</u>	<u>\$ 1,274,223</u>	<u>\$ 2,175,188</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 356	\$ -	\$ 367,556	\$ 184,368
Accrued Wages and Benefits	859,378	-	136,359	10,634
Other Liabilities	-	-	87,428	-
Due to Other Funds	-	-	660,273	-
Total Liabilities	<u>859,734</u>	<u>-</u>	<u>1,251,616</u>	<u>195,002</u>
Deferred Inflows of Resources				
Unavailable Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	184,112
Restricted	<u>321,371</u>	<u>298,607</u>	<u>22,607</u>	<u>1,796,074</u>
Total Fund Balances	<u>321,371</u>	<u>298,607</u>	<u>22,607</u>	<u>1,980,186</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,181,105</u>	<u>\$ 298,607</u>	<u>\$ 1,274,223</u>	<u>\$ 2,175,188</u>

Special Revenue Funds		Capital Project Funds			Total Nonmajor Governmental Funds
Other Special Revenue	Total Special Revenue Funds	Adjacent Ways	Building Renewal	Total Capital Projects Funds	
\$ 1,939,102	\$ 5,091,812	\$ 241,390	\$ -	\$ 241,390	\$ 5,333,202
192,047	297,872	-	-	-	297,872
-	-	9,466	-	9,466	9,466
-	1,486,476	-	-	-	1,486,476
-	81,410	-	-	-	81,410
-	102,702	-	-	-	102,702
<u>\$ 2,131,149</u>	<u>\$ 7,060,272</u>	<u>\$ 250,856</u>	<u>\$ -</u>	<u>\$ 250,856</u>	<u>\$ 7,311,128</u>
\$ 25,653	\$ 577,933	\$ -	\$ -	\$ -	\$ 577,933
26,771	1,033,142	-	-	-	1,033,142
-	87,428	-	-	-	87,428
-	660,273	-	-	-	660,273
52,424	2,358,776	-	-	-	2,358,776
-	-	9,466	-	9,466	9,466
-	184,112	-	-	-	184,112
2,078,725	4,517,384	241,390	-	241,390	4,758,774
2,078,725	4,701,496	241,390	-	241,390	4,942,886
<u>\$ 2,131,149</u>	<u>\$ 7,060,272</u>	<u>\$ 250,856</u>	<u>\$ -</u>	<u>\$ 250,856</u>	<u>\$ 7,311,128</u>

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds			
	Classroom Site	Instructional Improvement	Special Projects	Food Services
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,943,840	441,831	8,586,042	5,403,372
Charges for Services	-	-	-	-
Food Service Sales	-	-	-	670,855
Rents and Royalties	-	-	-	-
Contributions and Donations	-	-	-	-
Investment Earnings	3,005	121	843	7,285
Other	-	-	10,000	18,455
Total Revenues	<u>3,946,845</u>	<u>441,952</u>	<u>8,596,885</u>	<u>6,099,967</u>
Expenditures				
Current				
Instruction	3,946,070	296,975	4,229,371	-
Support Services				
Students	8,617	6,233	293,920	-
Instructional Staff	126,678	-	2,748,188	-
School Administration	-	-	1,262	-
Central Services	-	-	21,837	236,059
Operations and Maintenance of Plant	-	-	855,852	117,776
Student Transportation	-	-	79,575	-
Operation of Noninstructional Services	-	-	-	5,960,722
Capital Outlay				
Facilities Acquisition	-	-	-	195
Total Expenditures	<u>4,081,365</u>	<u>303,208</u>	<u>8,230,005</u>	<u>6,314,752</u>
Excess (Deficiency) of Revenues Over Expenditures	(134,520)	138,744	366,880	(214,785)
Other Financing Sources (Uses)				
Transfers Out	-	-	(351,108)	(375,000)
Net Change in Fund Balances	(134,520)	138,744	15,772	(589,785)
Fund Balances, Beginning of Year	455,891	159,863	6,835	2,583,829
Decrease in Inventories	-	-	-	(13,858)
Fund Balances, End of Year	<u>\$ 321,371</u>	<u>\$ 298,607</u>	<u>\$ 22,607</u>	<u>\$ 1,980,186</u>

Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
Other Special Revenue	Total Special Revenue Funds	Adjacent Ways	Building Renewal	Total Capital Projects Funds	
\$ -	\$ -	\$ 341	\$ -	\$ 341	\$ 341
-	18,375,085	-	-	-	18,375,085
323,772	323,772	-	-	-	323,772
-	670,855	-	-	-	670,855
124,771	124,771	-	-	-	124,771
321,782	321,782	-	-	-	321,782
5,362	16,616	1,015	104	1,119	17,735
89,777	118,232	-	-	-	118,232
865,464	19,951,113	1,356	104	1,460	19,952,573
409,659	8,882,075	-	-	-	8,882,075
69,660	378,430	-	-	-	378,430
63,933	2,938,799	-	-	-	2,938,799
28,643	29,905	-	-	-	29,905
1,584	259,480	-	-	-	259,480
180,601	1,154,229	-	11,712	11,712	1,165,941
136,461	216,036	-	-	-	216,036
5,997	5,966,719	-	-	-	5,966,719
-	195	-	99,601	99,601	99,796
896,538	19,825,868	-	111,313	111,313	19,937,181
(31,074)	125,245	1,356	(111,209)	(109,853)	15,392
-	(726,108)	-	-	-	(726,108)
(31,074)	(600,863)	1,356	(111,209)	(109,853)	(710,716)
2,109,799	5,316,217	240,034	111,209	351,243	5,667,460
-	(13,858)	-	-	-	(13,858)
<u>\$ 2,078,725</u>	<u>\$ 4,701,496</u>	<u>\$ 241,390</u>	<u>\$ -</u>	<u>\$ 241,390</u>	<u>\$ 4,942,886</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 25,780,678	\$ 25,780,678	\$ 24,795,480	\$ (985,198)
Intergovernmental	400,000	400,000	356,837	(43,163)
Investment Earnings	-	-	73,182	73,182
Total Revenues	<u>26,180,678</u>	<u>26,180,678</u>	<u>25,225,499</u>	<u>(955,179)</u>
Expenditures:				
Debt Service:				
Principal Retirement	10,530,000	10,530,000	10,530,000	-
Interest on Long-term Debt	14,470,000	14,470,000	9,178,339	5,291,661
Total Expenditures	<u>25,000,000</u>	<u>25,000,000</u>	<u>19,708,339</u>	<u>5,291,661</u>
Excess (Deficiency) of Revenues Over Expenditures	1,180,678	1,180,678	5,517,160	4,336,482
Fund Balance:				
Beginning of Year	-	-	(10,008,224)	(10,008,224)
End of Year	<u>\$ 1,180,678</u>	<u>\$ 1,180,678</u>	<u>\$ (4,491,064)</u>	<u>\$ (5,671,742)</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
UNRESTRICTED CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 7,042,702	\$ 7,042,702	\$ 6,618,734	\$ (423,968)
Intergovernmental	-	-	74,360	74,360
Investment Earnings	40,000	40,000	29,866	(10,134)
Total Revenues	<u>7,082,702</u>	<u>7,082,702</u>	<u>6,722,960</u>	<u>(359,742)</u>
Expenditures:				
Current:				
Instruction	8,409,483	7,143,136	5,480,991	1,662,145
Support Services:				
Students	-	-	27,474	(27,474)
Instructional Staff	783,329	879,278	567,718	311,560
General Administration	-	-	24,961	(24,961)
Central Services	1,903,858	916,835	428,727	488,108
Operations and Maintenance of Plant	476,031	1,506,688	139,787	1,366,901
Student Transportation	313,064	494,527	50,785	443,742
Operation of Noninstructional Services	67,172	86,034	133,702	(47,668)
Capital Outlay				
Facilities Acquisition	3,387,699	4,246,311	1,004,304	3,242,007
Total Expenditures	<u>15,340,636</u>	<u>15,272,809</u>	<u>7,858,449</u>	<u>7,414,360</u>
Excess (Deficiency) of Revenue Over Expenditures	(8,257,934)	(8,190,107)	(1,135,489)	7,054,618
Other Finance Sources (Uses):				
Transfers In	-	-	2,632,260	2,632,260
Excess (Deficiency) of Revenues Over Expenditures	(8,257,934)	(8,190,107)	1,496,771	9,686,878
Fund Balance:				
Beginning of Year	-	-	7,170,702	7,170,702
End of Year	<u>\$ (8,257,934)</u>	<u>\$ (8,190,107)</u>	<u>\$ 8,667,473</u>	<u>\$ 16,857,580</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
BOND BUILDING FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
Current:				
Support Services:				
Operations and Maintenance of Plant	\$ -	\$ -	\$ 112,741	\$ (112,741)
Student Transportation	-	-	38,867	(38,867)
Capital Outlay				
Facilities Acquisition	10,000,000	10,700,000	2,223,995	8,476,005
Total Expenditures	<u>10,000,000</u>	<u>10,700,000</u>	<u>2,375,603</u>	<u>8,324,397</u>
Excess (Deficiency) of Revenue Over Expenditures	(10,000,000)	(10,700,000)	(2,375,603)	8,324,397
Fund Balance:				
Beginning of Year	-	-	10,661,666	10,661,666
End of Year	<u>\$ (10,000,000)</u>	<u>\$ (10,700,000)</u>	<u>\$ 8,286,063</u>	<u>\$ 18,986,063</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CLASSROOM SITE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,941,559	\$ 3,941,559	\$ 3,943,840	\$ 2,281
Investment Earnings	-	-	3,005	3,005
Total Revenues	<u>3,941,559</u>	<u>3,941,559</u>	<u>3,946,845</u>	<u>5,286</u>
Expenditures:				
Instruction	4,860,153	4,862,450	3,946,070	916,380
Support Services:				
Students	-	-	8,617	(8,617)
Instructional Staff	<u>57,317</u>	<u>57,317</u>	<u>126,678</u>	<u>(69,361)</u>
Total Expenditures	<u>4,917,470</u>	<u>4,919,767</u>	<u>4,081,365</u>	<u>838,402</u>
Excess (Deficiency) of Revenues Over Expenditures	(975,911)	(978,208)	(134,520)	843,688
Fund Balance:				
Beginning of Year	-	-	455,891	455,891
End of Year	<u>\$ (975,911)</u>	<u>\$ (978,208)</u>	<u>\$ 321,371</u>	<u>\$ 1,299,579</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
INSTRUCTIONAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 441,831	\$ (58,169)
Investment Earnings	-	-	121	121
Total Revenues	<u>500,000</u>	<u>500,000</u>	<u>441,952</u>	<u>(58,048)</u>
Expenditures:				
Current:				
Instruction	500,000	500,000	296,975	203,025
Support Services:				
Students	-	-	6,233	(6,233)
Total Expenditures	<u>500,000</u>	<u>500,000</u>	<u>303,208</u>	<u>196,792</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	138,744	138,744
Fund Balance:				
Beginning of Year	-	-	159,863	159,863
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,607</u>	<u>\$ 298,607</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 9,889,321	\$ 9,889,321	\$ 8,869,583	\$ (1,019,738)
Investment Earnings (Loss)	-	-	(77)	(77)
Other	-	-	10,000	10,000
Total Revenues	<u>9,889,321</u>	<u>9,889,321</u>	<u>8,879,506</u>	<u>(1,009,815)</u>
Expenditures:				
Current:				
Instruction	14,420,000	10,770,000	4,698,429	6,071,571
Support Services:				
Students	-	-	293,920	(293,920)
Instructional Staff	-	-	2,913,569	(2,913,569)
School Administration	-	-	1,262	(1,262)
Central Services	-	-	21,837	(21,837)
Operations and Maintenance of Plant	-	-	855,852	(855,852)
Student Transportation	-	-	105,411	(105,411)
Total Expenditures	<u>14,420,000</u>	<u>10,770,000</u>	<u>8,890,280</u>	<u>1,879,720</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,530,679)	(880,679)	(10,774)	869,905
Other Finance Sources (Uses):				
Transfers Out	-	-	(351,108)	(351,108)
Net Change in Fund Balance	(4,530,679)	(880,679)	(361,882)	518,797
Fund Balance:				
Beginning of Year	-	-	58,997	58,997
End of Year	<u>\$ (4,530,679)</u>	<u>\$ (880,679)</u>	<u>\$ (302,885)</u>	<u>\$ 577,794</u>

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis for the funds that are budgeted as special revenue funds but included in the general fund.

	Special Projects Fund				
	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 8,596,885	\$ 8,230,005	\$ (351,108)	\$ 6,835	\$ 22,607
Funds Budgeted as Special Revenue Funds Included in General Fund	282,621	660,275	-	52,162	(325,492)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	<u>\$ 8,879,506</u>	<u>\$ 8,890,280</u>	<u>\$ (351,108)</u>	<u>\$ 58,997</u>	<u>\$ (302,885)</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICES FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 5,234,787	\$ 5,234,787	\$ 5,403,372	\$ 168,585
Food Service Sales	697,000	697,000	670,855	(26,145)
Investment Earnings	6,500	6,500	7,285	785
Other	20,000	20,000	18,455	(1,545)
Total Revenues	<u>5,958,287</u>	<u>5,958,287</u>	<u>6,099,967</u>	<u>141,680</u>
Expenditures:				
Current:				
Central Services	-	-	236,059	(236,059)
Operations and Maintenance of Plant	-	-	117,776	(117,776)
Operation of Noninstructional Services	6,000,000	7,000,000	5,960,722	1,039,278
Capital Outlay				
Facilities Acquisition	-	-	195	(195)
Total Expenditures	<u>6,000,000</u>	<u>7,000,000</u>	<u>6,314,752</u>	<u>685,248</u>
Excess (Deficiency) of Revenues Over Expenditures	(41,713)	(1,041,713)	(214,785)	826,928
Other Finance Sources (Uses):				
Transfers Out	-	-	(375,000)	(375,000)
Net Change in Fund Balance	(41,713)	(1,041,713)	(589,785)	451,928
Fund Balance:				
Beginning of Year	-	-	2,583,829	2,583,829
Decrease in Inventories	-	-	(13,858)	(13,858)
End of Year	<u>\$ (41,713)</u>	<u>\$ (1,041,713)</u>	<u>\$ 1,980,186</u>	<u>\$ 3,021,899</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 450,000	\$ 450,000	\$ 323,772	\$ (126,228)
Rents and Royalties	425,000	425,000	393,571	(31,429)
Contributions and Donations	600,000	600,000	517,725	(82,275)
Investment Earnings	-	-	16,172	16,172
Other	217,000	217,000	306,467	89,467
Total Revenues	<u>1,692,000</u>	<u>1,692,000</u>	<u>1,557,707</u>	<u>(134,293)</u>
Expenditures:				
Current:				
Instruction	2,514,000	3,287,500	594,066	2,693,434
Support Services:				
Students	-	-	133,510	(133,510)
Instructional Staff	-	-	177,983	(177,983)
General Administration	-	-	18,637	(18,637)
School Administration	-	-	88,266	(88,266)
Central Services	-	-	787,969	(787,969)
Operations and Maintenance of Plant	-	-	318,877	(318,877)
Student Transportation	-	-	151,736	(151,736)
Operation of Noninstructional Services	-	-	6,862	(6,862)
Capital Outlay				
Facilities Acquisition	-	-	387,083	(387,083)
Total Expenditures	<u>2,514,000</u>	<u>3,287,500</u>	<u>2,664,989</u>	<u>622,511</u>
Excess (Deficiency) of Revenue Over Expenditures	(822,000)	(1,595,500)	(1,107,282)	488,218
Other Finance Sources (Uses):				
Transfers In	750,000	750,000	726,108	(23,892)
Excess (Deficiency) of Revenues Over Expenditures	(72,000)	(845,500)	(381,174)	464,326
Fund Balance:				
Beginning of Year	-	-	4,742,671	4,742,671
End of Year	<u>\$ (72,000)</u>	<u>\$ (845,500)</u>	<u>\$ 4,361,497</u>	<u>\$ 5,206,997</u>

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis for the funds that are budgeted as special revenue funds but included in the general fund.

	Other Special Revenue Fund				
	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 865,464	\$ 896,538	\$ -	\$ 2,109,799	\$ 2,078,725
Funds Budgeted as Special Revenue Funds Included in General Fund	<u>692,243</u>	<u>1,768,451</u>	<u>726,108</u>	<u>2,632,872</u>	<u>2,282,772</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	<u>\$ 1,557,707</u>	<u>\$ 2,664,989</u>	<u>\$ 726,108</u>	<u>\$ 4,742,671</u>	<u>\$ 4,361,497</u>

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
ADJACENT WAYS FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ -	\$ -	\$ 341	\$ 341
Investment Earnings	2,000	2,000	1,015	(985)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,356</u>	<u>(644)</u>
Expenditures:				
Current:				
Capital Outlay				
Facilities Acquisition	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(198,000)	(198,000)	1,356	199,356
Fund Balance:				
Beginning of Year	-	-	240,034	240,034
End of Year	<u>\$ (198,000)</u>	<u>\$ (198,000)</u>	<u>\$ 241,390</u>	<u>\$ 439,390</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING RENEWAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Investment Earnings	\$ -	\$ -	\$ 104	\$ 104
Expenditures				
Current:				
Support Services				
Operations and Maintenance of Plant	-	-	11,712	11,712
Facilities Acquisition	100,000	120,000	99,601	(20,399)
Total Expenditures	<u>100,000</u>	<u>120,000</u>	<u>111,313</u>	<u>(8,687)</u>
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	(120,000)	(111,209)	8,791
Fund Balance				
Beginning of Year	<u>-</u>	<u>-</u>	<u>111,209</u>	<u>111,209</u>
End of Year	<u>(100,000)</u>	<u>(120,000)</u>	<u>-</u>	<u>120,000</u>

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AGENCY FUNDS

Student Activities Fund - accounts for monies raised by students to finance student clubs and organizations but held by the District as an agency.

Employee Withholding Fund - accounts for voluntary deductions temporarily held by the District as an agent.

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TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2014

	Student Activities	Employee Withholding	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 60,648	\$ 29,235	\$ 89,883
LIABILITIES			
Due to Student Groups	\$ 60,648	\$ -	\$ 60,648
Due to Other Entities	-	29,235	29,235
Total Liabilities	\$ 60,648	\$ 29,235	\$ 89,883

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Student Activities Fund

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash and Investments	\$ 61,685	\$ 165,829	\$ (166,866)	\$ 60,648
Total Assets	<u>\$ 61,685</u>	<u>\$ 165,829</u>	<u>\$ (166,866)</u>	<u>\$ 60,648</u>
LIABILITIES				
Due to Student Groups	\$ 61,685	\$ 165,829	\$ (166,866)	\$ 60,648
Total Liabilities	<u>\$ 61,685</u>	<u>\$ 165,829</u>	<u>\$ (166,866)</u>	<u>\$ 60,648</u>

Employee Withholdings Fund

ASSETS				
Cash and Investments	\$ 17,378	\$ 136,779	\$ (124,922)	\$ 29,235
Total Assets	<u>\$ 17,378</u>	<u>\$ 136,779</u>	<u>\$ (124,922)</u>	<u>\$ 29,235</u>
LIABILITIES				
Due to Other Entities	\$ 17,378	\$ 136,779	\$ (124,922)	\$ 29,235
Total Liabilities	<u>\$ 17,378</u>	<u>\$ 136,779</u>	<u>\$ (124,922)</u>	<u>\$ 29,235</u>

Total Agency Funds

ASSETS				
Cash and Investments	\$ 79,063	\$ 302,608	\$ (291,788)	\$ 89,883
Total Assets	<u>\$ 79,063</u>	<u>\$ 302,608</u>	<u>\$ (291,788)</u>	<u>\$ 89,883</u>
LIABILITIES				
Due to Student Groups	\$ 61,685	\$ 165,829	\$ (166,866)	\$ 60,648
Due to Other Entities	17,378	136,779	(124,922)	29,235
Total Liabilities	<u>\$ 79,063</u>	<u>\$ 302,608</u>	<u>\$ (291,788)</u>	<u>\$ 89,883</u>

STATISTICAL SECTION (UNAUDITED)

This section of the Tempe Elementary School District No. 3's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

See the table of contents for page numbers of the schedules that encompass the above sections.

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**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net Investment in Capital Assets	\$ 32,704,432	\$ 36,311,600	\$ 36,137,650	\$ 46,251,741	\$ 41,077,197	\$ 41,041,242	\$ 45,739,194	\$ 57,157,119	\$ 68,675,552	\$ 78,019,640
Restricted	5,493,661	8,348,904	9,351,536	12,852,618	14,901,562	14,807,177	10,293,717	5,170,348	5,667,460	4,952,352
Unrestricted	<u>21,555,165</u>	<u>23,414,361</u>	<u>21,416,749</u>	<u>14,934,380</u>	<u>15,801,367</u>	<u>18,036,057</u>	<u>18,726,945</u>	<u>5,027,588</u>	<u>8,413,547</u>	<u>10,025,748</u>
Total governmental activities net position	<u>\$ 59,753,258</u>	<u>\$ 68,074,865</u>	<u>\$ 66,905,935</u>	<u>\$ 74,038,739</u>	<u>\$ 71,780,126</u>	<u>\$ 73,884,476</u>	<u>\$ 74,759,856</u>	<u>\$ 67,355,055</u>	<u>\$ 82,756,559</u>	<u>\$ 92,997,740</u>

Source: District's Business and Finance Department

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Instruction	\$ 56,741,970	\$ 61,007,226	\$ 67,866,548	\$ 67,808,730	\$ 71,077,676	\$ 66,664,625	\$ 60,774,087	\$ 57,699,104	\$ 57,664,627	\$ 61,862,648
Support Services:										
Students and Staff	14,114,111	15,371,134	16,275,823	19,413,028	19,725,454	17,771,407	16,088,591	18,352,932	15,962,390	16,570,731
Administration	10,524,903	10,284,014	10,635,506	13,148,066	11,264,105	10,748,676	6,074,838	5,452,650	5,268,355	5,630,548
Operation and maintenance of plant and central services	11,163,141	11,736,225	12,839,620	11,544,181	11,257,578	11,756,100	16,064,280	17,199,143	15,896,301	15,720,736
Student transportation	4,214,792	4,570,622	5,704,331	5,137,429	5,005,466	5,608,001	7,803,814	5,369,070	5,024,477	5,034,220
Other	-	-	-	-	-	-	-	343,972	-	-
Operation of noninstructional services	4,949,283	4,880,136	5,215,386	6,016,607	5,994,624	5,369,044	5,208,339	5,216,035	5,686,639	5,936,758
Interest on long-term debt	4,592,703	3,533,935	5,813,230	5,846,811	6,753,593	4,989,671	6,513,784	5,825,321	5,101,573	4,530,676
Total governmental activities	<u>106,300,903</u>	<u>111,383,292</u>	<u>124,350,444</u>	<u>128,914,852</u>	<u>131,078,496</u>	<u>122,907,524</u>	<u>118,527,733</u>	<u>115,458,227</u>	<u>110,604,362</u>	<u>115,286,317</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	697,965	809,646	1,204,013	1,379,126	942,878	336,339	755,835	676,882	729,458	717,343
Operation of noninstructional services	1,245,067	1,333,184	1,139,973	1,075,894	1,052,604	893,309	998,929	764,867	695,661	670,855
Other Activities	523,398	730,711	162,415	350,424	405,280	393,419	-	-	-	-
Operating grants and contributions	15,472,159	15,214,747	15,573,177	16,356,748	15,728,796	16,180,948	20,941,187	21,072,908	20,151,116	18,731,922
Capital grants and contributions	268,978	1,738,973	260,713	3,575,408	2,874,355	719,303	-	-	-	-
Total governmental activities program revenues	<u>\$ 18,207,567</u>	<u>\$ 19,827,261</u>	<u>\$ 18,340,291</u>	<u>\$ 22,737,600</u>	<u>\$ 21,003,913</u>	<u>\$ 18,523,318</u>	<u>\$ 22,695,951</u>	<u>\$ 22,514,657</u>	<u>\$ 21,576,235</u>	<u>\$ 20,120,120</u>

(Continued)

	Fiscal Year									
(Concluded)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (88,093,336)	\$ (91,556,031)	\$ (106,010,153)	\$ (106,177,252)	\$ (110,074,583)	\$ (104,384,206)	\$ (95,831,782)	\$ (92,943,570)	\$ (89,028,127)	\$ (95,166,197)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	56,136,845	59,857,114	58,913,641	64,341,784	66,451,898	67,105,096	70,333,636	61,817,645	77,664,135	76,222,294
State Equalization and Additional State Aid	34,196,115	36,652,043	43,759,916	46,713,332	39,698,084	31,990,282	23,919,752	19,496,611	22,713,466	24,467,591
County Equalization	2,403,055	2,439,608	31,093	-	-	2,826,270	2,497,969	2,197,380	2,346,167	2,469,097
Federal Aid	-	-	-	-	-	4,161,937	3,268,034	519,680	989,849	832,147
Investment earnings	552,903	928,773	2,136,673	2,254,940	1,665,988	404,971	553,503	112,122	147,521	137,039
Other	-	-	-	-	-	-	1,657,939	1,395,331	1,480,370	1,279,210
Total governmental activities:	<u>93,288,918</u>	<u>99,877,538</u>	<u>104,841,323</u>	<u>113,310,056</u>	<u>107,815,970</u>	<u>106,488,556</u>	<u>102,230,833</u>	<u>85,538,769</u>	<u>105,341,508</u>	<u>105,407,378</u>
Change in Net Position										
Governmental activities	<u>\$ 5,195,582</u>	<u>\$ 8,321,507</u>	<u>\$ (1,168,830)</u>	<u>\$ 7,132,804</u>	<u>\$ (2,258,613)</u>	<u>\$ 2,104,350</u>	<u>\$ 6,399,051</u>	<u>\$ (7,404,801)</u>	<u>\$ 16,313,381</u>	<u>\$ 10,241,181</u>

Source: District's Business and Finance Department

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**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 166,635	\$ 143,428	\$ 237,978	\$ 742,091	\$ 202,796	\$ 1,151,677	\$ -	\$ -	\$ -	\$ -
Unreserved	5,481,231	5,080,582	3,159,797	3,807,382	783,622	1,174,385	-	-	-	-
Nonspendable	-	-	-	-	-	-	136,351	10,589,564	10,065,687	5,024,218
Assigned	-	-	-	-	-	-	2,168,287	1,365,972	1,678,355	1,635,019
Unassigned	-	-	-	-	-	-	10,570,052	(2,017,689)	788,757	(587,720)
Total General Fund	\$ 5,647,866	\$ 5,224,010	\$ 3,397,775	\$ 4,549,473	\$ 986,418	\$ 2,326,062	\$ 12,874,690	\$ 9,937,847	\$ 12,532,799	\$ 6,071,517
All other governmental funds										
Reserved	\$ 89,037	\$ 80,269	\$ 108,129	\$ 106,773	\$ 112,231	\$ 103,931	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	7,821,620	8,900,667	9,288,441	9,164,841	6,973,918	5,552,472	-	-	-	-
Capital projects funds	5,576,710	20,694,055	41,968,156	42,841,175	20,709,266	36,638,299	-	-	-	-
Debt service funds	677,747	2,175,481	929,188	2,426,198	1,367,270	2,607,854	-	-	-	-
Nonspendable	-	-	-	-	-	-	96,096	107,489	229,846	272,223
Restricted	-	-	-	-	-	-	29,543,168	17,388,410	16,212,566	13,044,837
Assigned	-	-	-	-	-	-	6,350,485	5,442,438	7,057,416	8,579,362
Unassigned	-	-	-	-	-	-	(591,705)	(9,921,627)	(10,008,224)	(4,491,064)
Total all other governmental funds	\$ 14,165,114	\$ 31,850,472	\$ 52,293,914	\$ 54,538,987	\$ 29,162,685	\$ 44,902,556	\$ 35,398,044	\$ 13,016,710	\$ 13,491,604	\$ 17,405,358

Source: District's Business and Finance Department.

Note 1: The District implemented the provisions of GASB Statement No. 54 in fiscal year 2011, which revised the fund balance classifications.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Property taxes	\$ 55,965,335	\$ 59,562,901	\$ 59,192,233	\$ 64,406,974	\$ 64,874,153	\$ 65,803,748	\$ 71,098,996	\$ 62,021,415	\$ 77,446,061	\$ 76,131,981
Intergovernmental										
Federal aid and grants	14,459,756	15,133,282	14,966,853	19,441,082	17,618,112	19,725,445	20,477,448	17,787,666	20,899,943	19,015,463
State aid and grants	35,656,786	37,645,326	44,626,953	47,201,653	41,029,916	32,512,722	27,644,668	22,991,595	22,713,466	24,467,591
County aid and grants	2,403,055	2,439,608	31,093	-	-	2,826,270	2,497,969	2,197,380	2,346,167	2,469,097
Food services sales	1,209,548	1,278,773	1,137,670	1,075,894	1,040,576	879,043	998,929	764,867	695,661	670,855
Charges for services	-	-	-	-	-	-	350,580	408,082	460,658	323,772
Rents and royalties	-	-	-	-	-	-	405,255	268,800	268,800	393,571
Contributions and donations	-	-	-	-	-	-	634,886	500,857	491,000	517,725
Investment earnings	552,903	928,773	2,135,514	2,253,032	1,665,988	422,608	553,503	112,122	147,521	137,039
Other	1,277,850	1,622,780	2,288,085	1,783,111	1,415,546	1,599,016	1,038,053	977,916	1,049,365	761,485
Total revenues	111,525,233	118,611,443	124,378,401	136,161,746	127,644,291	123,768,852	125,700,287	108,030,700	126,518,642	124,888,579
Expenditures										
Current										
Instruction	50,793,463	54,805,709	57,116,691	58,580,431	58,161,972	55,341,318	51,789,821	52,914,460	51,520,535	56,055,007
Support services										
Students and staff	13,842,646	14,864,181	15,648,705	16,752,444	17,388,686	16,879,596	16,277,924	18,478,613	16,208,624	16,575,040
Administration	8,683,734	9,649,970	9,859,063	10,473,314	10,118,726	9,965,828	5,936,344	5,340,155	5,162,848	5,573,515
Operation and maintenance of plant and central services	10,841,380	11,444,516	11,964,797	11,565,113	10,615,913	11,724,134	15,222,306	16,911,597	15,930,949	15,406,689
Student transportation	3,488,236	3,828,906	4,226,993	4,392,085	4,303,236	4,265,480	7,055,416	6,779,883	4,170,482	4,226,158
Other	-	-	-	-	-	-	-	343,972	-	-
Operation of noninstructional services	4,749,040	4,767,314	4,947,890	5,411,236	5,343,164	5,063,007	5,054,413	5,079,401	5,535,048	6,120,854
Capital outlay										
Facilities acquisition/construction	7,344,704	7,156,943	15,048,655	40,703,338	37,408,550	18,685,884	20,577,401	6,673,987	3,131,222	3,715,178
Debt service										
Claims and judgments	-	-	-	-	726,623	-	-	-	-	-
Principal	5,445,134	6,411,454	4,903,467	4,757,960	5,229,250	6,885,000	9,920,000	15,190,000	16,780,000	10,530,000
Interest and fiscal charges	4,261,403	3,503,563	5,875,909	6,074,223	6,753,593	4,943,241	6,305,204	5,678,455	5,100,591	9,178,339
Payment to refunded bond escrow agent	166,905	-	1,450,000	-	-	-	-	-	-	-
Bond issuance costs	137,716	152,750	377,402	226,062	-	335,190	110,145	-	-	-
Total expenditures	\$ 109,754,361	\$ 116,585,306	\$ 131,419,572	\$ 158,936,206	\$ 156,049,713	\$ 134,088,678	\$ 138,248,974	\$ 133,390,523	\$ 123,540,299	\$ 127,380,780

(Continued)

(Concluded)	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Excess of revenues over (under) expenditures	\$ 1,770,872	\$ 2,026,137	\$ (7,041,171)	\$ (22,774,460)	\$ (28,405,422)	\$ (10,319,826)	\$ (12,548,687)	\$ (25,359,823)	\$ 2,978,343	\$ (2,492,201)
Other financing sources (uses)										
Proceeds of issuance of long-term debt	-	15,000,000	25,000,000	25,215,000	-	25,170,000	14,270,000	-	-	-
Issuance of refunding bonds	11,450,000	-	16,550,000	-	-	-	-	-	-	-
Premium on issuance of long-term debt	967,752	267,340	1,388,383	453,474	-	288,760	644,332	-	-	-
Transfers in	748,102	1,026,956	1,724,773	1,898,890	1,096,886	2,459,529	1,022,025	2,373,008	947,022	3,358,368
Transfers out	(748,102)	(1,026,956)	(1,724,773)	(1,898,890)	(1,096,886)	(2,459,529)	(1,022,025)	(2,373,008)	(947,022)	(3,358,368)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	117,966	65,383	-
Payment to refunded bond escrow agent	(12,280,036)	-	(17,402,415)	-	-	-	-	-	-	-
Total other financing sources (uses)	137,716	15,267,340	25,535,968	25,668,474	-	25,458,760	14,914,332	117,966	65,383	-
Net change in fund balance	\$ 1,908,588	\$ 17,293,477	\$ 18,494,797	\$ 2,894,014	\$ (28,405,422)	\$ 15,138,934	\$ 2,365,645	\$ (25,241,857)	\$ 3,043,726	\$ (2,492,201)
Debt service as a percentage of noncapital expenditures	11%	10%	10%	10%	11%	11%	14%	14%	18%	16%

Source: District's Business and Finance Department.

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TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Residential Property Value</u>	<u>Agricultural and Commercial Property Value</u>	<u>Total Assessed Value</u>	<u>Less: Exemptions</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2005	\$ 548,007,053	\$ 1,302,369,468	\$ 1,850,376,521	\$ 388,873,164	\$ 1,461,503,357	3.99	\$ 10,726,105,366	13.50%
2006	592,793,381	1,408,806,688	2,001,600,069	420,654,144	1,580,945,925	3.98	11,509,980,506	13.68%
2007	625,028,741	1,485,415,826	2,110,444,567	443,528,788	1,666,915,779	3.99	12,214,625,152	13.38%
2008	730,375,165	1,735,777,506	2,466,152,671	518,284,025	1,947,868,646	3.82	14,930,836,441	13.54%
2009	832,114,983	1,856,938,792	2,689,053,775	537,927,329	2,151,126,446	3.51	17,291,410,019	12.29%
2010	826,014,489	2,094,062,346	2,920,076,835	643,218,535	2,276,858,300	3.28	18,772,588,894	12.13%
2011	738,736,626	2,041,392,872	2,780,129,498	703,145,157	2,076,984,341	3.60	18,048,236,187	11.51%
2012	589,367,329	1,623,146,306	2,212,513,635	630,391,508	1,582,122,127	3.99	14,750,511,727	10.73%
2013	471,913,478	1,484,408,897	1,956,322,375	600,125,400	1,356,196,975	5.57	12,805,976,115	10.59%
2014	440,482,291	1,515,936,230	1,956,418,521	750,558,271	1,205,860,250	6.16	12,941,693,279	9.32%

Source: Arizona Department of Revenue

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	District Direct Rates			Overlapping Rates			
	Primary	Secondary	Total	County	County Free Library	Flood Control District	Community College District
2014	3.22	2.94	6.16	1.28	0.04	0.14	1.53
2013	3.18	2.39	5.57	1.24	0.05	0.18	1.38
2012	2.65	1.34	3.99	1.24	0.05	0.18	1.21
2011	2.31	1.29	3.60	1.05	0.04	0.15	0.97
2010	2.14	1.14	3.28	0.99	0.04	0.14	0.88
2009	2.43	1.08	3.51	1.03	0.04	0.14	0.94
2008	2.59	1.23	3.82	1.10	0.04	0.15	0.98
2007	2.61	1.38	3.99	1.18	0.05	0.20	1.06
2006	2.90	1.08	3.98	1.92	0.05	0.21	1.03
2005	2.90	1.09	3.99	1.21	0.05	0.21	1.04

Source: Property Tax Rates and Assessed Values, Arizona Tax Research Foundation.

Overlapping Rates

Fire District Assistance	Central Arizona Water	City of Tempe	East Valley Inst. Of Technology	Tempe Union High School District No. 213	City of Phoenix	City of Scottsdale
0.01	0.14	2.49	0.05	2.66	1.82	1.29
0.01	0.10	2.14	0.05	2.41	1.82	1.23
0.01	0.10	1.79	0.05	2.57	1.82	1.09
0.01	0.10	1.40	0.05	2.30	1.82	0.75
0.01	0.10	1.40	0.05	2.24	1.82	0.75
0.01	0.10	1.40	0.05	2.28	1.82	0.78
0.01	0.10	1.40	0.05	2.51	1.82	0.79
0.01	0.12	1.40	0.05	2.63	1.82	0.97
0.01	0.12	1.40	0.06	3.98	1.82	1.04
0.01	0.12	1.35	0.10	3.04	1.82	1.07

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
PRINCIPAL PROPERTY TAXPAYERS
2014 AND NINE YEARS PRIOR
(UNAUDITED)**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Arizona Mills Mall, LLC	\$ 25,494,532	1	1.97 %	\$ 26,472,596	2	1.77 %
Arizona Public Service Company	21,082,466	2	1.63	21,652,003	3	1.45
Verizon Wireless	16,620,431	3	1.29	-	-	-
Pointe South Mountain Resort LLC	12,332,847	4	0.95	-	-	-
Qwest Corporation	10,818,625	5	0.84	32,568,290	1	2.18
KBSII Foundation Corporate LLC	10,455,795	6	0.81	-	-	-
Tempe Fountainhead Corporate LLC	8,969,638	7	0.69	-	-	-
Liberty Property LP	8,623,569	8	0.67	-	-	-
T-Mobile	8,473,118	9	0.66	-	-	-
JDM II Tempe OC LLC	7,466,739	10	0.58	-	-	-
MONY/PSM Properties	-	-	-	17,402,861	4	1.16
Amberjack LTD	-	-	-	15,760,240	5	1.05
AT&T Property Tax	-	-	-	14,984,061	6	1.00
Bedford Property Investors Inc.	-	-	-	10,183,233	7	0.68
State Farm Mutual Automobile Insurance Co.	-	-	-	9,930,605	8	0.66
Calwet Industrial Holdings	-	-	-	8,606,410	9	0.58
Micro-Rel Inc.	-	-	-	8,222,064	10	0.55
Totals	\$ 130,337,760		10.09 %	\$ 165,782,363		11.08 %

Source: Maricopa Co. Assessor's Office

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Current Collections		Collections in Subsequent Years	Collections to Date	
		Current Tax Collections	Percent of Current Taxes Collected		Total to Date	Percentage of Levy
2005	\$ 56,732,284	\$ 55,043,385	97.02%	\$ 1,688,899	\$ 56,732,284	100.00%
2006	60,640,928	58,656,493	96.73%	1,984,435	60,640,928	100.00%
2007	62,107,694	60,576,283	97.53%	1,531,411	62,107,694	100.00%
2008	65,922,838	64,374,725	97.65%	1,538,170	65,912,895	99.98%
2009	67,013,757	63,873,929	95.31%	1,954,708	65,828,637	98.23%
2010	67,600,501	64,255,782	95.05%	2,077,305	66,333,087	98.13%
2011	71,851,994	69,254,353	96.38%	2,575,286	71,829,639	99.97%
2012	62,608,613	60,348,216	96.39%	1,865,879	62,214,095	99.37%
2013	75,738,125	73,653,381	97.25%	2,035,748	75,689,129	99.94%
2014	74,144,209	72,125,687	97.28%	-	72,125,687	97.28%

Source: Maricopa County Treasurer's records.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	General Obligation Bonds					Total Outstanding Debt				
	General Obligation Bonds	Total Primary Government	Percentage of Total Personal Income	Percentage of Total Taxable Assessed Value	Total Debt Per Capita	Capital Leases	Total	Percentage of Total Personal Income	Percentage of Total Taxable Assessed Value	Total Debt Per Capita
2005	\$ 69,363,504	\$ 138,727,008	62.43 %	4.42 %	\$ 399	\$ 680,769	\$ 70,044,273	63.04 %	4.46 %	\$ 403
2006	79,574,972	159,149,944	65.92	4.67	459	-	79,574,972	65.92	4.67	459
2007	97,394,287	194,788,574	73.55	5.55	558	-	97,394,287	73.55	5.55	558
2008	117,586,777	235,173,554	84.19	5.79	684	-	117,586,777	84.19	5.79	684
2009	112,947,860	225,895,720	76.77	5.19	653	-	112,947,860	76.77	5.19	653
2010	132,888,610	265,777,220	93.52	5.72	853	-	132,888,610	93.52	5.72	853
2011	131,907,655	257,187,140	93.98	6.25	878	-	131,907,655	93.98	6.25	878
2012	119,386,865	244,666,350	80.82	8.15	808	-	119,386,865	80.82	7.55	808
2013	103,583,363	207,166,726	66.86	7.64	701	-	103,583,363	66.86	7.64	701
2014	88,216,801	176,433,602	54.96	7.32	597	-	88,216,801	54.96	7.32	597

Sources: The District's Business and Finance Department for long-term debt. Population and personal income prepared in cooperation with the U.S. Department of Labor and Bureau of Labor Statistics.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2014
(UNAUDITED)

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable to School District</u>	<u>Estimated Share of Overlapping Debt</u>
Maricopa Community College District	\$ 654,190,000	3.68%	\$ 24,074,192
City of Phoenix	1,495,776,176	1.73%	25,876,928
City of Mesa	344,645,000	0.25%	861,613
City of Tempe	163,205,000	66.40%	108,368,120
Tempe Union High School District No. 213	75,475,000	42.05%	<u>39,210,559</u>
Subtotal, overlapping debt			198,391,412
Direct			
Tempe Elementary School District No. 3			<u>88,216,801</u>
Total direct and overlapping debt			<u><u>\$ 286,608,213</u></u>

Source: The source of this information is the District's records and the State and County Abstract of the Assessment from the Arizona Department of Revenue and the applicable governmental unit.

Note: Percentage of overlap based on assessed property values.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Debt limit	\$219,225,504	\$237,141,889	\$250,037,367	\$292,180,297	\$322,668,967	\$341,528,745	\$311,547,651	\$237,318,319	\$203,429,546	\$ 180,879,038
Total applicable to limit	<u>64,574,972</u>	<u>73,842,426</u>	<u>92,490,820</u>	<u>112,828,817</u>	<u>107,718,610</u>	<u>126,003,610</u>	<u>114,010,000</u>	<u>114,010,000</u>	<u>97,230,000</u>	<u>86,700,000</u>
Legal debt margin	<u>\$154,650,532</u>	<u>\$163,299,463</u>	<u>\$157,546,547</u>	<u>\$179,351,480</u>	<u>\$214,950,357</u>	<u>\$215,525,135</u>	<u>\$197,537,651</u>	<u>\$123,308,319</u>	<u>\$106,199,546</u>	<u>\$ 94,179,038</u>
Total net debt applicable to the limit as a percentage of the debt limit	29.46%	31.14%	36.99%	38.62%	33.38%	36.89%	36.59%	48.04%	47.80%	47.93%
Total Class B Debt limit	\$ 73,075,168	\$ 79,047,296	\$ 83,345,789	\$ 97,393,432	\$107,556,322	\$113,842,915	\$103,849,217	\$ 79,106,106	\$135,619,698	\$ 120,586,025
Total applicable to limit	<u>-</u>	<u>-</u>	<u>27,500,000</u>	<u>27,500,000</u>	<u>52,715,000</u>	<u>77,885,000</u>	<u>82,355,000</u>	<u>93,745,000</u>	<u>73,705,000</u>	<u>66,885,000</u>
Class B Legal debt margin	<u>\$ 73,075,168</u>	<u>\$ 79,047,296</u>	<u>\$ 55,845,789</u>	<u>\$ 69,893,432</u>	<u>\$ 54,841,322</u>	<u>\$ 35,957,915</u>	<u>\$ 21,494,217</u>	<u>\$ (14,638,894)</u>	<u>\$ 61,914,698</u>	<u>\$ 53,701,025</u>
Total net debt applicable to the limit as a percentage of the debt limit	0.00%	0.00%	33.00%	28.24%	49.01%	68.41%	79.30%	118.51%	54.35%	55.47%

Source: The District's Business and Finance Department

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2014
(UNAUDITED)

Net secondary assessed value		<u>\$ 1,205,860,250</u>
<u>Legal debt margin:</u>		
Debt limitation - 15% of assessed value		180,879,038
Amount of debt applicable to debt limit:		
Class A General Obligation and Refunding Bonds Outstanding	\$ 19,815,000	
Class B General Obligation and Refunding Bonds Outstanding	<u>66,885,000</u>	
Total amount of debt applicable to debt limit		<u>86,700,000</u>
Legal debt margin		<u>\$ 94,179,038</u>
<u>Class B legal debt margin</u>		
Debt limit - the greater of 10% of the net secondary assessed valuation or \$1,500 per student (ADM)		
10% of net secondary assessed valuation	\$ 120,586,025	
\$1,500 per student (ADM)	16,567,500	
Amount of debt applicable to debt limit:		
Class B General Obligation and Refunding Bonds Outstanding		<u>66,885,000</u>
Class B legal debt margin		<u>\$ 53,701,025</u>

Source: Maricopa County Assessor's Office

Note 1: State statutes limit the total amount of bonded debt for a nonunified school district to 15% of the net secondary assessed valuation of the District. In addition, Class B bonded debt is limited to the greater of 10% of the net secondary assessed valuation of the District or \$1,500 per student for a nonunified school district.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
DEMOGRAPHIC AND ECONOMIC STATISTICS
JUNE 30, 2014
(UNAUDITED)

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Maricopa County Unemployment Rate	Estimated District Population
2005	3,742,460	\$ 111,103,576	\$ 31,757	4.50%	162,035
2006	3,635,528	120,716,738	33,178	4.10%	160,735
2007	3,792,675	132,423,154	35,046	3.50%	165,890
2008	3,907,492	139,665,253	36,135	3.20%	165,000
2009	3,987,942	147,122,078	37,168	5.10%	165,000
2010	4,023,331	142,091,618	35,319	8.30%	147,734
2011	3,817,117	140,351,646	36,695	9.10%	147,734
2012	3,880,244	147,724,392	38,071	8.40%	147,734
2013	3,884,705	(a) 154,926,697	39,300	7.10%	147,734
2014	4,009,412	160,497,824	40,030	6.60%	147,734

Sources: Bureau of Economic Analysis; US Department of Labor
This Data is for the County as data for the District is unavailable.

(a) This information is from the State of Arizona Department of Administration

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
PRINCIPAL EMPLOYERS
2014 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Arizona State University	11,185	1	14.49 %	12,569	1	16.28 %
Maricopa Community Colleges	4,611	2	5.97	-	-	-
SRP	4,374	3	5.67	-	-	-
Safeway, Inc.	3,996	4	5.18	-	-	-
Wells Fargo Banking Division	3,576	5	4.63	-	-	-
Motorola	3,000	6	3.89	3,510	3	12.03
Honeywell	3,000	7	3.89	-	-	-
Kyrene School District	2,401	8	3.11	-	-	-
Chase Manhattan Corporation	2,377	9	3.08	2,300	4	7.88
U.S. Airways	1,898	10	2.46	3,916	2	13.42
Bank One Telephone Banking Division	-	-	-	1,000	8	3.43
City of Tempe	-	-	-	1,600	5	5.48
Medtronics Microelectronics	-	-	-	1,363	6	4.67
State Farm	-	-	-	1,149	7	3.94
Financial & Credit Services Group	-	-	-	914	9	3.13
Wilson Electric	-	-	-	850	10	2.91
Total Employment	40,418			29,171		

Source: City of Tempe, Arizona

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Full-Time Equivalent Employees										
Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administrative										
District	7	8	10	11	11	10	8	7	9	9
Principals	23	24	24	24	25	22	22	19	20	20
Assistant Principals	9	9	10	10	10	11	11	12	13	13
Total Administrative	39	41	44	45	46	43	41	38	42	42
Specialists										
Guidance Counselors	30	31	25	25	24	25	24	20	20	20
Librarians	17	19	20	20	16	23	17	16	15	16
Psychologist	16	14	16	16	15	19	18	16	17	17
Other	35	29	24	24	27	25	27	23	37	29
Total Specialist	98	93	85	85	82	92	86	75	89	82
Teachers										
Regular Education	751	772	755	763	749	689	677	599	601	604
Special Education	133	133	139	131	122	110	109	112	104	114
Total Teachers	884	905	894	894	871	799	786	711	705	718
Classified										
Instructional Aides	161	196	176	176	202	220	220	199	178	191
Office Staff	129	131	117	117	113	113	112	101	100	100
Managers/Directors	19	19	19	19	19	19	19	24	22	22
Student Support	50	53	80	80	64	65	58	54	54	55
Plant Operations Staff	138	138	135	135	136	120	126	108	111	113
Other	178	207	192	192	193	198	195	172	174	187
Total Support and Administration	675	744	719	719	727	735	730	658	639	668
Total	1,696	1,783	1,742	1,743	1,726	1,669	1,643	1,482	1,475	1,510

Source: The source of this information is the District's records.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Total Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced Meals</u>
2005	12,712	\$ 92,398,499	\$ 7,269	0.42 %	\$ 106,300,903	\$ 8,362	(1.32) %	1,059	12.00	64.36 %
2006	12,673	99,360,596	7,840	7.87	111,383,292	8,789	6.23	1,056	12.00	56.98
2007	12,461	103,764,139	8,327	6.21	124,350,444	9,979	13.54	974	12.79	63.59
2008	12,511	107,174,623	8,566	2.87	128,914,852	10,304	3.26	978	12.79	65.37
2009	12,026	105,931,697	8,809	2.83	131,078,496	10,900	5.78	953	12.62	69.00
2010	11,751	103,239,363	8,786	(0.26)	122,907,524	10,459	(4.04)	870	13.51	72.16
2011	11,256	101,336,224	9,003	2.47	138,248,974	12,282	17.43	850	13.24	72.16
2012	11,035	105,848,081	9,592	6.54	133,390,523	12,088	(1.58)	710	15.54	75.00
2013	10,960	98,528,486	8,990	(6.28)	123,540,299	11,272	(6.75)	705	15.55	74.60
2014	11,045	103,957,263	9,412	4.70	127,380,780	11,533	2.32	717	15.40	74.20

Source: Data for Operating Expenditures is Total Expenditures less Debt Service and Facilities Acquisition and Construction.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Schools</u>										
Elementary										
Buildings	121	124	109	115	87	73	74	58	58	57
Square feet	979,732	1,023,236	930,063	948,809	972,149	941,396	941,396	884,047	884,047	883,446
Capacity	10,713	11,138	10,113	10,088	9,972	10,031	9,481	8,755	8,755	8,755
Enrollment	10,067	10,100	8,581	8,744	8,584	7,971	7,988	7,912	7,879	8,052
Middle										
Buildings	41	41	43	43	43	43	41	30	32	35
Square feet	569,044	569,044	569,882	469,882	566,447	566,477	566,388	556,388	455,684	490,485
Capacity	4,200	4,200	4,200	4,348	4,348	4,348	4,288	4,288	3,318	3,693
Enrollment	3,890	3,701	3,581	3,454	3,400	3,276	3,173	2,994	3,001	2,931
K-8										
Buildings	-	3	10	10	10	10	10	10	10	10
Square feet	-	43,504	100,978	101,978	95,960	95,960	95,960	95,960	95,960	95,960
Capacity	-	425	1,025	1,079	1,079	1,079	1,079	1,079	1,079	1,079
Enrollment	-	297	953	940	966	978	955	991	981	946
<u>Administrative</u>										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	57,194	57,194	57,194	57,194	57,194	57,194	57,194	57,194	57,194	57,194
<u>Maintenance</u>										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	48,865	48,865	48,865	48,865	48,865	77,348	77,348	77,348	77,348	77,348
<u>Other</u>										
Buildings	-	-	-	-	-	7	9	28	23	20
Square feet	-	-	-	-	-	50,122	60,181	255,385	207,219	172,605
Capacity	-	-	-	-	-	550	610	2,436	2,050	1,675

Source: The District's Facility Records