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PRELIMINARY OFFICIAL STATEMENT DATED JULY 29, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District (as defined herein) as mentioned under “TAX EXEMPTION” herein, interest income on the Bonds is excluded from gross income for federal income tax purposes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein.

\$38,150,000*

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3 OF MARICOPA COUNTY, ARIZONA SCHOOL IMPROVEMENT BONDS, PROJECT OF 2022, SERIES B (2025)

Dated: Date of Initial Authentication and Delivery

Due: July 1, as shown on the inside front cover page

The School Improvement Bonds, Project of 2022, Series B (2025) (the “Bonds”) of Tempe Elementary School District No. 3 of Maricopa County, Arizona (the “District”), will be issued in the form of fully-registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date to their maturity or prior redemption as set forth on the inside front cover page. Interest on the Bonds will accrue from the date of delivery and will be payable semiannually on January 1 and July 1 of each year commencing on January 1, 2026*, until maturity or prior redemption.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The District will initially utilize DTC’s “book-entry-only system,” although the District and DTC each reserve the right to discontinue the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. So long as the book-entry-only system is in effect, a single fully-registered Bond, for each maturity of the Bonds, will be registered in the name of Cede & Co., as nominee of DTC, on the registration books maintained by U.S. Bank Trust Company, National Association, the initial bond registrar and paying agent for the Bonds. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the beneficial owners of the Bonds (the “Beneficial Owners”). So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Bonds, all references herein (except under the headings “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM”) to owners of the Bonds will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM” herein.

Certain of the Bonds will be subject to redemption prior to their stated maturity dates as described under “THE BONDS – Redemption Provisions” herein*.

Principal of and interest on the Bonds will be payable from a continuing, direct, annual, *ad valorem* tax levied against all taxable property located within the boundaries of the District as more fully described herein. The Bonds will be payable from such tax without limit as to rate or amount. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein.

The Bonds will be offered when, as and if issued by the District and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriter by its counsel Squire Patton Boggs (US) LLP, Phoenix, Arizona. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about August 26, 2025*.

This cover page contains certain information with respect to the Bonds for convenience of reference only. It is not a summary of the series of which the Bonds are a part. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

STIFEL

* Subject to change.

\$38,150,000*
TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
OF MARICOPA COUNTY, ARIZONA
SCHOOL IMPROVEMENT BONDS,
PROJECT OF 2022, SERIES B (2025)

MATURITY SCHEDULE*

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®⁽¹⁾ No. 566880</u>
2026	\$ 7,380,000	%	%	
2027	1,175,000			
2031	835,000			
2032	1,465,000			
2033	1,540,000			
2034	1,620,000			
2035	1,700,000			
2036	1,785,000			
2037	1,875,000			
2038	1,965,000			
2039	2,065,000			
2040	2,170,000			
2041	2,275,000			
2042	2,390,000			
2043	2,510,000			
2044	2,635,000			
2045	2,765,000			

* Subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CGS. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, Bond Counsel, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by Tempe Elementary School District No. 3 of Maricopa County, Arizona (the “District”) or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the District’s School Improvement Bonds, Project of 2022, Series B (2025) (the “Bonds”) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the District, the Arizona Department of Revenue, the Assessor, Office of Budget and Finance and Treasurer of Maricopa County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the District or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the District or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

None of the District, the Underwriter, counsel to the Underwriter or Bond Counsel (as defined herein) are actuaries. None of them have performed any actuarial or other analysis of the District’s share of the unfunded liabilities of the Arizona State Retirement System.

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the District or any of the other parties or matters described herein since the date hereof.

The Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

A wide variety of information, including financial information, concerning the District is available from publications and websites of the District and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The District will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS.

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OFFICIAL STATEMENT

\$38,150,000*

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3 OF MARICOPA COUNTY, ARIZONA SCHOOL IMPROVEMENT BONDS, PROJECT OF 2022, SERIES B (2025)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared at the direction of Tempe Elementary School District No. 3 of Maricopa County, Arizona (the “District”), in connection with the issuance of \$38,150,000* aggregate principal amount of bonds designated School Improvement Bonds, Project of 2022, Series B (2025) (the “Bonds”). Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of and security for the Bonds is stated in this Official Statement. See APPENDIX A – “THE DISTRICT – DISTRICT INFORMATION” and APPENDIX B – “THE DISTRICT – FINANCIAL INFORMATION” for certain information about the District.

Reference to provisions of State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes, or uncoded, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or beneficial owners of the Bonds.

THE BONDS

Authorization and Purpose

The Bonds will be issued, executed and delivered pursuant to the Arizona Constitution and the laws of the State, including particularly Title 15, Chapter 9, Article 7, Arizona Revised Statutes, a vote of the qualified electors of the District at the election held on November 8, 2022 (the “Election”), and a resolution adopted by the Governing Board of the District (the “Governing Board”) on May 21, 2025 (the “Bond Resolution”).

The Bonds represent the second installment of an aggregate voted principal amount of \$196,500,000 of school improvement bonds approved at the Election. Proceeds from the sale of the Bonds will be used to (i) complete major school renovations and critical maintenance projects, including furniture, equipment and technology; (ii) purchase pupil transportation vehicles; (iii) complete critical maintenance projects for District support facilities including furniture, equipment and technology; and (iv) pay the costs incurred in connection with the issuance of the Bonds. After the issuance of the Bonds, the District will have \$117,565,000* remaining authorized but unissued voter authorization for school improvement bonds from the Election. Bonds payable from the same source as the Bonds are outstanding and additional bonds payable from the same source as the Bonds may be issued in the future pursuant to authority approved at the Election or subsequent elections in and for the District. On May 21, 2025, the Governing Board voted to call a special bond election to be held on November 4, 2025, to authorize the sale and issuance of \$196,500,000 of additional general obligation bonds of the District. If approved by the qualified electors of the District, such bonds, when issued, would be payable from the same source as the Bonds.

See TABLES 1 and 14 herein for information concerning the District’s currently outstanding bonds, which are payable from the same source as the Bonds.

* *Subject to change. See footnotes (b) and (c) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds and previously issued bonds for State voter authorization and debt limit purposes.*

Terms of the Bonds – Generally

The Bonds will be dated the date of delivery and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) under the book-entry-only system described herein (the “Book-Entry-Only System”). See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will be payable semiannually on each January 1 and July 1, commencing January 1, 2026* (each an “Interest Payment Date”), until maturity or prior redemption. The District has chosen the fifteenth day of the month preceding each Interest Payment Date as the “Record Date” for the Bonds.

See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “BOND PREMIUM” herein for a discussion of the treatment of interest income on the Bonds for federal and State income tax purposes.

Bond Registrar and Paying Agent

U.S. Bank Trust Company, National Association will serve as the initial bond registrar, transfer agent and paying agent (the “Bond Registrar and Paying Agent”) for the Bonds. The District may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

Redemption Provisions*

Optional Redemption. The Bonds maturing before or on July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after July 1, 20__ will be subject to redemption prior to their stated maturity dates, at the option of the District, in whole or in part from maturities selected by the District on July 1, 20__, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption but without premium.

Notice of Redemption. So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM.” If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the Bond Registrar and Paying Agent not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of any registered owner of Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of Bonds as to which proper notice of redemption was given.

Notice of any redemption will also be provided as set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the District, the Treasurer of Maricopa County, Arizona (the “Treasurer”) or the Bond Registrar and Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

Effect of Redemption. On the date designated for redemption, the Bonds or portions thereof to be redeemed will become and be due and payable at the redemption price for such Bonds or portions thereof, and, if monies for payment of the redemption price are held in a separate account by the Bond Registrar and Paying Agent, interest on such Bonds or portions thereof to be redeemed will cease to accrue, such Bonds or portions thereof will cease to be entitled to any

* Subject to change.

benefit or security under the Bond Resolution, the owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and such Bonds or portions thereof will be deemed paid and no longer outstanding. DTC's practice is to determine by lot the amount of each Direct Participant's (as defined in APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM") proportionate share that is to be redeemed.

Redemption of Less than All of a Bond. The District may redeem any amount which is included in a Bond that is subject to prior redemption in a denomination equal to or in excess of, but divisible by, \$5,000. In the event of a partial redemption, the Bond will be redeemed in accordance with DTC's procedures. In the event of a partial redemption if the Book-Entry-Only System is discontinued, the registered owner will submit the Bond for partial redemption and the Bond Registrar and Paying Agent will make such partial payment and will cause to be issued a new Bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.

Registration and Transfer When Book-Entry-Only System Has Been Discontinued

If the Book-Entry-Only System is discontinued, the Bonds will be transferred only upon the bond register maintained by the Bond Registrar and Paying Agent and one or more new Bonds, registered in the name of the transferee, of the same principal amount, maturity and rate of interest as the surrendered Bond or Bonds will be authenticated, upon surrender to the Bond Registrar and Paying Agent of the Bond or Bonds to be transferred, together with an appropriate instrument of transfer executed by the transferor if the Bond Registrar and Paying Agent's requirements for transfer are met. The Bond Registrar and Paying Agent may, but is not required to, transfer or exchange any Bonds during the period from the Record Date to and including the respective Interest Payment Date. The Bond Registrar and Paying Agent may, but is not required to, transfer or exchange any Bonds which have been selected for prior redemption.

The transferor will be responsible for all transfer fees, taxes, fees and any other costs relating to the transfer of ownership of individual Bonds.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

For the purpose of paying the principal of and interest on the Bonds and costs of administration of the Bonds, the District will be required by law to cause to be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The Bonds will be payable from such tax without limit as to rate or amount. The taxes will be levied, assessed and collected at the same time and in the same manner as other similar taxes are levied, assessed and collected. For information concerning the *ad valorem* property tax levy and collection procedures, see APPENDIX B – "THE DISTRICT – FINANCIAL INFORMATION – PROPERTY TAXES."

Defeasance

Pursuant to the Bond Resolution, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of monies or obligations issued or guaranteed by the United States of America ("Defeasance Obligations") or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. Any Bonds so provided for will no longer be outstanding under the Bond Resolution or payable from *ad valorem* taxes on taxable property in the District, and the owners of such Bonds shall thereafter be entitled to payment only from the monies and Defeasance Obligations deposited in trust.

Investment of Debt Service Funds

Following collection and deposit of the proceeds of the taxes into a debt service fund of the District held by the Treasurer (the "Debt Service Fund"), the District will instruct the Treasurer, as ex officio Treasurer of the District, to invest the monies credited to the Debt Service Fund in accordance with Title 15, Chapter 9, Article 7, Arizona Revised Statutes. The District is statutorily permitted to invest monies in the Debt Service Fund only in the investments set forth in Section 15-1025, Arizona Revised Statutes which include, with certain restrictions, bonds issued or guaranteed

by the United States of America (the “United States”) or any of its agencies or instrumentalities when such obligations are guaranteed as to principal and interest by the United States or by any agency or instrumentality thereof, bonds of the State or any Arizona county, city, town, or school district, certain bonds of any Arizona county, municipality or municipal district utility, certain bonds of any Arizona municipal improvement district, federally insured savings accounts or certificates of deposit, and bonds issued by federal land banks, federal intermediate credit banks, or banks for cooperatives and certain certificates of deposit (pursuant to Section 35-323.01, Arizona Revised Statutes). All earnings derived from such investments are credited to the Debt Service Fund. The statutes governing investment of monies in the Debt Service Fund are subject to change. The District does not monitor the manner in which the Treasurer invests monies in the Debt Service Fund.

Except to the extent any Bond proceeds are deposited to the Debt Service Fund and except as otherwise described above, neither the proceeds of the sale of the Bonds nor any school property of the District (including that financed with the proceeds of the sale of the Bonds) are security for, or a source of payment of principal of or interest on the Bonds.

STATE CONSTITUTIONAL LIMITATION ON EXPENDITURES

Pursuant to Article 9, Section 21, Arizona Constitution (the “AEL Provision”), Arizona public school districts are subject to an aggregate expenditure limitation (the “Aggregate Expenditure Limitation”), determined annually by the State Economic Estimates Commission. The aggregate expenditure of revenues described in the AEL Provision for all public school districts, determined annually by November 1 of each year by the Arizona Department of Education (“ADE”), may only exceed the Aggregate Expenditure Limitation if authorized by the State legislature (the “Legislature”) for a single fiscal year, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature (the “Override”) by March 1 of the fiscal year. Certain public school district revenues, including federal grants and budget overrides, are not subject to the Aggregate Expenditure Limitation. In prior fiscal years, public school districts have either not exceeded the Aggregate Expenditure Limitation or have exceeded the Aggregate Expenditure Limitation with Override authorization from the Legislature.

If the Legislature does not pass the Override (if needed) in a fiscal year, public school districts, including the District, would be required to reduce fiscal year budgeted expenditures by April 1 of such year. Each public school district is responsible for the manner in which it would deal with a required pro-rata reduction of relevant aggregate expenditures. Actions like furloughs, a hiring freeze, salary reductions, shifting from in-person to remote instruction and using available fund balances are various options considered by school districts in Arizona. There is a range of outcomes in future fiscal years that could be achieved by the District by taking some or all of the actions described in the immediately preceding sentence (or other, similar actions). Certain actions would allow the District to continue regular operations while other actions could result in significantly reduced operations of the District.

Based on a report of ADE, the Aggregate Expenditure Limitation would have been exceeded by approximately \$1.204 billion (14.48%) in fiscal year 2024/25. On June 19, 2025, the Legislature passed the Override providing public school districts with the authority to spend amounts as budgeted for the current fiscal year (2025/26) and for the next fiscal year (2026/27) and to continue operations as normal.

Even with the approval of the Override by the Legislature for fiscal years through 2026/27, it is expected that school districts will continue to exceed the Aggregate Expenditure Limitation in future fiscal years. The Legislature will need to pass separate Overrides in and for such future fiscal years unless, by State voter approval at a General Election to be held in November 2026 or thereafter, the AEL Provision is repealed or amended to permit a more permanent increase in the Aggregate Expenditure Limitation.

As stated elsewhere herein, the Bonds will be payable from a continuing, direct, annual *ad valorem* tax levied against all taxable property within the District, unlimited as to rate and amount. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” Although the Legislature's failure to pass an Override in future fiscal years (if needed) could have the budgetary consequences described above, it would not directly affect the levy and collection of property taxes in the District, the security and source of payment for the Bonds. In addition, the Aggregate Expenditure Limitation does not apply to payment of debt service on long-term obligations of the District, including the Bonds. An investment in the Bonds should be made only after due consideration of the foregoing.

SOURCES AND USES OF FUNDS

Sources of Funds

Principal Amount	\$38,150,000.00*
[Net] Original Issue Premium (a)	_____
Total Sources of Funds	=====

Uses of Funds

Deposit to Bond Building Fund	
Payment of Costs of Issuance (b)	_____
Total Uses of Funds	=====

* *Subject to change.*

- (a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*
- (b) *Will include compensation and costs of the Underwriter (as defined herein) with respect to the Bonds.*

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ESTIMATED DEBT SERVICE REQUIREMENTS

The following table illustrates the (i) annual debt service on the outstanding bonds of the District, (ii) estimated annual debt service on the Bonds and (iii) total estimated annual debt service on all bonds of the District outstanding after the issuance of the Bonds.

TABLE 1

**Schedule of Estimated Annual Debt Service Requirements (a)
Tempe Elementary School District No. 3**

Fiscal Year	Bonds Outstanding		The Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest (b)	
2025/26	\$ 14,480,000	\$ 6,737,056	\$ 7,380,000	\$ 1,616,076 (c)	\$ 30,213,133
2026/27	14,905,000	6,024,921	1,175,000	1,538,500	23,643,421
2027/28	14,955,000	5,289,757	-	1,479,750	21,724,507
2028/29	16,885,000	4,547,092	-	1,479,750	22,911,842
2029/30	17,310,000	3,707,927	-	1,479,750	22,497,677
2030/31	15,585,000	2,847,512	835,000	1,479,750	20,747,262
2031/32	11,105,000	2,087,754	1,465,000	1,438,000	16,095,754
2032/33	9,900,000	1,609,879	1,540,000	1,364,750	14,414,629
2033/34	8,985,000	1,210,729	1,620,000	1,287,750	13,103,479
2034/35	6,230,000	848,319	1,700,000	1,206,750	9,985,069
2035/36	2,775,000	597,500	1,785,000	1,121,750	6,279,250
2036/37	2,925,000	458,750	1,875,000	1,032,500	6,291,250
2037/38	3,050,000	312,500	1,965,000	938,750	6,266,250
2038/39	3,200,000	160,000	2,065,000	840,500	6,265,500
2039/40			2,170,000	737,250	2,907,250
2040/41			2,275,000	628,750	2,903,750
2041/42			2,390,000	515,000	2,905,000
2042/43			2,510,000	395,500	2,905,500
2043/44			2,635,000	270,000	2,905,000
2044/45			2,765,000	138,250	2,903,250
	<u>\$ 142,290,000</u>		<u>\$38,150,000</u>		

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Underwriter" or "Stifel").

(b) Interest on the Bonds is estimated.

(c) The first interest payment on the Bonds will be due on January 1, 2026*. Thereafter, interest payments will be made semiannually on each July 1 and January 1 until maturity or prior redemption.

LITIGATION

No litigation or administrative action or proceeding is pending to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the levy and collection of taxes to pay the debt service on the Bonds, to contest or question the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. Representatives of the District will deliver a certificate to the same effect at the time of the initial delivery of the Bonds.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the Bonds. Such rating reflects only the view of Moody's. An explanation of the significance of a rating assigned by Moody's may be obtained at One Front Street, Suite 1900, San Francisco, California 94111. Such rating may be revised or withdrawn entirely at any time by Moody's if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds. The District will covenant in its continuing disclosure certificate with respect to the Bonds that it will file notice of any formal change in any rating relating to the Bonds. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

LEGAL MATTERS

The Bonds are to be sold with the understanding that the District will furnish the Underwriter with the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel ("Bond Counsel") addressing legal matters relating to the validity of the Bonds under Arizona law, and with regard to the tax-exempt status of the interest income thereon (see "TAX EXEMPTION"). The signed legal opinion of Bond Counsel is dated and premised on the law in effect only as of the date of original delivery of the Bonds and will be delivered to the District at the time of original issuance. The fees of Bond Counsel and counsel to the Underwriter are expected to be paid from the proceeds of the sale of the Bonds and are contingent upon delivery of the Bonds.

The proposed text of the legal opinion is set forth as APPENDIX E – "FORM OF APPROVING LEGAL OPINION." The legal opinion to be delivered may vary from the text of APPENDIX E – "FORM OF APPROVING LEGAL OPINION" if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Bond Counsel has reviewed the information in the tax caption on the front cover page as well as the information under the headings "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM," "RELATIONSHIP AMONG PARTIES" (but only as it applies to Bond Counsel) and "CONTINUING DISCLOSURE" (except as it relates to the District's compliance with prior continuing disclosure undertakings) and in APPENDICES E – "FORM OF APPROVING LEGAL OPINION" and G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" but otherwise has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has neither examined, attempted to examine, nor verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, Phoenix, Arizona, counsel to the Underwriter.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of school districts which could have a material impact on the District and could adversely affect the secondary market value and marketability (liquidity) of the

Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from State income taxes. The opinion of Bond Counsel will be dated as of the date of initial delivery of the Bonds. The form of such opinion is included as APPENDIX E – “FORM OF APPROVING LEGAL OPINION” attached hereto.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of its investment earnings with respect to the Bonds. The District has covenanted to comply with the provisions of the Code relating to such matters and the opinion of Bond Counsel assumes continuing compliance with such covenants. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes, under certain circumstances, from the date of initial issuance. The Bonds do not provide for an adjustment in the interest rate or yield in the event of taxability and an event of taxability does not cause an acceleration of the principal on the Bonds.

The Code also imposes an “alternative minimum tax” upon certain individuals and corporations. A taxpayer’s “alternative minimum taxable income” (“AMTI”) is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMTI. Notwithstanding the preceding sentence, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

Although Bond Counsel will render an opinion that, as of the delivery date of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a Beneficial Owner’s (as defined in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM”) federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Bonds, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner’s particular tax status and the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not “private activity bonds” within the meaning of Section 141 of the Code.

From time to time, there are legislative proposals in Congress, which, if enacted or made effective, could alter or amend the federal tax matters referred to above or adversely affect the market value and marketability (liquidity) of the Bonds. Any such change that occurs before initial delivery of the Bonds could cause Bond Counsel to deliver an opinion substantially different from the opinion shown in APPENDIX E – “FORM OF APPROVING LEGAL OPINION.” The extent of change in Bond Counsel’s opinion cannot be determined at this time. It cannot be predicted whether, when or in what form any such proposal or proposals might be enacted or whether, if enacted, such proposal

or proposals would apply to obligations (such as the Bonds) issued prior to the enactment or effective date. Prospective purchasers should consult with their own tax advisors regarding any pending or proposed federal income tax legislation.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Discount Bonds”), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (assuming it is the first price at which a substantial amount of that maturity of Discount Bonds was sold (the “OID Issue Price”)) of the Discount Bonds and the amount payable at maturity of the Discount Bonds will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Bond in the initial public offering at the OID Issue Price and who holds the Discount Bond to maturity, the full amount of original issue discount will constitute interest income which is not includible in the gross income of the Beneficial Owner of the Discount Bond for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accreting each period will be added to the Beneficial Owner’s tax basis for the Discount Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bond. An initial Beneficial Owner of a Discount Bond who disposes of the Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Bond prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Bonds. Beneficial Owners who do not purchase the Discount Bonds in the initial offering at the OID Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Bond may result in certain collateral federal income tax consequences as described in “TAX EXEMPTION” herein.

Beneficial Owners of Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds.

BOND PREMIUM

The initial public offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Premium Bonds”) are greater than the amount payable on such Premium Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner’s yield to maturity. Beneficial Owners of the Premium Bonds should consult with their own tax

advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

UNDERWRITING

The Bonds will be purchased by the Underwriter at an aggregate purchase price of \$ _____, pursuant to a bond purchase agreement (the “Purchase Contract”) entered into by and between the District and the Underwriter. If the Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter’s compensation will be \$ _____. The Purchase Contract provides that the Underwriter will purchase all of the Bonds so offered if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at yields lower than the public offering yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the District territorially overlaps. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and may continue to do so in the future if requested.

CONTINUING DISCLOSURE

The District will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the District by not later than February 1 in each year commencing February 1, 2026 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the District as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system (“EMMA”), each as described in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the District to comply with

these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona law, the ability of the District to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the District not comply with such covenants due to a failure to appropriate for such purpose, the District has covenanted to provide notice of such fact to the MSRB through EMMA. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds, specifically their market price and transferability.

The District previously entered into continuing disclosure undertakings (the “Prior Undertakings”) with respect to certain previously issued bonds, which require the filing on or before February 1 of each year of financial information and certain operating data of the District (the “Prior Annual Reports”) and require the filing of certain event notices. The District timely filed its Prior Annual Reports for the fiscal years 2021/22, 2022/23 and 2023/2024 on February 1, 2023, February 1, 2024, and January 31, 2025, respectively, however, the filings were not associated with all of the related CUSIP numbers until September 17, 2024 for fiscal years 2021/22 and 2022/23 and July 10, 2025 for fiscal year 2023/24. Additionally, the District entered into a privately placed Financial Obligation (as defined in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE”) on July 12, 2022, however the notice was not filed until May 19, 2023. The District has implemented procedures to facilitate compliance with the Prior Undertakings, the continuing disclosure undertaking related to the Bonds and future similar continuing disclosure undertakings in all material respects.

GENERAL PURPOSE FINANCIAL STATEMENTS

The annual comprehensive financial report of the District for the fiscal year ended June 30, 2024, a copy of which is included in APPENDIX C – “THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024” of this Official Statement, includes the District’s financial statements for the fiscal year ended June 30, 2024 that were audited by CliftonLarsonAllen LLP, a certified public accounting firm, to the extent indicated in its report thereon. **The District has not requested the consent of CliftonLarsonAllen LLP to include its report and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its report on the financial statements.**

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. All financial and other information in this Official Statement has been derived by the District from official records and other sources and is believed by the District to be accurate and reliable. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District and its accuracy is not guaranteed. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
OF MARICOPA COUNTY, ARIZONA

By: _____
President of the Governing Board

THE DISTRICT – DISTRICT INFORMATION

General Information

The District is located within the greater Phoenix metropolitan area in the south central portion of Maricopa County, Arizona (the “County”). A large portion of the City of Tempe, Arizona (“Tempe”) overlaps the District and smaller portions of the cities of Phoenix, Arizona (“Phoenix”) and Mesa, Arizona (“Mesa”), also overlap the District. See APPENDIX D – “MARICOPA COUNTY, ARIZONA” for certain information about the County. The estimated population for the District is 166,100.

Enrollment

The following table illustrates the current and historical average daily membership (“A.D.M.”) of the District’s student population.

TABLE 2
AVERAGE DAILY MEMBERSHIP
Tempe Elementary School District No. 3

Fiscal Year	A.D.M. (a)
2024/25	9,205
2023/24	9,455
2022/23	9,840
2021/22	10,157
2020/21	10,400

(a) *A.D.M. means average daily membership and is computed by taking the average number of students enrolled over the first 100 days of the school year.*

Source: The Arizona Department of Education and the District.

Facilities

The District currently operates the following schools:

TABLE 3
SCHOOL FACILITIES
Tempe Elementary School District No. 3

Facility	Grade Range
Getz School	Pre-K
Meyer Montessori	Pre-K – 5
Aguilar Elementary School	K – 5
Arredondo Elementary School	K – 5
Broadmor Elementary School	K – 5
Curry Elementary School	K – 5
Frank Elementary School	K – 5
Fuller Elementary School	K – 5
Holdeman Elementary School	K – 5
Joseph P. Spracale Elementary School	K – 5
Nevitt Elementary School	K – 5
Rover Elementary School	K – 5
Scales Technology Academy	K – 5
Thew Elementary School	K – 5
Wood Elementary School	K – 5
Cecil Shamley School	K – 8
Ward Traditional Academy	K – 8
Connolly Middle School	6 – 8
Fees College Preparatory Middle School	6 – 8
Geneva Epps Mosley Middle School	6 – 8
McKemy Academy of International Studies	6 – 8

PreS = Preschool.

K = Kindergarten.

Administration and Governance

The District has 36 principals and administrators, 806 certified employees and 587 classified support personnel. This provides the District with a student-teacher ratio of approximately 13:1.

The District is governed by a five-member Governing Board and administered by one Superintendent. The members of the Governing Board of the District are elected at large from the District for a four-year term. The present members of the Governing Board of the District are:

TABLE 4
GOVERNING BOARD
Tempe Elementary School District No. 3

Allison Ewers, *President*
Ray Thiry, *Vice President*
Jim Lemmon, *Member*
Eric Miller, *Member*
Charlotte Winsor, *Member*

Information Related to Potential Community Reinvestment Act Credit

The Community Reinvestment Act (the “CRA”) is federal legislation that is intended to encourage depository institutions to help meet the credit needs of low and moderate income neighborhoods. Performance for purposes of the CRA is evaluated in a number of ways including credits for investment (including by purchasing municipal bonds) in areas that provide free or reduced-price school meals through the National School Lunch Program to eligible students who participate in certain federal assistance programs (including the Supplemental Nutrition Assistance Program).

The table below shows schools of the District where at least 50% of the students are eligible for free or reduced-price school meals through the National School Lunch Program. Such eligibility information is the most recent available for the District, is not current and therefore must be considered with an abundance of caution.

TABLE 5
NATIONAL SCHOOL LUNCH PROGRAM
Tempe Elementary School District No. 3

Facility	Eligibility Percent (a)
Aguilar School	≥98%
Carminati School	≥98
Cecil Shamley School	≥98
Curry Elementary School	≥98
Desert Choice Schools - Evans Learning Center	≥98
Fees College Preparatory Middle School	≥98
Flora Thew Elementary School	≥98
Frank Elementary School	≥98
Geneva Epps Mosley Middle School	≥98
Holdeman Elementary School	≥98
Nevitt Elementary School	≥98
Scales Technology Academy	≥98
Wood School	≥98
Arredondo Elementary School	96
Connolly Middle School	90
Joseph P. Spracale Elementary School	87
Rover Elementary School	66
Broadmor Elementary School	62
McKemy Academy of International Studies	52
Fuller Elementary School	51

No representation is made as to the status of any investment in the Bonds as it might affect performance by any depository institution under the CRA.

(a) *Based on claim data for the month of October as reported by school food authorities. School year 2024/25 eligibility data published as of March 13, 2025.*

Source: *Free and Reduced-Price Percentage Report School Year 2024/25*, Arizona Department of Education Health and Nutrition Services.

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THE DISTRICT – FINANCIAL INFORMATION

PROPERTY TAXES

As described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS,” the District will be required by law to cause to be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The State’s *ad valorem* property tax levy and collection procedures are summarized under this heading “PROPERTY TAXES.”

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue (the “Department of Revenue”). Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: Full Cash Value and Limited Property Value (both as defined herein). Centrally valued property is assigned one value: Full Cash Value.

Full Cash Value

In the context of a specific property parcel, full cash value (“Full Cash Value”) is statutorily defined to mean “the value determined as prescribed by statute” or if a statutory method is not prescribed it is “synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach. Full Cash Value is used as the ceiling for determining Limited Property Value. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

In the context of a specific property parcel, limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and Arizona Revised Statutes. Except as described in the next sentence, for locally assessed property in existence in the prior year, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year for such specific property parcel. In the following circumstances, Limited Property Value is established at a level or percentage of Full Cash Value that is comparable to that of other properties of the same or a similar use or classification: property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of the matters described in this sentence; property for which a change in use has occurred since the preceding tax year and property that has been modified by construction, destruction, or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than fifteen percent of the Full Cash Value. (Limited Property Value of property that has been split, subdivided or consolidated varies depending on when the change occurred.) A separate Limited Property Value is not provided for centrally valued property.

Full Cash Value and Limited Property Value for Taxing Jurisdictions

The Full Cash Value in the context of a taxing jurisdiction is the sum of the Full Cash Value associated with each parcel of property in the jurisdiction. Full Cash Value of the jurisdiction is the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, including the District.

The Limited Property Value in the context of a taxing jurisdiction is the sum of the Limited Property Value associated with each parcel of locally assessed property within the jurisdiction plus the sum of the Full Cash Value associated with each parcel of centrally valued property within the jurisdiction. Limited Property Value of the jurisdiction is used as the basis for levying both primary and secondary taxes. See “Primary Taxes” and “Secondary Taxes” below.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 6

Property Tax Assessment Ratios (Tax Year)

Property Classification (a)	2021	2022	2023	2024	2025
Mining, utilities, commercial and industrial (b)	18%	17.5%	17%	16.5%	16%
Agricultural and vacant land	15	15	15	15	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property (c)	15	15	14	14	13

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
- (b) The assessment ratio for this property classification will decrease to 15.5% for tax year 2026 and 15% for each tax year thereafter.
- (c) This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Primary Taxes

Per State statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Primary taxes are levied against Net Limited Assessed Property Value (as defined herein). “Net Limited Assessed Property Value” is determined by excluding the value of property exempt from taxation from Limited Assessed Property Value of locally assessed property and from Full Cash Assessed Value of centrally valued property and combining the resulting two amounts.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year's levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

The combined taxes on owner occupied residential property only, for purposes other than voter-approved bond indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on the combined tax levies for owner occupied residential property is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid.

Secondary Taxes

Per State statute, taxes levied for payment of bonds like the Bonds, voter-approved budget overrides, the maintenance and operation of special purpose districts such as sanitary, fire, road improvement, water conservation and career technical education districts, and taxes levied by school districts for qualified desegregation expenditures are "secondary taxes." Like primary taxes, secondary taxes are also levied against Net Limited Assessed Property Value. There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments.

Calculating Debt Limitations

Net Full Cash Assessed Value is determined by excluding the value of property exempt from taxation from Full Cash Assessed Value of both locally assessed and centrally valued property and combining the resulting two amounts. Net Full Cash Assessed Value is the basis for determining bonded debt limitations for certain political subdivisions in Arizona, including the District.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The tax roll is then forwarded to the Treasurer. (The Assessor of the County is required to have completed the assessment roll by December 15th of the year prior to the levy. This roll identifies the valuation and classification of each parcel located within the County for the tax year).

Property owners may file an appeal with the Assessor of the County to request a review of the Assessor of the County's determination of the Full Cash Value and legal classification of their property. Once the appeals process is complete, the Assessor of the County, if necessary, corrects the tax roll based upon the appeal decisions and sends the corrected values to each taxing jurisdiction (cities, school districts, including the District, community colleges and special districts such as fire and health).

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals through the process described above or other reasons reduces the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years. Set forth below is a record of property taxes levied and collected in the District for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 7

Property Taxes Levied and Collected (a)
Tempe Elementary School District No. 3

Fiscal Year	District Tax Rate	Adopted District Tax Levy	Adjusted District Tax Levy as of June 30th	Collected to June 30th of Initial Fiscal Year		Adjusted District Tax Levy as of 5/31/2025	Cumulative Collections to May 31, 2025	
				Amount	% of Adj. Levy		Amount	% of Adj. Levy
2024/25	\$ 4.0477	\$ 82,047,041	(b)	(b)	(b)	\$81,550,489	\$ 79,819,854	97.88 %
2023/24	4.3521	85,756,458	\$ 84,774,445	\$ 82,752,049	97.61 %	84,554,149	84,462,871	99.89
2022/23	4.4733	85,443,508	84,380,146	82,654,744	97.96	83,875,387	83,826,354	99.94
2021/22	4.4508	80,109,780	80,212,106	78,388,574	97.73	79,797,902	79,760,216	99.95
2020/21	4.4629	74,168,345	73,621,273	71,743,244	97.45	73,398,901	73,375,420	99.97
2019/20	4.7072	73,797,283	73,483,313	71,613,457	97.46	73,345,598	73,322,190	99.97

(a) *Taxes are collected by the Treasurer. Taxes are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.*

In November 2024, voters in the District authorized the District to continue to exceed its statutorily prescribed maintenance and operation budgets limit by an amount not to exceed 15% of the prescribed limit. The authorization, which began in fiscal year 2025/26, extends for seven years, although in the sixth (fiscal year 2030/31) and seventh (fiscal year 2031/32) years, the amount by which the prescribed budget limit may be exceeded would be limited to 10% and 5%, respectively. Tax rates for corresponding years include amounts available for the override.

In November 2024, voters in the District authorized the District to exceed its statutorily prescribed district additional assistance budget limit by an amount not to exceed \$7,000,000 per year. The authorization, which began in fiscal year 2025/26, extends for seven years and expires in fiscal year 2031/32. If voters do not authorize the District to continue to exceed its prescribed district additional assistance by fiscal year 2031/32, then the District will not have the ability to exceed its statutorily prescribed capital outlay budget limit and will have to decrease its budgeted expenditures in fiscal years following 2031/32.

(b) *2024/25 taxes in course of collection:
First installment due 10-01-24; delinquent 11-01-24;
Second installment due 03-01-25; delinquent 05-01-25.*

Source: The Office of Budget and Finance of the County.

SRP In Lieu Contribution

SPECIAL NOTE: The assessed value of property owned by the Salt River Project Agricultural Improvement and Power District ("SRP") is not included in the assessed value of the District in the prior table or in any other valuation information set forth in this Official Statement. Because of SRP's quasi-governmental nature, property owned by SRP is exempt from property taxation.

However, SRP may elect each year to make voluntary contributions in lieu of property taxes with respect to certain of its electrical facilities (the "SRP Electric Plant"). If SRP elects to make the in lieu contribution for the year, the Full Cash Value of the portion of the SRP Electric Plant located within the District and the in lieu contribution amount

is determined in the same manner as the Full Cash Value and property taxes owed is determined for similar non-governmental public utility property, with certain special deductions.

If SRP elected not to make such contributions, the District would be required to contribute funds from other sources or levy an increased tax rate on all other taxable property to provide sufficient amounts to pay debt service on the Bonds. If after electing to make the in lieu contribution, SRP then failed to make the in lieu contribution when due, the Treasurer and the District have no recourse against the property of SRP and there may be a delay in the payment of that portion of the debt service on the Bonds that would have been paid by SRP's in lieu contribution.

Since 1964, when the in lieu contribution was originally authorized by the Arizona Revised Statutes, SRP has always elected to make the in lieu contribution. The fiscal year 2024/25 Net Limited Assessed Property Value equivalent of SRP within the District is \$105,200,589 which represents approximately 5.19% of the combined fiscal year 2024/25 Net Limited Assessed Property Value in the District.

Delinquent Tax Procedures

The property taxes due the District are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of each subsequent month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer to deliver a treasurer's deed to the certificate holder as prescribed by law.

Chapter 176, Laws of Arizona 2024 (commonly referred to by its original bill number as "SB 1431") revises the redemption and foreclosure process for tax lien certificate holders whereby a delinquent taxpayer may request an entry of judgment directing the sale of the property for excess proceeds. If a delinquent taxpayer requests an excess proceeds sale, and an entry of judgment is granted to direct such excess proceeds sale, a tax lien certificate holder's potential financial return on the subject tax lien eligible for foreclosure may decrease relative to the tax lien certificate holder's potential financial return on such tax lien prior to the enactment of SB 1431. Therefore, in connection with the new excess proceeds sale process instituted by SB 1431, it is reasonable to conclude that "tax sale investors" may be less willing to purchase tax liens. The effective date of SB 1431 was September 14, 2024. None of the District, the Underwriter or the counsel or agents of either of them, are able to determine or predict what impact, if any, SB 1431 will have on property tax collections in the District.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the District. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When an owner of land or property within the District (a "debtor") files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale

investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Underwriter or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

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ASSESSED VALUATIONS AND TAX RATES

TABLE 8

**Direct and Overlapping Net Limited Assessed Property Values and Tax Rates
Per \$100 Net Limited Assessed Property Valuation**

Overlapping Jurisdiction	2024/25 Net Limited Assessed Property Value	2024/25 Combined Primary and Secondary Tax Rates per \$100 Net Limited Assessed Property Value
State of Arizona	\$88,425,611,337	None
Maricopa County	58,328,686,358	\$1.1591
Maricopa County Community College District	58,328,686,358	1.1047
Maricopa County Fire District Assistance Tax	58,328,686,358	0.0080
Maricopa County Special Health Care District	58,328,686,358	0.2665
Maricopa County Library District	58,328,686,358	0.0470
Maricopa County Flood Control District (a)	53,876,587,196	0.1470
Central Arizona Water Conservation District (b)	58,328,686,358	0.1400
City of Phoenix	17,190,475,853	2.0799
City of Mesa	4,894,665,847	0.8582
City of Tempe	2,577,292,263	2.4291
City of Scottsdale	7,995,076,557	0.9316
Town of Guadalupe	13,045,025	0.0000
Tempe Union High School District No. 213	4,742,511,408	2.3628
East Valley Institute of Technology	28,325,407,262	0.0500
Tempe Elementary School District No. 3	2,026,991,042	4.0477

(a) The assessed value of the Maricopa County Flood Control District does not include the personal property assessed valuation of the County.

(b) Value shown covers only the County portion of such district. (See footnote (b) following TABLE 17.)

Source: Property Tax Rates and Assessed Values, Arizona Tax Research Association and Assessor and Office of Budget and Finance of the County.

TABLE 9

**Net Limited Assessed Property Value by Property Classification
Tempe Elementary School District No. 3**

Class	2024/25	2023/24	2022/23	2021/22	2020/21
Commercial, industrial, utilities and mines	\$ 1,041,646,818	\$ 1,048,658,808	\$ 1,021,985,352	\$ 995,895,142	\$ 909,538,270
Agricultural and vacant	35,629,268	35,224,883	36,978,083	26,243,902	27,271,278
Residential (owner occupied)	366,450,452	352,318,124	338,356,554	320,638,736	305,418,247
Residential (rental)	572,231,801	508,665,276	477,050,547	438,241,053	411,652,213
Non-commercial historic property	6,289,196	5,851,673	5,863,738	5,665,576	5,524,113
Totals (a)	<u>\$ 2,026,991,042</u>	<u>\$ 1,954,705,232</u>	<u>\$ 1,883,100,832</u>	<u>\$ 1,788,974,811</u>	<u>\$ 1,661,540,517</u>

(a) Totals may not add up due to rounding.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Office of Budget and Finance of the County.

TABLE 10

**Net Limited Assessed Property Value of Major Taxpayers
Tempe Elementary School District No. 3**

Major Taxpayer (a)(b)	2024/25 Net Limited Assessed Property Value	As % of 2024/25 Net Limited Assessed Property Value
Arizona Public Service	\$ 82,056,664	4.05 %
Verizon Wireless	22,262,418	1.10
Arizona Mills Mall LLC	19,432,777	0.96
Camden Usa Inc.	12,356,756	0.61
WPT Land 2 LP	12,121,994	0.60
Southwest Airlines Co.	11,240,062	0.55
JDM II Tempe OC LLC	10,562,520	0.52
Cousins Fund II Phoenix IV LLC	10,546,814	0.52
University House Tempe LLC	10,267,690	0.51
Southwest Gas Corporation	9,739,134	0.48
	<u>\$ 200,586,828</u>	<u>9.90 %</u>

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at <http://www.sec.gov>. No representatives of the District, the Underwriter, Bond Counsel or counsel to the Underwriter have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

(b) See "SRP In Lieu Contribution" section for a description of Salt River Project property value equivalent and voluntary contributions in lieu of property taxes.

Source: The Assessor of the County.

TABLE 11**Comparative Net Limited Assessed Property Values**

Fiscal Year	Tempe Elementary School District No. 3	Tempe Union High School District No. 213	City of Tempe	Maricopa County	State of Arizona
2024/25	\$ 2,026,991,042	\$ 4,742,511,408	\$ 2,577,292,263	\$ 58,328,686,358	\$ 88,425,611,337
2023/24	1,954,705,232	4,582,133,019	2,484,369,283	54,722,310,149	83,026,514,349
2022/23	1,883,100,832	4,407,553,113	2,385,407,554	51,575,018,185	78,415,651,030
2021/22	1,788,974,811	4,201,600,213	2,269,183,586	48,724,126,672	74,200,360,570
2020/21	1,661,540,517	3,965,462,859	2,128,571,831	45,704,969,813	69,914,763,468

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and Office of Budget and Finance of the County.

TABLE 12
Estimated Net Full Cash Value History
Tempe Elementary School District No. 3

Fiscal Year	Estimated Net Full Cash Value (a)
2024/25	\$32,346,222,421
2023/24	26,591,190,333
2022/23	21,407,579,566
2021/22	19,951,664,970
2020/21	17,890,317,858

(a) *Estimated Net Full Cash Value is the total market value of the property within the District less the estimated Full Cash Value of property exempt from taxation within the District.*

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

TABLE 13

Current Year Statistics (For Fiscal Year 2024/25)
Tempe Elementary School District No. 3

Total General Obligation Bonds Outstanding and to be Outstanding	\$ 180,440,000*(a)
Net Limited Assessed Property Value	2,026,991,042
Net Full Cash Assessed Value	4,156,339,381
Estimated Net Full Cash Value	32,346,222,421

The District's preliminary fiscal year 2025/26 Net Limited Assessed Property Value is estimated at \$2,113,238,791, an increase of approximately 4.3% from the fiscal year 2024/25 Net Limited Assessed Property Value. The District's preliminary fiscal year 2025/26 Net Full Cash Assessed Value is estimated at \$3,981,353,949, a decrease of approximately 4.2% from the fiscal year 2024/25 Net Full Cash Assessed Value. The District's preliminary fiscal year 2025/26 Estimated Net Full Cash Value is estimated at \$30,897,395,690, a decrease of approximately 4.5% from the fiscal year 2024/25 Estimated Net Full Cash Value. The values are subject to positive or negative adjustments until approved by the Board of Supervisors of the County on or before August 18, 2025.

* Subject to change.

(a) Includes the Bonds. See footnotes (b) and (c) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds and previously issued school improvement bonds for State voter authorization and debt limit purposes.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Office of Budget and Finance of the County.

TABLE 14

Direct General Obligation Bonded Debt Outstanding and to be Outstanding
Tempe Elementary School District No. 3

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding
2017A	47,875,000	School improvements	2030	\$ 26,675,000
2019B	47,980,000	School improvements	2032	42,020,000
2020	10,030,000	Refunding	2027	3,810,000
2021C	28,950,000	School improvements	2034	24,010,000
2022D	20,000,000	School improvements	2035	15,625,000
2024A	35,000,000	School improvements	2039	30,150,000
Total General Obligation Bonded Debt Outstanding				\$ 142,290,000
Plus: The Bonds				38,150,000*
Total General Obligation Bonded Debt Outstanding and to be Outstanding				<u>\$ 180,440,000* (a)</u>

* Subject to change.

(a) Includes the Bonds. See footnotes (b) and (c) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds and previously issued school improvement bonds for State voter authorization and debt limit purposes.

**Constitutional / Statutory Debt Limit / Unused Borrowing Capacity after Bond Issuance
Tempe Elementary School District No. 3**

TABLE 15

2024/25 Arizona Constitutional Debt Limitation (15% of Net Full Cash Assessed Value)	\$ 623,450,907
Less: Bonds Outstanding and to be Outstanding (a)	(180,440,000)*
Less: Original Issue Premium of the Bonds (b)	(1,850,000)*
Less: Unamortized Original Issue Premium of Prior Bonds (c)	(18,986,781)
Unused Constitutional Borrowing Capacity	<u>\$ 422,174,126*</u>

* *Subject to change.*

(a) *Includes the Bonds.*

(b) *This amount represents premium on the Bonds, which has been or will be deposited into the Bond Building Fund for project cost use, and such amount reduces in equal amount the borrowing capacity of the District under State statutes and the Arizona Constitution and the principal amount of school improvement bonds authorized at the Election (as described under the heading "THE BONDS – Authorization and Purpose"). Such capacity (but not authorization) will be recaptured as premium is amortized.*

(c) *This amount represents certain of the unamortized premium on the District's outstanding bonds issued after August 2016, which amount is treated as described in footnote (b) above.*

TABLE 16

2024/25 Statutory Limitation on Class B Bonds [Greater of 10% of the Net Full Cash Assessed Value (\$415,633,938) or \$1,500 per student (\$14,760,000)]	\$ 415,633,938
Less: Class B Bonds Outstanding and to be Outstanding (a)	(180,440,000) *
Less: Original Issue Premium of the Bonds (b)	(1,850,000) *
Less: Unamortized Original Issue Premium of Prior Bonds (c)	(18,986,781)
Unused Statutory Borrowing Capacity	<u>\$ 214,357,157 *</u>

* *Subject to change.*

(a) *"Class B" bonds are school district general obligation bonds, like the Bonds, approved by a vote of the qualified electors of a school district at an election held from and after December 31, 1998, and subject to the statutory debt limitation indicated in this table. Includes the Bonds.*

(b) *See footnote (b) to TABLE 15 for a description of the treatment of certain proceeds of the Bonds for State voter authorization and debt limit purposes.*

(c) *See footnote (c) to TABLE 15 above.*

TABLE 17

**Direct and Overlapping General Obligation Bonded Debt
Tempe Elementary School District No. 3**

Overlapping Jurisdiction	General Obligation Bonded Debt (b)	Proportion Applicable to the District (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	2.29 %	None
Maricopa County	None	3.48	None
Maricopa County Community College District	\$ 26,675,000	3.48	\$ 926,988
Maricopa County Special Health Care District	512,560,000	3.48	17,812,068
City of Phoenix	679,210,000	13.58	92,231,132
City of Mesa	456,510,000	1.10	5,033,501
City of Tempe	430,989,000	84.34	363,491,232
Tempe Union High School District No. 213	136,260,000	42.74	58,238,721
East Valley Institute of Technology	None	7.16	None
Tempe Elementary School District No. 3 (c)	180,440,000*	100.00	<u>180,440,000*</u>
Net Direct and Overlapping General Obligation Bonded Debt			<u><u>\$ 718,173,642*</u></u>

* Subject to change.

(a) Proportion applicable to the District is computed on the ratio of Net Limited Assessed Property Value for 2024/25.

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and city improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
City of Phoenix	\$402,355,000
City of Mesa	433,416,000
City of Tempe	799,830,759
City of Scottsdale	442,636,116
Tempe Elementary School District No. 3 (d)	117,565,000*

Also does not include the obligation of the Central Arizona Water Conservation District (the "CAWCD") to the United States Department of the Interior (the "Department of the Interior"), for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master

contract between CAWCD and the Department of the Interior. In April 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of Net Limited Assessed Property Value, of which 14 cents is being levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(c) Includes the Bonds.

(d) Reflects reduction in authorization from the Election in connection with the issuance of the Bonds.

Source: The various entities, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and the Assessor, Office of Budget and Finance and the Treasurer.

* Subject to change.

TABLE 18

**Direct and Overlapping General Obligation Bonded Debt Ratios
Tempe Elementary School District No. 3**

	Per Capita Bonded Debt Population Estimated @ 166,100	As % of District's 2024/25 Net Limited Assessed Property Value	As % of District's 2024/25 Estimated Net Full Cash Value
Net Direct General Obligation Bonded Debt*(a)	\$1,086.33	8.90%	0.56%
Net Direct and Overlapping General Obligation Debt*(a)	4,323.74	35.43	2.22

* Subject to change.

(a) Includes the Bonds.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, Assessor and Office of Budget and Finance of the County and the U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program (data released in December 2024).

Other Obligations

Tempe Elementary School District No. 3

The District currently has no capital lease payment obligations outstanding.

DISTRICT EMPLOYEE RETIREMENT SYSTEM

Retirement Plan

The District's employees are covered by the Arizona State Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit plan. The annual contribution rates are prescribed to be the rate actuarially determined by the System's actuary, with minimum employer and employee rate requirements of not less than 2.00%. For fiscal year 2025/26, the District's and its employees' contribution has been calculated by the actuary to be 12.00% (11.86% Retirement Pension and Health Insurance Benefit, 0.14% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2024/25, the District's and its employees' contribution is 12.27% (12.12% Retirement Pension and Health Insurance Benefit, 0.15% Long Term Disability Income Plan) of payroll amounts. For fiscal year 2023/24, the District's and its employees' contribution was 12.29% (12.14% Retirement Pension and Health Insurance Benefit, 0.15% Long Term Disability Income Plan) of payroll amounts. See Note 4(B) in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024" for further discussion of the District and its employees' obligations to the System as of June 30, 2024.

The Governmental Accounting Standards Board ("GASB") adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer's pension expense component include its proportionate share of the System's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. Both the District and each covered employee contribute to the System. At June 30, 2024, the District reported a liability of \$101,456,042 for its proportionate share of the net pension liability under the System. The pension liability was measured as of June 30, 2023. See Note 4(B) in APPENDIX C – "THE DISTRICT – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024" for further discussion.

Other Post-Employment Benefits

During the year ended June 30, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The District is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 75 addresses reporting by governments that provide OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan. Please refer to APPENDIX C of the Official Statement which includes the District's audited financial statements and specifically "Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The District provides postretirement insurance (health benefits), for certain retirees, in accordance with the Post Employment Benefit Plan. The plan is a single employer defined benefit plan administered by the Arizona State Retirement System ("ASRS").

To be eligible for District-paid benefits, a retiree must have attained eligibility for early retirement under ASRS and reached the later of age 50 and completion of at least 25 years of full-time service with the District. The retiree must have not yet reached the age for commencement of Medicare benefits (age 65) at the time of retirement. In addition, the retiree must participate in one of ASRS health plans. Employees hired before July 1, 2004, and retiring on or after July 1, 2013, with between 25 and 30 years of fulltime service at retirement will be subject to a District cap of \$491/month. Employees hired before July 1, 2004, and retiring on or after July 1, 2013, with at least 30 years of full-time service at retirement will be subject to a District cap of \$591/month.

In all cases the District contribution will be limited to the single employee premium under ASRS, offset by \$150/month, which is assumed to be the amount of the State Retiree Premium Benefit by which the retiree's premiums are offset on the part of ASRS. Employees who retired prior to July 1, 2013, are not subject to the dollar caps described above. They have a maximum reimbursement from the District that is equal to the single-employee premium offset by \$150/month. Employees hired on or after July 1, 2004, are not eligible for District-paid retiree health benefits.

The District provides postretirement insurance medical benefits (OPEB), in accordance with the District's Post Employment Benefit Plan, to eligible employees. As of the most recent actuarial valuation where census data was accumulated, 105 retirees meet those eligibility requirements.

	<u>Participants</u>
Active employees	235
Retired employees	<u>105</u>
Total	<u><u>340</u></u>

For each eligible retiree, the District pays for postemployment benefits on a pay-as-you-go basis. Generally, resources from the General Fund are used to pay these benefits. Although the District is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

The District's total OPEB liability of \$17,068,229 had a measurement date through June 30, 2023, and an actuarial valuation date of June 30, 2023.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Actuarially determined amounts are subject of continual revision as actual results are compared to past expectations and new estimates are made about the future.

The total OPEB liability as of June 30, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Salary Increases	2.90%
Discount Rate	3.65%
Health Care Trend Rates	7.50%

Pre-retirement mortality rates were based on the PubG-2010 Headcount Weighted General Employee Table, Projected to 2017 using the Ultimate MP 2020 unisex scales for active employees. Morality rates for retirees were based on the 2017 State Retirees of Arizona (SRA) Mortality Table, projected to 2017 using the Ultimate MP 2020 Unisex scales for retired employees. Disabled Mortality Rates were based on PubNS-2010 disabled retiree mortality table.

The following table shows the changes in OPEB liability as of June 30, 2024.

Balances at June 30, 2023	\$16,422,389
Changes for the Year:	
Service cost	251,515
Interest	566,696
Current-period benefit changes	1,614,093
Change in assumptions	(443,728)
Benefit payments	<u>(1,342,736)</u>
Net changes	<u>645,840</u>
Balances at June 30, 2024	<u><u>\$17,068,229</u></u>

Source: Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024 of the District.

REVENUES AND EXPENDITURES

The following information of the District was derived from the annual expenditure budgets of the District for fiscal years 2024/25 and 2025/26 and the audited financial statements of the District for fiscal years 2019/20 through and including 2023/24. (State law no longer requires school districts to file revenue budgets.) Budgeted figures for fiscal years 2024/25 and 2025/26 are on a cash basis and are presented in the format required by State law. Budgeted figures for fiscal years 2024/25 and 2025/26 are “forward looking” statements that may not be realized during the course of the fiscal year as presented herein and thus must be viewed with an abundance of caution. Audited figures for fiscal years 2019/20 through and including 2023/24 are on a modified accrual basis. The presentation which follows has not been independently subject to any audit procedures.

The following information should be read in conjunction with the audited financial statements of the District. **See APPENDIX C for the District’s most recent audited general purpose financial statements, which are for fiscal year ended June 30, 2024.** Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of CliftonLarsonAllen LLP to include its report and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its report on the financial statements.**

TABLE 19

**General Fund
Tempe Elementary School District No. 3**

	Budgeted 2025/26	Budgeted 2024/25	Audited				
			2023/24	2022/23	2021/22	2020/21	2019/20
FUND BALANCE AT BEGINNING OF YEAR			\$ 32,120,705	\$ 25,399,219	\$ 17,260,615	\$ 15,416,081	\$ 11,499,562
REVENUES							
Property taxes			\$ 52,518,713	\$ 57,453,345	\$ 57,519,847	\$ 54,523,406	\$ 51,308,198
Intergovernmental			47,625,775	44,393,903	38,036,143	35,508,978	34,324,996
Other local			-	-	-	-	7,542,783
Contributions and donations			722,889	173,283	88,761	117,944	-
Investment earnings			741,864	541,369	125,488	122,107	-
Other			2,026,145	1,678,223	2,112,980	2,147,644	-
Federal aid, grants and reimbursements			-	-	-	-	1,237,356
TOTAL REVENUES			\$ 103,635,386	\$ 104,240,123	\$ 97,883,219	\$ 92,420,079	\$ 94,413,333
ADJUSTMENTS							
Transfers in			\$ 776,675	\$ 888,703	\$ 1,277,852	\$ 593,800	\$ 471,861
Increase (decrease) in reserve for inventory			(25,524)	24,341	(70,614)	29,492	42,804
Proceeds from sale of capital assets			158,476	-	-	-	-
TOTAL FUNDS AVAILABLE FOR							
EXPENDITURES			\$ 136,665,718	\$ 130,552,386	\$ 116,351,072	\$ 108,459,452	\$ 106,427,560
EXPENDITURES							
Current							
Instruction	\$ 49,450,626	\$ 54,196,723	\$ 54,218,023	\$ 51,713,832	\$ 49,014,302	\$ 52,552,051	\$ 50,457,472
Support services:							
Students and instructional staff	16,907,526	15,305,620	21,717,819	19,801,707	17,372,091	17,035,883	15,964,508
General and school administration	6,028,000	5,574,795	6,464,032	6,114,912	5,957,243	5,674,427	11,624,047
Business and central	5,235,000	4,885,118	5,946,049	5,639,566	4,873,562	4,551,256	-
Operation & maintenance of plant services	10,005,900	11,973,492	9,326,980	11,261,257	10,000,577	8,214,923	9,190,447
Student transportation	3,393,654	2,937,446	3,621,410	3,791,799	3,551,189	3,039,837	3,528,051
Operation of noninstructional services	-	225,000	232,448	105,728	170,082	130,460	144,603
School sponsored cocurricular	20,000	12,200	-	-	-	-	-
School sponsored athletics	151,000	41,000	-	-	-	-	-
K-3 reading program	1,196,589	1,250,204	-	-	-	-	-
Capital outlay	-	-	2,520,864	2,880	12,807	-	102,351
Desegregation	13,678,248	13,678,248	-	-	-	-	-
TOTAL EXPENDITURES	\$ 106,066,543	\$ 110,079,846	\$ 104,047,625	\$ 98,431,681	\$ 90,951,853	\$ 91,198,837	\$ 91,011,479
FUND BALANCE AT END OF YEAR			\$ 32,618,093	\$ 32,120,705	\$ 25,399,219	\$ 17,260,615	\$ 15,416,081

TABLE 20

**Debt Service Fund
Tempe Elementary School District No. 3**

	Budgeted	Budgeted	Audited				
	2024/25	2024/25	2023/24	2022/23	2021/22	2020/21	2019/20
FUND BALANCE AT BEGINNING OF YEAR			\$ 1,927,819	\$ 942,187	\$ 2,230,584	\$ 3,952,647	\$ 3,727,331
REVENUES							
Property taxes			\$ 24,120,885	\$ 24,005,817	\$ 20,495,298	\$ 17,403,801	\$ 18,856,433
Other local			-	-	-	2,604	50,439
Investment earnings			936,278	1,135,918	411,843	439,282	-
Federal aid, grants and reimbursements			-	-	-	-	300,354
TOTAL REVENUES			\$ 25,057,163	\$ 25,141,735	\$ 20,907,141	\$ 17,845,687	\$ 19,207,226
ADJUSTMENTS							
Transfers in			\$ -	\$ -	\$ -	\$ -	\$ 1,405,760
Issuance of refunding bonds			-	-	-	-	10,030,000
Premium on sale of bonds			-	-	-	-	1,510,572
Payment to refunded bond escrow agent			-	-	-	-	(11,572,717)
EXPENDITURES			\$ 26,984,982	\$ 26,083,922	\$ 23,137,725	\$ 21,798,334	\$ 24,308,172
EXPENDITURES							
Debt service:	\$ 25,000,000	\$ 25,000,000					
Principal retirement			\$ 15,335,000	\$ 16,950,000	\$ 15,580,000	\$ 13,280,000	\$ 13,475,000
Interest, premium and fiscal charges			6,596,988	7,206,103	6,615,538	6,287,750	6,727,717
Bond issuance costs			20,150	-	-	-	152,808
TOTAL EXPENDITURES	\$ 25,000,000	\$ 25,000,000	\$ 21,952,138	\$ 24,156,103	\$ 22,195,538	\$ 19,567,750	\$ 20,355,525
FUND BALANCE AT END OF YEAR			<u>\$ 5,032,844</u>	<u>\$ 1,927,819</u>	<u>\$ 942,187</u>	<u>\$ 2,230,584</u>	<u>\$ 3,952,647</u>

APPENDIX C

THE DISTRICT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The following audited financial statements are for the fiscal year ended June 30, 2024. These are the most recent audited financial statements available to the District. THESE FINANCIAL STATEMENTS ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE DISTRICT. See “REVENUES AND EXPENDITURES” in APPENDIX B.

Such audited financial statements are the most recent available for the District, are not current and therefore must be considered with an abundance of caution. **The District has not requested the consent of CliftonLarsonAllen LLP to include its report and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its report on the financial statements.**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tempe Elementary School District No. 3 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2023, the District has adopted new accounting guidance for Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

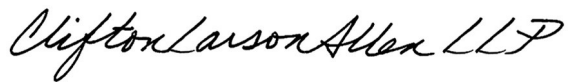
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Phoenix, Arizona
February 28, 2025

REQUIRED SUPPLEMENTARY INFORMATION

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**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

As management of the Tempe Elementary School District No. 3 (the 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, 2024.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$86,878,034 (net position).
- ◆ The District's total net position increased by \$22,495,352.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$68,359,094, a decrease of \$3,913,834 in comparison with the prior year. The most significant factor for the decrease was increased personnel costs and scheduled debt service payments.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$32,578,640, or 31.3% of total General Fund expenditures.
- ◆ The District's total bonded debt decreased by \$16,950,000 (10.7%) during the current fiscal year. The decrease was due to regularly scheduled principal payments.

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, liabilities, and deferred inflows of resources with the difference being 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 the 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
FISCAL YEAR ENDED JUNE 30, 2024

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 two categories: governmental funds and proprietary 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 twelve 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, Special Projects Fund, Bond Building Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other eight 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. An annual budget of revenue from all sources is not prepared.

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 23 – 33 of this report.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024

- ◆ *Proprietary Funds* – The District maintains one type of proprietary fund. The internal service funds are accounting devices used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for its self-insurance and transportation activities. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements. The Insurance Benefit Fund functions for all employees of the District, and therefore has been included as an internal service fund. The other internal service fund includes the Transportation Services Fund which accounts for the operation of District functions that provide goods or services to other District departments on a cost reimbursement basis. Because this activity predominately benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 31 – 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 the basic financial statements can be found on pages 34 – 61 of this report.

Required Supplementary Information Other Than MD&A

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's pension, OPEB and the budgetary schedule of the General Fund and Special Projects Fund. Required supplementary information may be found on pages 61 – 69.

Governments have the option of presenting budgetary comparison schedules for the General Fund and major Special Revenue Funds as part of the basic financial statements or as required supplementary information other than MD&A. The District has presented the General Fund and Special Projects Fund budgetary comparison schedules as required supplementary information.

Other Information

The combining and individual fund financial statements are presented immediately following the note to required supplementary information. Combining and individual fund statements and schedules can be found on pages 68 – 84 of this report.

The statistical section includes selected financial demographic information, generally presented on a multi-year basis. The statistical section can be found on pages 85 – 108 of this report.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

Government-Wide Financial Analysis

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 and deferred inflows of resources by \$86,878,034 at the close of the most recent fiscal year.

Net Position

A Summary of the District's statement of net position is as follows:

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

	Governmental Activities		
	2024	2023	% Change
Assets:			
Current and Other Assets	\$ 114,357,936	\$ 122,354,486	(6.5)%
Capital Assets, Net	264,371,790	257,296,242	2.7
Total Assets	378,729,726	379,650,728	(0.2)
Deferred Outflows of Resources	17,891,534	23,511,445	(23.9)
Liabilities:			
Current and Other Liabilities	25,789,298	30,865,350	(16.4)
Long-Term Liabilities	261,816,315	291,820,875	(10.3)
Total Liabilities	287,605,613	322,686,225	(10.9)
Deferred Inflows of Resources	22,137,613	16,093,266	37.6
Net Position:			
Net Investment in Capital Assets	121,302,487	105,537,854	14.9
Restricted	29,235,910	22,825,886	28.1
Unrestricted	(63,660,363)	(63,981,058)	0.5
Total Net Position	\$ 86,878,034	\$ 64,382,682	34.9

By far the largest portion of the District's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net 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 the net investment of capital assets and restricted net position. Unrestricted net position reported a deficit of \$(63,660,363). The deficit is mainly due to the implementation of GASB No. 68 in a prior year which recorded the District's pension liability. The District's net position increased by \$22,495,352 during the current fiscal year.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

Changes in Net Position

A summary of the District's statement of activities is as follows:

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

	Governmental Activities		
	2024	2023	% Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 1,495,832	\$ 1,149,264	30.2 %
Operating Grants and Contributions	39,163,272	34,822,667	12.5
Capital Grants and Contributions	4,619,550	2,475,816	86.6
General Revenues:			
Property Taxes	87,675,350	87,127,574	0.6
Unrestricted State, County and Federal Aid	47,625,209	44,466,888	7.1
Investment Earnings	2,135,617	2,017,021	5.9
Other	2,288,332	2,481,653	100.0
Total Revenues	185,003,162	174,540,883	6.0
EXPENSES			
Instruction	84,368,782	93,465,008	(9.7)
Support Services:			
Students and Staff	30,759,415	28,222,159	9.0
Administration	14,190,492	13,009,369	9.1
Operation and Maintenance of Plant	13,791,429	12,841,586	7.4
Student Transportation	5,455,394	5,418,114	0.7
Operation of Noninstructional Services	9,651,093	8,035,887	20.1
Interest on Long-Term Debt	4,291,205	3,927,191	9.3
Total Expenses	162,507,810	164,919,314	(1.5)
CHANGE IN NET POSITION	22,495,352	9,621,569	133.8
Net Position - Beginning of Year	64,382,682	54,761,113	17.6
NET POSITION - END OF YEAR	<u>\$ 86,878,034</u>	<u>\$ 64,382,682</u>	34.9

Charges for Services increased \$346,568 (30.2%) mainly due to an increase in tuition fees received for the District's community education programs.

Operating Grants and Contributions increased \$4,340,605 (12.5%) mainly due to continued drawdown and reimbursements received for the COVID-19 ESSER III grant award.

Capital Grants and Contributions increased \$2,143,734 (328.3%) due to more School Facilities Board grant monies received for capital projects in comparison to prior year.

Property tax revenues increased overall by \$547,776 (0.6%) mainly due to an increase in property tax assessed values.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

Investment Earnings decreased \$118,596 (5.9%) due to the decline of the national market.

The change in Unrestricted State, County, and Federal Aid and Other Revenue of \$3,158,321 (7.1%) was due to increased state aid and Proposition 123.

Expenses decreased \$2,581,505 (1.6%) mainly from decreasing student average daily membership and decreases in instructional expenses.

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 \$68,359,094, a decrease of \$3,913,834 in comparison with the prior year. Approximately 45.9% of this total amount (\$31,388,339) constitutes unassigned fund balance, which is available for spending at the government's discretion. Additionally, 17.8% (\$12,185,789) of fund balance is restricted in the Bond Building Fund from bond proceeds received. The remainder is either in nonspendable form or restricted to indicate that is not available for new spending.

At June 30, 2024, fund balances were as follows:

**Table A-3
Fund Balances (Deficits)**

Fund	Balance (Deficit)	Increase (Decrease) From 2022-23
General Fund	\$ 32,618,093	\$ 497,388
Special Projects Fund	(1,055,792)	(940,618)
Bond Building Fund	12,185,789	(11,292,544)
Unrestricted Capital Outlay Fund	9,766,293	3,356,639
Debt Service Fund	5,032,844	3,105,025
Nonmajor Governmental Funds	9,811,867	1,360,276

The General Fund increase of \$497,388 was mainly due to increases in property tax revenue and state aid received.

The Special Projects Fund decrease of \$940,618 was mainly due to the timing of grant reimbursement requests near year end which resulted in significant unavailable revenue balances in the current year.

The Bond Building Fund decrease of \$11,292,544 was due to the continued spending of school improvement bonds in the current year.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

The Unrestricted Capital Outlay Fund increase of \$3,356,639 was due to increased property tax revenue.

The Debt Service Fund increase of \$3,105,025 was mainly due to increased property tax revenue.

The Nonmajor Governmental Funds increase of \$1,360,276 was mainly due to more School Facilities Board grant monies received for capital projects in comparison to prior year.

Proprietary Funds – Unrestricted net position of the Internal Service Funds as the end of the fiscal year amounted to \$5,200,602, which is an increase of \$986,226 from the prior fiscal year.

Changes to Financial Reporting Entities

During the year, the District had changes in reporting units as a result of the implementation of GASB Statement No. 100, *Accounting Changes and Error Corrections*. The table below summarizes the changes in reporting units and the beginning balances at 6/30/2023, as adjusted, presented in the basic financial statements. Additional information on the changes can be found in Note 1 and Note 1.A to the financial statements.

	Reporting Units Affected by Adjustments to Beginning Balances	
	Funds	
	Unrestricted Capital Outlay	Nonmajor Governmental Funds
June 30, 2023, As Previously Reported	\$ -	\$ 14,861,245
Change in Fund Presentation from Nonmajor to Major	6,409,654	(6,409,654)
June 30, 2023, As Adjusted	<u>\$ 6,409,654</u>	<u>\$ 8,451,591</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$809,536. 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 most significant factors for the increase in budgeted expenditures were increases in Regular Education and Pupil Transportation.

Actual expenditures of the General Fund were \$11,219,965 less than the final budget amounts due to the District reserving funds for future purchases.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$264,371,790 (net of accumulated depreciation). This net investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, equipment and vehicles, and intangible right-to-use subscription assets. The net increase in the District's net investment in capital assets for the current fiscal year was 2.7%.

The following schedule presents a summary of capital asset balances for the fiscal years ending June 30, 2024 and 2023:

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

	Governmental Activities	
	2024	2023
Land	\$ 1,748,080	\$ 1,748,080
Construction in Progress	2,792,547	48,630,549
Land Improvements	26,005,361	18,590,456
Buildings and Improvements	217,776,642	174,437,058
Intangible Assets	1,197,187	1,189,588
Furniture, Equipment, and Vehicles	14,851,973	12,700,511
Total Capital Assets, Net	<u>\$ 264,371,790</u>	<u>\$ 257,296,242</u>

Additional information on the District's capital assets can be found in Note 3.A.4. of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$141,985,000. This debt is backed by the full faith and credit of the District.

**Table A-5
Outstanding Obligations**

	Governmental Activities	
	2024	2023
Bonds Payable	\$ 141,985,000	\$ 158,935,000
Premium on Bonds Payable	12,111,585	14,737,579
Total Outstanding Debt	<u>\$ 154,096,585</u>	<u>\$ 173,672,579</u>

The District's bonded debt decreased by \$16,950,000 (10.7 %) during the current fiscal year. This change was due to regularly scheduled principal payments.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

The District's general obligation bonds are subject to a Constitutional debt limit (total debt limit) on all general obligation bonds (up to 15% of the net full cash value). The current total debt limitation for the District is \$524,766,176 which is more than the District's total outstanding general obligation bonded debt. At June 30, 2024 the District's net Class B bonded debt outstanding was \$141,985,000 which was below the Class B debt limit. Additional information on the legal debt limit can be found on page 103.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2024-25 budget. Among them:

- Challenges related to declining enrollment
- Rising health care costs
- Sunsetting of federal COVID-19 grants
- Arizona Aggregate Expenditure Limit reductions
- Increasing salaries to stay competitive

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Tempe Elementary School District No. 3 Business and Finance Department, 3205 S. Rural Road, Tempe, Arizona, 85282.

BASIC FINANCIAL STATEMENTS

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and Investments	\$ 65,749,245
Restricted Assets	13,387,765
Receivables:	
Accounts Receivable	971,814
Property Taxes	1,667,856
Intergovernmental	19,845,725
Leases	9,106,005
Inventory, at Cost	137,907
Other Assets	100,552
OPEB Assets	3,391,067
Capital Assets:	
Nondepreciable	4,540,627
Depreciable, Net	259,831,163
Total Assets	<u>378,729,726</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources from Pensions	13,589,291
Deferred Outflows of Resources from Pension OPEB	620,272
Deferred Outflows of Resources from OPEB	3,170,343
Deferred Outflows of Resources from Refunding	511,628
Total Deferred Outflows of Resources	<u>17,891,534</u>
LIABILITIES	
Accounts Payable	3,940,438
Accrued Wages and Benefits	829,100
Accrued Interest	3,298,494
Claims Payable	2,386,266
Matured Debt Principal Payable	15,335,000
Long-Term Liabilities:	
Due Within One Year	3,553,729
Due in More Than One Year	258,262,586
Total Liabilities	<u>287,605,613</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources from Leases	9,105,400
Deferred Inflows of Resources from Pensions	10,807,586
Deferred Inflows of Resources from Pension OPEB	1,699,445
Deferred Inflows of Resources from OPEB	525,182
Total Deferred Inflows of Resources	<u>22,137,613</u>
NET POSITION	
Net Investment in Capital Assets	121,302,487
Restricted for:	
Instructional Improvement	1,122,362
Classroom Site	4,510,363
Special Projects	3,014
Food Service	1,434,746
Debt Service	5,334,579
Capital Projects	10,737,259
Community Education	957,751
Noninstructional Programs	761,130
Civic Center	826,461
Other Special Revenue	157,178
Other Postemployment Benefits	3,391,067
Unrestricted	(63,660,363)
Total Net Position	<u><u>\$ 86,878,034</u></u>

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 84,368,782	\$ 910,263	\$ 18,080,668	\$ 4,619,550	\$ (60,758,301)
Support Services:					
Students	14,587,152	-	1,006,747	-	(13,580,405)
Instructional Staff	16,172,263	-	7,953,745	-	(8,218,518)
General Administration	838,826	-	254	-	(838,572)
School Administration	5,657,071	-	72,435	-	(5,584,636)
Business and Other Support Services	7,694,595	-	36,674	-	(7,657,921)
Operation and Maintenance of Plant	13,791,429	-	4,215,846	-	(9,575,583)
Student Transportation	5,455,394	-	496,951	-	(4,958,443)
Operation of Noninstructional Services	9,651,093	585,569	7,299,952	-	(1,765,572)
Interest on Long-Term Debt	4,291,205	-	-	-	(4,291,205)
Total	<u>\$ 162,507,810</u>	<u>\$ 1,495,832</u>	<u>\$ 39,163,272</u>	<u>\$ 4,619,550</u>	<u>(117,229,156)</u>
General Revenues:					
Property Taxes					87,675,350
Grants and Contributions Not Restricted to Specific Programs:					
State Equalization and Additional State Aid					45,601,566
Federal Aid, Not Restricted					2,023,643
Investment Earnings					2,135,617
Other					<u>2,288,332</u>
Total General Revenues					<u>139,724,508</u>
Change in Net Position					<u>22,495,352</u>
Net Position - Beginning of Year					<u>64,382,682</u>
Net Position - End of Year					<u>\$ 86,878,034</u>

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2024

	General	Special Projects	Bond Building	Debt Service
Assets				
Cash and Investments	\$ 15,552,867	\$ -	\$ -	\$ 23,511,752
Restricted Assets	-	-	13,387,765	-
Receivables:				
Accounts Receivable	844,579	-	-	-
Property Taxes	1,100,508	-	-	456,321
Intergovernmental	8,519,491	10,027,471	-	-
Lease Receivable	8,963,190	-	-	-
Inventory, at Cost	39,453	-	-	-
Due from Other Funds	9,383,729	-	-	-
Other Assets	-	-	-	-
Total Assets	\$ 44,403,817	\$ 10,027,471	\$ 13,387,765	\$ 23,968,073
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts Payable	\$ 1,154,049	\$ 425,245	\$ 1,201,736	\$ -
Accrued Wages and Benefits	420,752	362,707	240	-
Accrued Interest	-	-	-	3,298,494
Due to Other Funds	-	9,236,505	-	-
Matured Debt Principal Payable	-	-	-	15,335,000
Total Liabilities	1,574,801	10,024,457	1,201,976	18,633,494
Deferred Inflows of Resources:				
Unavailable Revenue	1,248,591	1,058,806	-	301,735
Lease Related	8,962,332	-	-	-
Total Deferred Inflows of Resources	10,210,923	1,058,806	-	301,735
Fund Balance:				
Nonspendable:				
Inventory	39,453	-	-	-
Restricted	-	-	12,185,789	5,032,844
Unassigned	32,578,640	(1,055,792)	-	-
Total Fund Balance	32,618,093	(1,055,792)	12,185,789	5,032,844
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 44,403,817	\$ 10,027,471	\$ 13,387,765	\$ 23,968,073

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2024

Unrestricted Capital Outlay	Nonmajor Governmental Funds	Totals
\$ 9,936,418	\$ 9,404,738	\$ 58,405,775
-	-	13,387,765
-	-	844,579
96,001	15,026	1,667,856
-	1,298,763	19,845,725
-	142,815	9,106,005
-	98,454	137,907
-	-	9,383,729
-	100,552	100,552
<u>\$ 10,032,419</u>	<u>\$ 11,060,348</u>	<u>\$ 112,879,893</u>
\$ 202,361	\$ 933,056	\$ 3,916,447
53	15,500	799,252
-	-	3,298,494
-	147,224	9,383,729
-	-	15,335,000
<u>202,414</u>	<u>1,095,780</u>	<u>32,732,922</u>
63,712	9,633	2,682,477
-	143,068	9,105,400
<u>63,712</u>	<u>152,701</u>	<u>11,787,877</u>
-	98,454	137,907
9,766,293	9,847,922	36,832,848
-	(134,509)	31,388,339
<u>9,766,293</u>	<u>9,811,867</u>	<u>68,359,094</u>
<u>\$ 10,032,419</u>	<u>\$ 11,060,348</u>	<u>\$ 112,879,893</u>

See accompanying Notes to Basic Financial Statements.

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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, 2024

Total Fund Balances for Governmental Funds	\$ 68,359,094
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Amounts reported for governmental activities in the statement of activities are different because:

Property taxes and intergovernmental revenues not collected within 60 days subsequent to fiscal year-end are unavailable in the governmental funds.	2,682,477
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	396,203,275
Less: Accumulated Depreciation/Amortization	<u>(131,831,485)</u>
Capital Assets Used in Governmental Activities	264,371,790

Net OPEB assets are not current resources and therefore are not reported in the governmental funds.	3,391,067
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Deferred outflows relating to issuance of long term liabilities are not financial resources and therefore are not reported in the governmental funds.	511,628
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	13,589,291
Deferred Outflows of Resources from Pension OPEB	620,272
Deferred Outflows of Resources from OPEB	3,170,343
Deferred Inflows of Resources from Pensions	(10,807,586)
Deferred Inflows of Resources from Pension OPEB	(1,699,445)
Deferred Inflows of Resources from OPEB	(525,182)

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

Bonds Payable	(126,650,000)
Premium on Bonds Payable	(12,111,585)
Subscription Payables	(814,390)
Total OPEB Liability	(17,068,229)
Net Pension OPEB Liability	(82,143)
Net Pension Liability	(101,456,042)
Compensated Absences Payable	(3,633,926)

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.

	5,030,600
Total Net Position of Governmental Activities	<u><u>\$ 86,878,034</u></u>

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General	Special Projects	Bond Building	Debt Service
Revenues:				
Property Taxes	\$ 52,518,713	\$ -	\$ -	\$ 24,120,885
Intergovernmental	47,625,775	21,206,563	-	-
Food Service Sales	-	-	-	-
Charges for Services	-	-	-	-
Contributions and Donations	722,889	-	-	-
Investment Earnings	741,864	11,143	-	936,278
Other	2,026,145	579	-	-
Total Revenues	103,635,386	21,218,285	-	25,057,163
Expenditures:				
Current:				
Instruction	54,218,023	7,777,832	479,461	-
Support Services:				
Students	13,489,419	927,847	-	-
Instructional Staff	8,228,400	7,134,481	-	-
General Administration	937,396	248	-	-
School Administration	5,526,636	70,840	-	-
Business and Other Support Services	5,946,049	35,866	-	-
Operation and Maintenance of Plant	9,326,980	4,067,564	972,919	-
Student Transportation	3,621,410	486,008	762,151	-
Operation of Noninstructional Services	232,448	238,916	-	-
Debt Service:				
Principal Retirement	-	-	-	15,335,000
Interest on Long-Term Debt	-	-	-	6,596,988
Issuance Costs	-	-	-	20,150
Capital Outlay:				
Facilities Acquisition	2,520,864	778,409	9,078,013	-
Total Expenditures	104,047,625	21,518,011	11,292,544	21,952,138
Excess (Deficiency) of Revenue Over Expenditures	(412,239)	(299,726)	(11,292,544)	3,105,025
Other Financing Sources (Uses):				
Transfers In	776,675	-	-	-
Transfers Out	-	(640,892)	-	-
Sale of Capital Assets	158,476	-	-	-
Issuance of Debt Related to Subscription Assets	-	-	-	-
Total Other Financing Sources (Uses)	935,151	(640,892)	-	-
Net Change in Fund Balance	522,912	(940,618)	(11,292,544)	3,105,025
Fund Balance:				
Beginning of Year, as Previously Presented	32,120,705	(115,174)	23,478,333	1,927,819
Change Within Financial Reporting Entity (Nonmajor to Major Fund)	-	-	-	-
Beginning of Year, as Adjusted	32,120,705	(115,174)	23,478,333	1,927,819
Decrease in Inventories	(25,524)	-	-	-
End of Year	\$ 32,618,093	\$ (1,055,792)	\$ 12,185,789	\$ 5,032,844

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE
IN FUND BALANCE GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2024

<i>Formerly</i> Nonmajor Fund Unrestricted Capital Outlay	Nonmajor Governmental Funds	Totals
\$ 10,713,208	\$ 258	\$ 87,353,064
-	20,844,959	89,677,297
-	585,569	585,569
-	910,263	910,263
-	399,725	1,122,614
162,385	283,947	2,135,617
2,897	258,146	2,287,767
<u>10,878,490</u>	<u>23,282,867</u>	<u>184,072,191</u>
3,702,986	8,218,096	74,396,398
52,522	207,017	14,676,805
595,839	682,266	16,640,986
11,593	1,922	951,159
3,336	92	5,600,904
1,660,016	11,389	7,653,320
615,757	212,643	15,195,863
44,061	66,852	4,980,482
5,061	7,329,608	7,806,033
300,757	33,880	15,669,637
-	-	6,596,988
-	-	20,150
829,949	4,970,469	18,177,704
<u>7,821,877</u>	<u>21,734,234</u>	<u>188,366,429</u>
3,056,613	1,548,633	(4,294,238)
-	-	776,675
-	(135,783)	(776,675)
-	-	158,476
300,026	-	300,026
<u>300,026</u>	<u>(135,783)</u>	<u>458,502</u>
3,356,639	1,412,850	(3,835,736)
-	14,861,245	72,272,928
6,409,654	(6,409,654)	-
6,409,654	8,451,591	72,272,928
-	(52,574)	(78,098)
<u>\$ 9,766,293</u>	<u>\$ 9,811,867</u>	<u>\$ 68,359,094</u>

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances-Total Governmental Funds \$ (3,835,736)

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/amortization expense.

Expenditures for Capital Assets	18,177,704
Less: Current Year Depreciation/Amortization	(11,083,249)
Excess Capital Expenditures Over Depreciation/Amortization	7,094,455

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 disposals of capital assets. (18,907)

Property tax and intergovernmental revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (953,088)

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	15,335,000
Principal Payments on Subscription Payables	334,637
Proceeds from Subscription Payables	(300,026)
Deferred Amount on Refunding	(300,061)
Amortization of Premium	2,625,994

Governmental funds report District pension and OPEB contributions as expenditures when made. However in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions and OPEB, and the investment experience.

OPEB Contributions	1,825,439
OPEB Expense	(1,016,791)
Pension Contributions	10,174,005
Pension Expense	(9,405,492)

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.

Net Decrease in Compensated Absences	197,797
Change in Inventory Balances	(78,098)

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.

	816,224
Change in Net Position of Governmental Activities	\$ 22,495,352

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2024

	Governmental Activities: Internal Service Funds
ASSETS	
Current:	
Cash and Cash Equivalents	\$ 7,343,470
Receivables, Net	127,235
Total Assets	<u>7,470,705</u>
LIABILITIES	
Current:	
Accounts Payable	23,991
Accrued Wages	29,848
Claims Payable	2,386,266
Total Liabilities	<u>2,440,105</u>
NET POSITION	
Unrestricted	<u><u>\$ 5,030,600</u></u>

See accompanying Notes to Basic Financial Statements.

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	Governmental Activities: Internal Service Funds
OPERATING REVENUES	
Contributions	\$ 13,601,052
Charges for services	112,817
Other	107,532
Total Operating Revenues	<u>13,821,401</u>
OPERATING EXPENSES	
Claims	10,342,447
Premiums	1,181,312
Administrative Fees	1,479,799
Cost of Services	158,999
Total Operating Expenses	<u>13,162,557</u>
OPERATING INCOME	658,844
NONOPERATING REVENUES	
Investment Income	<u>157,380</u>
CHANGE IN NET POSITION	816,224
Total Net Position - Beginning of Year	<u>4,214,376</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 5,030,600</u></u>

See accompanying Notes to Basic Financial Statements.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	Governmental Activities: Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Contributions	\$ 13,603,157
Cash Received from Other Sources	220,349
Cash Payments for Claims and Administrative Fees	(11,781,638)
Cash Payments for Premiums	(1,179,180)
Cash Payments for Supplies for Goods and Services/Employees	(152,203)
Net Cash Used by Operating Activities	<u>710,485</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>157,380</u>
Net Cash Provided by Investing Activities	<u>157,380</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	867,865
Cash and Cash Equivalents - Beginning of Year	<u>6,475,605</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,343,470</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ 658,844
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Change in Accounts Receivable	2,105
Change in Accounts Payable	219
Change in Accrued Liabilities	8,643
Change in Claims Payable	40,674
Total Adjustments	<u>51,641</u>
Net Cash Used by Operating Activities	<u><u>\$ 710,485</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Tempe Elementary School District No. 3 (the 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections* defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. The District implemented this standard in fiscal year 2024.

GASB Statement No. 101, *Compensated Absences* establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District will implement this standard in fiscal year 2025.

GASB Statement No. 102, *Certain Risk Disclosures* establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Standard are effective for fiscal years beginning after June 15, 2024. The District will implement this standard in fiscal year 2025.

A. Reporting Entity

The 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.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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.

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 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide 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.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 tax revenues and intergovernmental revenues to be available if they are collected within 60 and 180 days, respectively, 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, 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. 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 special K-3 reading program.

Special Projects Fund

The Special Projects Fund, a Special Revenue Fund accounts for the revenues and expenditures of state and federally funded educational grants.

Bond Building Fund

The Bond Building Fund, a Capital Projects Fund, accounts for monies received from District bond issues that are used to acquire sites, construct school buildings, supply school buildings with furniture and apparatus, improve school grounds, and purchase pupil transportation vehicles.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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 accounts for transactions relating to the acquisition of items by purchase, lease-purchase, or lease as prescribed by §15-903(C).

Additionally, the District reports the following fund type:

Proprietary Fund

The Proprietary Fund is an Internal Service Fund that accounts for activities related to the District's transportation services and insurance benefits.

The proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column. 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 District's internal service funds are charges for health and welfare benefits and charges to District departments and other governments for transportation services. Operating expenses for internal service funds include the cost of goods and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The District's cash and investments include cash on hand, demand deposits, and cash and investments held by the County Treasurer.

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.

A.R.S. authorize the District to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

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. Receivables

Maricopa County levies real 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.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

3. Short-Term 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.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. In addition, certain payments to vendors reflect costs applicable to future accounting periods. 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.

5. Restricted Assets

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.

6. Leases

As the lessor, the District recognizes lease receivables with an initial, individual value of \$5,000 or more. If there is no stated interest rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The District's estimated incremental borrowing rate is based on the state of Arizona lease rates.

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. Donated assets are recorded at the acquisition value. 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.

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

Land Improvements	15 to 50 Years
Buildings and Improvements	15 to 80 Years
Furniture, Equipment, and Vehicles	5 to 15 Years
Intangibles:	
Right-to-Use Subscription Assets	1 to 6 Years

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Deferred Outflows of Resources

The District recognizes the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, OPEB and deferred outflows from the refunding of bonds.

9. Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

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 in the statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest 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, as well as bond issuance costs, 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.

11. Pension Plans

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

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. 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, 2024 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.

The District also recognizes the acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for leases, pensions and OPEB.

13. 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 reports all District assets which 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.

14. 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, 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.

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. Only the Governing Board can remove or change the constraints placed on committed fund balances.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. 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 Governing Board has authorized the Assistant Superintendent of Administrative Services 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 is 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.

15. Changes to or Within Financial Reporting Entity

Change in Fund Presentation from Nonmajor to Major Fund

The Unrestricted Capital Outlay Fund previously did not meet the criteria to be reported as a major governmental fund. However, effective July 1, 2023, the fund met the criteria to be reported as a major fund and is reported as a major fund for the fiscal year ended June 30, 2024. The effect of this change to or within the financial reporting entity is shown in the table below:

	Reporting Units Affected by Adjustments to Beginning Balances	
	Funds	
	Unrestricted Capital Outlay	Nonmajor Governmental Funds
June 30, 2023, As Previously Reported	\$ -	\$ 14,861,245
Change in Fund Presentation from Nonmajor to Major	6,409,654	(6,409,654)
June 30, 2023, As Adjusted	\$ 6,409,654	\$ 8,451,591

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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. 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. An annual budget of revenue from all sources is not prepared.

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 over expended 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.

B. Excess of Expenditures Over Appropriations

Expenditures did not exceed appropriations in any individual funds in the current fiscal year.

C. Deficit Fund Balances

The District had a deficit fund balance of \$1,055,792 in its Special Projects Fund and \$134,509 in its Building Renewal Fund due to the District not receiving grant reimbursements within the District's period of availability.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2024 consist of the following:

Deposits:	
Cash in Bank	\$ 805,231
Cash on Deposit with County Treasurer	78,331,779
Total Deposits	<u>79,137,010</u>
Less: Restricted Assets	(13,387,765)
Total Cash and Investments	<u><u>\$ 65,749,245</u></u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Deposits

The carrying amount on the District's deposits at June 30, 2024, was \$805,231 and the bank balance was \$757,627. Of the bank balance, \$250,000 was insured by federal depository insurance and the remainder \$507,627 was insured by the statewide pooled collateral program.

Investments

At June 30, 2024, the District's investments were reported at fair value. The District's investments consisted of cash on deposit with the County Treasurer.

Custodial Credit Risk – The District does not have a formal policy for custodial credit risk. 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 a formal investment policy regarding interest rate risk, however, the District manages its exposure to declines in fair value by limiting the average maturity of its investment portfolio to one year or less.

Credit Risk – The District does not have a formal investment policy regarding credit risk. However, the District is prohibited by State law from investing in investments other than State and County Treasurer's investment pools, U.S. Treasury obligations, specified state and local government bonds and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements. The District's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national 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 of cash and investments on deposit with County Treasurer previously discussed.

2. Restricted Assets

Restricted assets at June 30, 2024 consisted of the following:

	Bond Building Fund
Future Construction	<u>\$ 13,387,765</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the 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. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

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 unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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>
Delinquent Property Taxes Receivable:	
General Fund	\$ 1,248,591
Debt Service Fund	301,735
Unrestricted Capital Outlay	63,712
Nonmajor Governmental Funds	9,633
Intergovernmental Revenue:	
Special Projects Fund	1,058,806
Total	<u>\$ 2,682,477</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2024 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	48,630,549	13,708,938	(59,546,940)	2,792,547
Total Capital Assets, Not Being Depreciated/Amortized	50,378,629	13,708,938	(59,546,940)	4,540,627
Capital Assets, Being Depreciated/Amortized:				
Land Improvements	30,687,999	8,854,879	-	39,542,878
Buildings and Improvements	265,801,444	50,460,928	-	316,262,372
Vehicles, Furniture, and Equipment	29,977,541	4,091,994	(369,475)	33,700,060
Intangibles:				
Right-to-Use Assets:				
Subscription-Based IT Arrangements	1,549,433	607,905	-	2,157,338
Depreciated/Amortized	328,016,417	64,015,706	(369,475)	391,662,648
Accumulated Depreciation/Amortization for:				
Land Improvements	(12,097,543)	(1,439,974)	-	(13,537,517)
Buildings and Improvements	(91,364,386)	(7,121,344)	-	(98,485,730)
Vehicles, Furniture, and Equipment	(17,277,030)	(1,921,625)	350,568	(18,848,087)
Intangibles:				
Right-to-Use Assets:				
Subscription-Based IT Arrangements	(359,845)	(600,306)	-	(960,151)
Total Accumulated Depreciation/Amortization	(121,098,804)	(11,083,249)	350,568	(131,831,485)
Total Capital Assets, Being Depreciated/ Amortized, Net	206,917,613	52,932,457	(18,907)	259,831,163
Governmental Activities Capital Assets, Net	<u>\$ 257,296,242</u>	<u>\$ 66,641,395</u>	<u>\$ (59,565,847)</u>	<u>\$ 264,371,790</u>

Depreciation/amortization expense was charged to functions/programs as follows:

Governmental Activities:	
Instruction	\$ 7,988,602
Support Services:	
Students and Staff	4,520
Instructional Staff	495,325
General Administration	94,443
Business and Other Support Services	764,306
Operation and Maintenance of Plant	184,250
Student Transportation	1,278,161
Operation of Noninstructional Services	273,642
Total	<u>\$ 11,083,249</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction and Other Commitments

At year-end, the District had contractual commitments related to the renovation and reconstruction of several schools. At year-end, the District had spent \$62.3 million on the ongoing projects and had estimated remaining contract commitments of \$598,043. These projects are being funded with adjacent ways funds, bond proceeds, and School Facilities Board grants. The District had no other significant commitments or encumbrances at June 30, 2024.

B. Interfund Receivables, Payables and Transfers

Interfund receivables and payables for the year ended June 30, 2024, were made to eliminate deficit cash balances at year end and consisted of the following:

Due To	Due From		Total
	Special Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ 9,236,505	\$ 147,224	\$ 9,383,729

Interfund transfers for the year ended June 30, 2024 consisted of the following:

Transfers In	Transfers Out		Total
	Special Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ 640,892	\$ 135,783	\$ 776,675

The transfers from the Special Projects Fund to the General Fund were made to record the District's indirect costs on grants passed through the Arizona Department of Education. The District did not exceed the approved indirect cost rate on any grants.

C. Lease Receivable

The District, acting as a lessor, leases land and building space under long-term, noncancelable lease agreements. The leases expire at various dates through June 30, 2040 and provide for renewal options up to 20 years. During the year ended June 30, 2024, the District recognized \$255,896 and \$138,217 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Governmental Activities

Land Lease. Annual installments totaling \$152,688 plus interest at an interest rate of 1.50%, due dates ranging from 2025 to 2060.

Building Space Leases. Annual installments totaling \$105,991 plus interest at rates ranging from 0.73% to 1.50%, due dates ranging from 2025 to 2060.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Short-Term Debt

The District did not have any short-term debt during the year.

E. Long-Term Obligations

The District had long-term bonds payable to provide funds for the acquisition and construction of major capital facilities. The District issued debt to refund earlier obligations with higher interest rates. The bonds are both callable and noncallable with interest payable semiannually. The principal and interest paid on the bonds are recorded in the Debt Service Fund. All bonds refunded in previous years have been redeemed. Compensated absences, pensions and OPEB are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Maturity Dates	Original Issue Amounts	Amount Outstanding	Due Within One Year
Refunding Bonds, Series 2007	4.00-5.00%	7/1/23-25	\$ 16,550,000	\$ 8,780,000	\$ 5,630,000
Refunding Bonds, Series 2015	3.00-4.00%	7/1/23-25	27,500,000	6,120,000	3,825,000
School Improvement Bonds, Project of 2016, Series 2017A	3.5-5.00%	7/1/23-30	47,875,000	31,775,000	1,250,000
School Improvement Bonds, Project of 2016, Series 2019B	3.00-5.00%	7/1/23-32	47,980,000	44,785,000	1,750,000
School Improvement Bonds, Project of 2016, Series 2021	4.00-5.00%	7/1/23-34	28,950,000	26,760,000	1,250,000
Refunding Bonds, Series 2020	4.00-5.00%	7/1/23-27	10,030,000	7,015,000	1,380,000
School Improvement Bonds, Project of 2016, Series 2022	3.00%	7/1/23-35	20,000,000	16,750,000	250,000
Total General Obligation Bonds Payable			<u>\$ 236,445,000</u>	<u>\$ 141,985,000</u>	<u>\$ 15,335,000</u>

Changes in long-term obligations for the year ended June 30, 2024 are as follows:

	July 1, 2023	Additions	Retirements	June 30, 2024	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 158,935,000	\$ -	\$ (16,950,000)	\$ 141,985,000	\$ 15,335,000
Premium on Bonds Payable	14,737,579	-	(2,625,994)	12,111,585	-
Total Bonds Payable	173,672,579	-	(19,575,994)	154,096,585	15,335,000
Other Liabilities:					
Subscription Payables	849,001	300,026	(334,637)	814,390	402,878
Compensated Absences	3,831,723	1,242,646	(1,440,443)	3,633,926	1,545,299
Net OPEB Liability	16,422,389	645,840	-	17,068,229	-
Net Pension OPEB Liability	64,449	17,694	-	82,143	-
Net Pension Liability	113,930,734	-	(12,474,692)	101,456,042	-
Total Other Liabilities	135,098,296	2,206,206	(14,249,772)	123,054,730	1,948,177
Governmental Activities Long-Term Debt	<u>\$ 308,770,875</u>	<u>\$ 2,206,206</u>	<u>\$ (33,825,766)</u>	<u>\$ 277,151,315</u>	<u>\$ 17,283,177</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

The following table summarizes the District's debt service requirements on long-term bonds to maturity at June 30, 2024.

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 15,335,000	\$ 6,248,007
2026	14,510,000	5,564,291
2027	14,480,000	4,873,489
2028	13,230,000	4,191,714
2029	13,180,000	3,539,049
2030-2034	61,210,000	7,506,358
2035-2039	10,040,000	295,560
Totals	<u>\$ 141,985,000</u>	<u>\$ 32,218,468</u>

F. Subscription-Based Information Technology Arrangements (SBITAs)

The District has obtained the right to use several IT software's and underlying IT assets under the provisions of various subscription-based information technology arrangements.

The total amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	\$ 2,157,338
Less: accumulated amortization	(960,151)
Carrying value	<u>\$ 1,197,187</u>

The following schedule details minimum subscription payments to maturity for the District's subscriptions liability at June 30, 2024:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 402,878	\$ 19,656
2026	242,286	8,536
2027	109,815	3,539
2028	59,411	901
Total	<u>\$ 814,390</u>	<u>\$ 32,632</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Fund Balance Classifications of Governmental Funds

The District has classified its fund balances as follows:

	General Fund	Special Projects Fund	Bond Building Fund	Debt Service Fund	Unrestricted Capital Outlay	Nonmajor Governmental Funds	Totals
Fund Balances:							
Nonspendable:							
Inventory	\$ 39,453	\$ -	\$ -	\$ -	\$ -	\$ 98,454	\$ 137,907
Restricted:							
Classroom Site	-	-	-	-	-	4,510,363	4,510,363
Instructional Improvement	-	-	-	-	-	1,122,362	1,122,362
Food Service	-	-	-	-	-	1,336,292	1,336,292
Community Education	-	-	-	-	-	957,751	957,751
Noninstructional Programs	-	-	-	-	-	761,130	761,130
Civic Center	-	-	-	-	-	826,461	826,461
Other Special Revenues	-	-	-	-	-	157,178	157,178
Capital Projects	-	-	12,185,789	-	9,766,293	-	21,952,082
Adjacent Ways	-	-	-	-	-	176,385	176,385
Debt Service	-	-	-	5,032,844	-	-	5,032,844
Total Restricted	-	-	12,185,789	5,032,844	9,766,293	9,847,922	36,832,848
Unassigned	32,578,640	(1,055,792)	-	-	-	(134,509)	31,388,339
Total Fund Balance	<u>\$ 32,618,093</u>	<u>\$ (1,055,792)</u>	<u>\$ 12,185,789</u>	<u>\$ 5,032,844</u>	<u>\$ 9,766,293</u>	<u>\$ 9,811,867</u>	<u>\$ 68,359,094</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The District was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the District joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District joined the Arizona School Alliance for Workers' Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers' compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays quarterly premiums to the Alliance for its employee workers' compensation coverage. The agreement provides that the Alliance will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The District continues to carry commercial insurance for other risks of loss, including life, dental and short-term disability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 OTHER INFORMATION (CONTINUED)

B. Risk Management (Continued)

The District established the Insurance Benefit Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee health. In addition, employee withholdings for other insurance coverages are processed through this fund. Under this program, the Fund provides coverage for up to a maximum of \$200,000 for each claim, not to exceed an annual aggregate percentage of 125%. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. All unpaid claims at year-end are expected to be paid within one year.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2024</u>	<u>2023</u>
Beginning Unpaid Claims	\$ 2,345,592	\$ 1,999,591
Claims Incurred and Changes in Estimate	10,342,447	11,999,738
Claims Paid	<u>(10,301,773)</u>	<u>(11,653,737)</u>
Ending Unpaid Claims	<u>\$ 2,386,266</u>	<u>\$ 2,345,592</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Cost Sharing Employer Plans

The District contributes to the Arizona State Retirement System (ASRS). The plan is a component unit of the state of Arizona.

At June 30, 2024, the District reported the following amounts related to ASRS:

	Net	Health Insurance	Long-Term
<u>Statement of Net Position and Statement of Activities</u>	<u>Pension Liability</u>	<u>Premium (OPEB)</u>	<u>Disability (OPEB)</u>
Net Pension/OPEB (Asset) Liability	\$ 101,456,042	\$ (3,391,067)	\$ 82,143
Deferred Outflows of Resources	13,589,291	383,163	237,109
Deferred Inflows of Resources	10,807,586	1,503,417	196,028
Pension/OPEB Expense	9,405,492	(377,640)	78,627

Arizona State Retirement System

Plan Description – District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of Service	Sum of years and age equals 80	30 years, age 55
and Age Required	10 years, age 62	25 years, age 60
to Receive Benefit	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final Average Salary is Based On	Highest 36 Consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.29% (12.14% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.29% (12.03% for retirement, 0.11% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.99% (9.94% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension plan, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2024, were \$10,174,005, \$93,029, and \$126,858.

During the fiscal year ended June 30, 2024 the District paid for ASRS pension and OPEB contributions as follows: 78% from the General Fund, 10% from major governmental funds, and 12% other governmental funds.

Liability – At June 30, 2024, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability	
Pension	\$	101,456,042
Health Insurance Premium Benefit		(3,391,067)
Long-Term Disability		82,143

The net asset and net liabilities were measured as of June 30, 2023. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023. The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022, and the change from its proportions measured as of June 30, 2022.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Expense – For the year ended June 30, 2024, the District recognized pension and OPEB expense of \$13,292,940 (\$9,405,492 for retirement, (\$377,640) for health insurance premium benefit, and \$78,627 for long-term disability).

Deferred outflows/inflows of resources – At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,292,502	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,589,603
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	1,122,784	7,217,983
Contributions Subsequent to the Measurement Date	10,174,005	-
Total	<u>\$ 13,589,291</u>	<u>\$ 10,807,586</u>
 Health Insurance Premium (OPEB)	 Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 143,097	\$ 1,264,613
Changes of Assumptions or Other Inputs	-	67,481
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	148,943
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	147,037	22,380
Contributions Subsequent to the Measurement Date	93,029	-
Total	<u>\$ 383,163</u>	<u>\$ 1,503,417</u>
 Long-Term Disability (OPEB)	 Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 74,165	\$ 46,234
Changes of Assumptions or Other Inputs	21,678	119,569
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	6,574
Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions	14,408	23,651
Contributions Subsequent to the Measurement Date	126,858	-
Total	<u>\$ 237,109</u>	<u>\$ 196,028</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The amounts reported as deferred outflows of resources related to ASRS pension/OPEB (asset) liability resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net (asset) liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium</u>	<u>Long-Term Disability</u>
2025	\$ (3,404,396)	\$ (538,784)	\$ (9,860)
2026	(7,410,370)	(594,769)	(23,418)
2027	3,868,531	(52,407)	1,423
2028	(446,065)	(47,396)	(23,662)
2029	-	20,073	(22,824)
Thereafter	-	-	(7,436)

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

Actuarial Valuation Date	June 30, 2022
Actuarial Roll Forward Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0%
Projected Salary Increases	2.9 - 8.4%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP
Recovery Rates	2012 GLDT
Healthcare Cost Trend Rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.00% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Public Equity	44%	3.50 %
Credit	23	5.90
Real Estate	17	5.90
Private Equity	10	6.70
Interest Rate Sensitive	6	1.50
Total	100%	

Discount Rate – At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 151,966,250	\$ 101,456,042	\$ 59,339,463
Health Insurance Premium	\$ (2,808,720)	\$ (3,391,067)	\$ (4,837,260)
Long-Term Disability	\$ 106,839	\$ 82,143	\$ 23,368

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits

Plan Description – Under authority of the Governing Board, the District provides postretirement insurance benefits, for certain retirees and their dependents, in accordance with the plan. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Generally, resources from the General Fund are used to pay for postemployment benefits.

A retiree who was an employee of Tempe Elementary School District immediately prior to retirement and who was hired prior to July 1, 2004, is eligible for health benefits. The number of participants as of the effective date of the biannual OPEB valuation, follows.

Retirees Receiving Benefits	105
Active Employees	<u>235</u>
Total	<u><u>340</u></u>

Benefits Provided – The District provides postretirement insurance (medical and dental) benefits (OPEB), in accordance with the District's Post Employment Benefit Plan, to eligible employees. Currently, 105 retirees meet those eligibility requirements.

Funding Policy – The District contributes health premiums for employees who retire with 10 years of service and retire before July 1, 2009, or 20 years of service and retire on or after July 1, 2009 and has reached age 55. Participation ceases at age 65 or age 70 for administrators who retire prior to July 1, 2009. Benefits cease when the retiree's benefit ceases. 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. The District currently pays for postemployment benefits on a pay-as-you-go basis.

Contributions – The District contributes \$6,788 for employees who retired with 10 years of service before July 1, 2009, or employees who retire with 20 years of service and retire on or after July 1, 2009, and have reached age 55. For the current fiscal year, the District contributed \$1,605,552 for these 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.

Total OPEB Liability – The District's total OPEB liability of \$17,068,229 had a measurement date of June 30, 2023, based on an actuarial valuation dated June 30, 2023.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Actuarially determined amounts are subject of continual revision as actual results are compared to past expectations and new estimates are made about the future.

The total OPEB liability as of June 30, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Actuarial Cost Method	Entry Age, level percent of pay
Salary Increases	2.90%
Discount Rate	3.65%
Health Care Trend Rates	7.50% graded down to 4.50% over 12 years.

Mortality rates were based on the PubG-2010 Headcount Weighted General Employee Table, Projected to 2017 using the Ultimate MP 2020 unisex scales for active employees. Morality rates for retirees were based on the 2017 State Retirees of Arizona (SRA) Mortality Table, projected to 2017 using the Ultimate MP 2020 Unisex scales for retired employees. Disabled Mortality Rates were based on PubNS-2010 disabled retiree mortality table.

Changes in Total OPEB Liability – The following table shows the changes in OPEB liability as of June 30, 2024.

Balances at June 30, 2023	\$ 16,422,389
Changes for the Year:	
Service Cost	251,515
Interest	566,696
Current-Period Benefit Changes	1,614,093
Change in Assumptions	(443,728)
Benefit Payments	(1,342,736)
Net Changes	645,840
Balances at June 30, 2024	<u><u>\$ 17,068,229</u></u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Discount Rate – The discount rate used to measure the OPEB liability was 3.65%. The discount rate increased from 3.54% to 3.65% as a result of modifying future trend on per capita health costs and retiree contributions to reflect actual experience. The discount rate was determined by using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2023.

Sensitivity Results – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB Liability	\$ 18,092,832	\$ 17,068,229	\$ 16,112,186

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Health Care Cost Trend Rates	Healthcare Cost Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability	\$ 15,892,124	\$ 17,068,229	\$ 18,362,044

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2024, the District recognized OPEB expense of \$3,254,986. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 881,334	\$ 525,182
Differences Between Expected and Actual Experience	683,457	-
Employer Benefits Paid Subsequent to the Measurement Date	1,605,552	-
Total	<u>\$ 3,170,343</u>	<u>\$ 525,182</u>

The \$1,605,552 reported as deferred outflows of resources related to OPEB resulting from District benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Future Recognition
2025	\$ 1,134,992
2026	(85,266)
2027	(10,117)

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REQUIRED SUPPLEMENTARY INFORMATION

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TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION/OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2024 AND NINE PREVIOUS FISCAL YEARS

Pension

	Reporting Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
District's Proportion of the Net Pension Liability	0.63%	0.70%	0.67%	0.68%	0.68%
District's Proportionate Share of the Net Pension Liability	\$ 101,456,042	\$ 113,930,734	\$ 88,615,794	\$ 118,551,515	\$ 98,661,254
District's Covered Payroll	\$ 75,075,352	\$ 83,579,379	\$ 75,890,318	\$ 74,540,969	\$ 71,028,587
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	135.14%	136.31%	116.77%	159.04%	138.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.47%	74.26%	78.58%	69.33%	73.24%

Health Insurance Premium Benefit

	Reporting Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
District's Proportion of the Net OPEB (Asset)	0.63%	0.70%	0.68%	0.69%	0.68%
District's Proportionate Share of the OPEB (Asset)	\$ (3,391,067)	\$ (3,906,128)	\$ (3,291,042)	\$ (487,576)	\$ (188,426)
District's Covered Payroll	\$ 75,075,352	\$ 83,579,379	\$ 75,890,318	\$ 74,540,969	\$ 71,028,587
District's Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered Payroll	-4.52%	-4.67%	-4.34%	-0.65%	-0.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)	75.47%	74.26%	78.58%	69.33%	73.24%

Long-Term Disability

	Reporting Year (Measurement Date)				
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)
District's Proportion of the Net OPEB Liability	0.63%	0.70%	0.67%	0.69%	0.68%
District's Proportionate Share of the OPEB Liability	\$ 82,143	\$ 64,449	\$ 139,235	\$ 520,559	\$ 443,009
District's Covered Payroll	\$ 75,075,352	\$ 83,579,379	\$ 75,890,318	\$ 74,540,969	\$ 71,028,587
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	0.11%	0.08%	0.18%	0.70%	0.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	75.47%	74.26%	78.58%	69.33%	73.24%

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION/OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2024 AND NINE PREVIOUS FISCAL YEARS (CONTINUED)

Reporting Year (Measurement Date)				
2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
0.66%	0.65%	0.66%	0.66%	0.66%
\$ 91,550,278	\$ 101,816,582	\$ 105,813,970	\$ 102,914,086	\$ 97,280,165
\$ 64,913,000	\$ 63,711,364	\$ 60,236,276	\$ 60,841,120	\$ 55,339,167
141.04%	159.81%	175.66%	169.15%	175.79%
73.40%	69.92%	67.06%	68.35%	69.49%

Reporting Year (Measurement Date)		
2019 (2018)	2018 (2017)	2017 through 2015 Information not available
0.66%	0.66%	
\$ (237,469)	\$ (357,219)	
\$ 64,913,000	\$ 63,711,364	
-0.37%	-0.56%	
73.40%	69.92%	

Reporting Year (Measurement Date)		
2019 (2018)	2018 (2017)	2017 through 2015 Information not available
0.66%	0.65%	
\$ 343,489	\$ 236,781	
\$ 64,913,000	\$ 63,711,364	
0.53%	0.37%	
73.40%	69.92%	

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF DISTRICT'S PENSION/OPEB CONTRIBUTIONS
JUNE 30, 2024 AND NINE PREVIOUS FISCAL YEARS

Pension	Reporting Year				
	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 10,174,005	\$ 9,960,701	\$ 9,962,662	\$ 8,841,222	\$ 8,534,941
Contributions in Relation to the Contractually Required Contribution	10,174,005	9,960,701	9,962,662	8,841,222	8,534,941
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 84,571,945	\$ 75,075,352	\$ 83,579,379	\$ 75,890,318	\$ 74,540,969
Contributions as a Percentage of Covered Payroll	12.03%	13.27%	11.92%	11.65%	11.45%

Health Insurance Premium Benefit	Reporting Year				
	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 93,029	\$ 88,039	\$ 170,721	\$ 288,870	\$ 360,065
Contributions in Relation to the Contractually Required Contribution	93,029	88,039	170,721	288,870	360,065
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 84,571,945	\$ 75,075,352	\$ 83,579,379	\$ 75,890,318	\$ 74,540,969
Contributions as a Percentage of Covered Payroll	0.11%	0.12%	0.20%	0.38%	0.48%

Long-Term Disability	Reporting Year				
	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 126,858	\$ 113,416	\$ 156,356	\$ 134,741	\$ 125,783
Contributions in Relation to the Contractually Required Contribution	126,858	113,416	156,356	134,741	125,783
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 84,571,945	\$ 75,075,352	\$ 83,579,379	\$ 75,890,318	\$ 74,540,969
Contributions as a Percentage of Covered Payroll	0.15%	0.15%	0.19%	0.18%	0.17%

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF DISTRICT'S PENSION/OPEB CONTRIBUTIONS
JUNE 30, 2024 AND NINE PREVIOUS FISCAL YEARS (CONTINUED)

Reporting Year				
2019	2018	2017	2016	2015
\$ 7,940,996	\$ 7,075,517	\$ 6,868,085	\$ 6,535,636	\$ 6,625,598
<u>7,940,996</u>	<u>7,075,517</u>	<u>6,868,085</u>	<u>6,535,636</u>	<u>6,625,598</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 71,028,587	\$ 64,913,000	\$ 63,711,364	\$ 60,236,276	\$ 60,841,120
11.18%	10.90%	10.78%	10.85%	10.89%

Reporting Year		
2019	2018	2017 through 2015
\$ 322,794	\$ 283,036	Information not available
<u>322,794</u>	<u>283,036</u>	
<u>\$ -</u>	<u>\$ -</u>	
\$ 71,028,587	\$ 64,913,000	
0.45%	0.44%	

Reporting Year		
2019	2018	2017 through 2015
\$ 113,005	\$ 104,307	Information not available
<u>113,005</u>	<u>104,307</u>	
<u>\$ -</u>	<u>\$ -</u>	
\$ 71,028,587	\$ 64,913,000	
0.16%	0.16%	

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS – OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2024 AND SEVEN PREVIOUS FISCAL YEARS

	Reporting Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
Total OPEB Liability				
Service Cost	\$ 251,515	\$ 332,433	\$ 351,348	\$ 208,743
Interest	566,696	356,157	396,945	421,254
Change of Benefit Terms	1,614,093	629,764	(894,470)	-
Differences Between Expected and Actual Experience	-	-	-	1,981,259
Changes of Assumptions	(443,728)	(446,932)	(99,706)	4,300,819
Benefit Payments	(1,342,736)	(1,204,244)	(1,211,086)	(1,044,992)
Net Change in Total OPEB Liability	645,840	(332,822)	(1,456,969)	5,867,083
Total OPEB Liability - Beginning	16,422,389	16,755,211	18,212,180	12,345,097
Total OPEB Liability - Ending (a)	<u>\$ 17,068,229</u>	<u>\$ 16,422,389</u>	<u>\$ 16,755,211</u>	<u>\$ 18,212,180</u>
Covered-Employee Payroll	\$ 12,496,698	\$ 14,658,294	\$ 14,154,352	\$ 16,597,470
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	136.58%	121.97%	118.37%	109.73%

Note: Information prior to the measurement date (June 30, 2017) was not available.
Additional years' information will be displayed as it becomes available.
There are no assets accumulated in a trust to pay the related benefits for this plan.

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS – OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2024 AND SEVEN PREVIOUS FISCAL YEARS (CONTINUED)

Reporting Year (Measurement Date)		
2020 (2019)	2019 (2018)	2018 (2017)
\$ 203,938	\$ 302,810	\$ 428,845
467,503	582,440	521,599
-	-	-
299,196	(2,663,170)	302,593
109,181	(1,099,131)	(1,765,095)
(1,210,431)	(1,227,432)	(1,561,262)
(130,613)	(4,104,483)	(2,073,320)
12,475,710	16,580,193	18,653,513
<u>\$ 12,345,097</u>	<u>\$ 12,475,710</u>	<u>\$ 16,580,193</u>
\$ 17,305,551	\$ 16,971,045	\$ 18,715,107
71.34%	73.51%	88.59%

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue:				
Property Taxes	\$ -	\$ -	\$ 51,622,111	\$ 51,622,111
Intergovernmental	-	-	45,602,132	45,602,132
Investment Earnings	-	-	626,889	626,889
Other	-	-	928,331	928,331
Total Revenue	-	-	98,779,463	98,779,463
Expenditures:				
Current:				
Regular Education:				
Instruction	40,648,213	41,697,749	35,599,249	6,098,500
Support Services - Students	3,110,377	3,110,377	3,004,654	105,723
Support Services - Instructional Staff	4,457,267	4,457,267	4,030,022	427,245
Support Services - General Administration	636,371	636,371	724,575	(88,204)
Support Services - School Administration	4,308,647	4,068,647	4,583,049	(514,402)
Support Services - Business and Other	4,506,450	4,506,450	4,780,959	(274,509)
Operation and Maintenance of Plant	12,009,362	12,009,362	8,800,669	3,208,693
Operation of Noninstructional Services	130,546	130,546	130,709	(163)
School-Sponsored Cocurricular Activities	12,100	12,100	18,140	(6,040)
School-Sponsored Athletics	191,830	191,830	147,956	43,874
Total Regular Education	70,011,163	70,820,699	61,819,982	9,000,717
Special Education:				
Instruction	14,436,926	14,436,926	13,349,449	1,087,477
Support Services - Students	5,387,646	5,387,646	5,804,889	(417,243)
Support Services - Instructional Staff	1,597,184	1,597,184	847,152	750,032
Support Services - School Administration	204,419	204,419	182,646	21,773
Operation and Maintenance of Plant	195,947	195,947	163,948	31,999
Total Special Education	21,822,122	21,822,122	20,348,084	1,474,038
Pupil Transportation:				
Student Transportation Services	3,343,384	3,343,384	2,581,643	761,741
Desegregation	13,678,248	13,678,248	13,678,274	(26)
Special K-3 Reading Program				
Instruction	1,010,000	1,010,000	1,026,505	(16,505)
Total Expenditures	109,864,917	110,674,453	99,454,488	11,219,965
Excess (Deficiency) of Revenue Over Expenditures	(109,864,917)	(110,674,453)	(675,025)	109,999,428
Fund Balance - Beginning of Year	-	-	27,492,013	27,492,013
Decrease in Inventories	-	-	(25,524)	(25,524)
Fund Balance - End of Year	\$ (109,864,917)	\$ (110,674,453)	\$ 26,791,464	\$ 137,465,917

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue:				
Intergovernmental	\$ -	\$ -	\$ 21,206,563	\$ 21,206,563
Investment Earnings	-	-	11,143	11,143
Other	-	-	579	579
Total Revenue	-	-	21,218,285	21,218,285
Expenditures:				
Instruction	10,978,528	8,687,615	7,777,832	909,783
Support Services:				
Students	1,309,670	1,036,378	927,847	108,531
Instructional Staff	10,070,429	7,969,010	7,134,481	834,529
General Administration	350	277	248	29
School Administration	99,992	79,126	70,840	8,286
Business and Other Support Services	50,625	40,061	35,866	4,195
Operation and Maintenance of Plant	5,741,428	4,543,352	4,067,564	475,788
Student Transportation	686,008	542,857	486,008	56,849
Operation of Noninstructional Services	337,234	266,862	238,916	27,946
Facilities Acquisition	1,098,736	869,460	778,409	91,051
Total Expenditures	30,373,000	24,035,000	21,518,011	2,516,989
Excess (Deficiency) of Revenue Over Expenditures	(30,373,000)	(24,035,000)	(299,726)	23,735,274
Other Financing Sources (Uses):				
Transfers Out	-	-	(640,892)	(640,892)
Net Change in Fund Balance	(30,373,000)	(24,035,000)	(940,618)	23,094,382
Fund Balance:				
Beginning of Year	-	-	(115,174)	(115,174)
End of Year	<u>\$ (30,373,000)</u>	<u>\$ (24,035,000)</u>	<u>\$ (1,055,792)</u>	<u>\$ 22,979,208</u>

See accompanying Notes to Required Supplementary Information.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024

NOTE 1 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District's adopted budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, with the following exceptions: the General Fund as reported in the Combined 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. Therefore, 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.

	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Beginning Fund Balance	Ending Fund Balance
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 103,635,386	\$ 104,047,625	\$ 935,151	\$ 31,402,846	\$ 31,900,234
Less: Non Maintenance and Operation Funds included in General Fund for GASB Statement No. 54 Purposes	<u>(4,855,923)</u>	<u>(4,593,137)</u>	<u>(935,151)</u>	<u>(3,910,833)</u>	<u>(5,108,770)</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Budgetary Basis	<u>\$ 98,779,463</u>	<u>\$ 99,454,488</u>	<u>\$ -</u>	<u>\$ 27,492,013</u>	<u>\$ 26,791,464</u>

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

See accompanying Notes to Required Supplementary Information.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

Student Activities Fund – accounts for monies raised by students to finance student clubs and organizations.

CAPITAL PROJECTS FUND

Adjacent Ways Fund – accounts for monies received to finance such improvements as public streets or alleys adjacent to school property.

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
COMBINING BALANCE SHEET
JUNE 30, 2024

	Special Revenue					Total Special Revenue Funds
	Instructional Improvement	Classroom Site	Other Special Revenue	Food Service	Student Activities	
Assets						
Cash and Investments	\$ 791,058	\$ 4,510,119	\$ 2,615,142	\$ 1,176,503	\$ 110,900	\$ 9,203,722
Receivables:						
Property Taxes	-	-	-	-	-	-
Intergovernmental	331,372	-	-	98,691	-	430,063
Lease Receivable	-	-	142,815	-	-	142,815
Inventory, at Cost	-	-	-	98,454	-	98,454
Other Assets	-	-	-	100,552	-	100,552
Total Assets	\$ 1,122,430	\$ 4,510,119	\$ 2,757,957	\$ 1,474,200	\$ 110,900	\$ 9,975,606
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 16,931	\$ 23,483	\$ 6,633	\$ 47,047
Accrued Wages and Benefits	68	(244)	(295)	15,971	-	15,500
Total Liabilities	68	(244)	16,636	39,454	6,633	62,547
Deferred Inflows of Resources:						
Unavailable Revenue	-	-	-	-	-	-
Lease Related	-	-	143,068	-	-	143,068
Total Deferred Inflows of Resources	-	-	143,068	-	-	143,068
Fund Balance:						
Nonspendable	-	-	-	98,454	-	98,454
Restricted	1,122,362	4,510,363	2,598,253	1,336,292	104,267	9,671,537
Unassigned	-	-	-	-	-	-
Total Fund Balance	1,122,362	4,510,363	2,598,253	1,434,746	104,267	9,769,991
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,122,430	\$ 4,510,119	\$ 2,757,957	\$ 1,474,200	\$ 110,900	\$ 9,975,606

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2024

Capital Projects			
Adjacent Ways	Building Renewal	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 201,016	\$ -	\$ 201,016	\$ 9,404,738
15,026	-	15,026	15,026
-	868,700	868,700	1,298,763
-	-	-	142,815
-	-	-	98,454
-	-	-	100,552
<u>\$ 216,042</u>	<u>\$ 868,700</u>	<u>\$ 1,084,742</u>	<u>\$ 11,060,348</u>
\$ 30,024	\$ 855,985	\$ 886,009	\$ 933,056
-	-	-	15,500
<u>30,024</u>	<u>1,003,209</u>	<u>1,033,233</u>	<u>1,095,780</u>
9,633	-	9,633	9,633
-	-	-	143,068
<u>9,633</u>	<u>-</u>	<u>9,633</u>	<u>152,701</u>
-	-	-	98,454
176,385	-	176,385	9,847,922
-	(134,509)	(134,509)	(134,509)
<u>176,385</u>	<u>(134,509)</u>	<u>41,876</u>	<u>9,811,867</u>
<u>\$ 216,042</u>	<u>\$ 868,700</u>	<u>\$ 1,084,742</u>	<u>\$ 11,060,348</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2024

	Special Revenue					
	Instructional Improvement	Classroom Site	Other Special Revenue	Food Service	Student Activities	Total Special Revenue Funds
Revenue:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	715,674	8,643,995	-	6,865,740	-	16,225,409
Food Service Sales	-	-	-	585,569	-	585,569
Charges for Services	-	-	910,263	-	-	910,263
Contributions and Donations	-	-	270,895	-	128,830	399,725
Investment Earnings (Loss)	17,739	192,527	57,767	22,052	-	290,085
Other	-	-	251,966	6,180	-	258,146
Total Revenue	733,413	8,836,522	1,490,891	7,479,541	128,830	18,669,197
Expenditures:						
Current:						
Instruction	184,596	7,182,724	850,776	-	-	8,218,096
Support Services:						
Students	-	50,776	10,205	-	146,036	207,017
Instructional Staff	269,816	332,721	79,729	-	-	682,266
General Administration	-	-	1,922	-	-	1,922
School Administration	-	-	92	-	-	92
Business and Other Support Services	-	-	11,389	-	-	11,389
Operations and Maintenance of Plant	-	-	151,649	60,994	-	212,643
Student Transportation	-	-	66,065	-	787	66,852
Operation of Noninstructional Services	-	-	4,836	7,324,772	-	7,329,608
Debt Service:						
Principal Retirement	-	-	-	33,880	-	33,880
Capital Outlay:						
Facilities Acquisition	-	-	-	-	-	-
Total Expenditures	454,412	7,566,221	1,176,663	7,419,646	146,823	16,763,765
Excess (Deficiency) of Revenue Over Expenditures	279,001	1,270,301	314,228	59,895	(17,993)	1,905,432
Other Financing Sources (Uses):						
Transfers Out	-	-	-	(135,783)	-	(135,783)
Net Change in Fund Balance	279,001	1,270,301	314,228	(75,888)	(17,993)	1,769,649
Fund Balance:						
Beginning of Year, as Previously Presented	843,361	3,240,062	2,284,025	1,563,208	122,260	8,052,916
Change Within Financial Reporting Entity (Nonmajor to Major Fund)	-	-	-	-	-	-
Beginning of Year, as Adjusted	843,361	3,240,062	2,284,025	1,563,208	122,260	8,052,916
Decrease in Inventories	-	-	-	(52,574)	-	(52,574)
End of Year	\$ 1,122,362	\$ 4,510,363	\$ 2,598,253	\$ 1,434,746	\$ 104,267	\$ 9,769,991

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGE IN FUND BALANCE (CONTINUED)
YEAR ENDED JUNE 30, 2024

Capital Projects			<i>Formerly Nonmajor Fund</i>		
Adjacent Ways	Building Renewal	Unrestricted Capital Outlay	Total Capital Projects Funds	Total Nonmajor Governmental Funds	
\$ 258	\$ -	\$ -	\$ 258	\$ 258	
-	4,619,550	-	4,619,550	20,844,959	
-	-	-	-	585,569	
-	-	-	-	910,263	
-	-	-	-	399,725	
-	(6,138)	-	(6,138)	283,947	
-	-	-	-	258,146	
258	4,613,412	-	4,613,670	23,282,867	
-	-	-	-	8,218,096	
-	-	-	-	207,017	
-	-	-	-	682,266	
-	-	-	-	1,922	
-	-	-	-	92	
-	-	-	-	11,389	
-	-	-	-	212,643	
-	-	-	-	66,852	
-	-	-	-	7,329,608	
-	-	-	-	33,880	
251,635	4,718,834	-	4,970,469	4,970,469	
251,635	4,718,834	-	4,970,469	21,734,234	
(251,377)	(105,422)	-	(356,799)	1,548,633	
-	-	-	-	(135,783)	
(251,377)	(105,422)	-	(356,799)	1,412,850	
427,762	(29,087)	6,409,654	6,808,329	14,861,245	
-	-	(6,409,654)	(6,409,654)	(6,409,654)	
427,762	(29,087)	-	398,675	8,451,591	
-	-	-	-	(52,574)	
\$ 176,385	\$ (134,509)	\$ -	\$ 41,876	\$ 9,811,867	

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – BOND BUILDING FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Expenditures:				
Instruction	\$ -	\$ -	\$ 479,461	\$ (479,461)
Support Services:				
Operation and Maintenance of Plant	-	-	972,919	(972,919)
Student Transportation	-	-	762,151	(762,151)
Facilities Acquisition	30,677,377	37,505,254	9,078,013	28,427,241
Total Expenditures	30,677,377	37,505,254	11,292,544	26,212,710
Excess (Deficiency) of Revenue				
Over Expenditures	(30,677,377)	(37,505,254)	(11,292,544)	26,212,710
Fund Balance:				
Beginning of Year	-	-	23,478,333	23,478,333
End of Year	\$ (30,677,377)	\$ (37,505,254)	\$ 12,185,789	\$ 49,691,043

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Property Taxes	\$ -	\$ 24,120,885	\$ 24,120,885
Investment Earnings	-	936,278	936,278
Total Revenue	-	25,057,163	25,057,163
Expenditures:			
Debt Service:			
Principal Retirement	15,335,000	15,335,000	-
Interest on Long-Term Debt	6,665,000	6,596,988	68,012
Issuance Costs	-	20,150	(20,150)
Total Expenditures	22,000,000	21,952,138	47,862
Excess (Deficiency) of Revenue Over Expenditures	(22,000,000)	3,105,025	(25,105,025)
Fund Balance:			
Beginning of Year	-	1,927,819	1,927,819
End of Year	\$ (22,000,000)	\$ 5,032,844	\$ 27,032,844

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – INSTRUCTIONAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue:				
Intergovernmental	\$ -	\$ -	\$ 715,674	\$ 715,674
Investment Earnings	-	-	17,739	17,739
Total Revenue	-	-	733,413	733,413
Expenditures:				
Instruction	203,115	203,115	184,596	18,519
Support Services:				
Instructional Staff	296,885	296,885	269,816	27,069
Total Expenditures	500,000	500,000	454,412	45,588
Excess (Deficiency) of Revenue Over Expenditures	(500,000)	(500,000)	279,001	779,001
Fund Balance:				
Beginning of Year	-	-	843,361	843,361
End of Year	<u>\$ (500,000)</u>	<u>\$ (500,000)</u>	<u>\$ 1,122,362</u>	<u>\$ 1,622,362</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – CLASSROOM SITE FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ -	\$ -	\$ 8,643,995	\$ 8,643,995
Investment Earnings	-	-	192,527	192,527
Total Revenue	-	-	8,836,522	8,836,522
Expenditures:				
Instruction	11,337,906	11,466,278	7,182,724	4,283,554
Support Services:				
Students	66,550	66,550	50,776	15,774
Instructional Staff	271,040	271,040	332,721	(61,681)
Total Expenditures	11,675,496	11,803,868	7,566,221	4,237,647
Excess (Deficiency) of Revenue Over Expenditures	(11,675,496)	(11,803,868)	1,270,301	13,074,169
Fund Balance:				
Beginning of Year	-	-	3,240,062	3,240,062
End of Year	\$ (11,675,496)	\$ (11,803,868)	\$ 4,510,363	\$ 16,314,231

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Charges for Services	\$ -	\$ 910,263	\$ 910,263
Contributions and Donations	-	270,895	270,895
Investment Earnings	-	57,767	57,767
Other	-	251,966	251,966
Total Revenue	<u>-</u>	<u>1,490,891</u>	<u>1,490,891</u>
Expenditures:			
Instruction	2,299,271	850,776	1,448,495
Support Services:			
Students	27,580	10,205	17,375
Instructional Staff	215,472	79,729	135,743
General Administration	5,194	1,922	3,272
Business and Other Support Services	30,779	11,389	19,390
Operations and Maintenance of Plant	409,840	151,649	258,191
Student Transportation	178,544	66,065	112,479
Operation of Noninstructional Services	13,070	4,836	8,234
Total Expenditures	<u>3,180,000</u>	<u>1,176,663</u>	<u>2,003,337</u>
Excess (Deficiency) of Revenue Over Expenditures	(3,180,000)	314,228	3,494,228
Fund Balance:			
Beginning of Year	-	2,284,025	2,284,025
End of Year	<u>\$ (3,180,000)</u>	<u>\$ 2,598,253</u>	<u>\$ 5,778,253</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue:				
Intergovernmental	\$ -	\$ -	\$ 6,865,740	\$ 6,865,740
Food Service Sales	-	-	585,569	585,569
Investment Earnings (Loss)	-	-	22,052	22,052
Other	-	-	6,180	6,180
Total Revenue	-	-	7,479,541	7,479,541
Expenditures:				
Support Services				
Operations and Maintenance of Plant	65,765	65,765	60,994	4,771
Operation of Noninstructional Services	7,897,705	7,897,705	7,324,772	572,933
Debt Service				
Principal Retirement	36,530	36,530	33,880	2,650
Total Expenditures	8,000,000	8,000,000	7,419,646	580,354
Excess (Deficiency) of Revenue Over Expenditures	(8,000,000)	(8,000,000)	59,895	8,059,895
Other Financing Sources (Uses):				
Transfers Out	-	-	(135,783)	(135,783)
Net Change in Fund Balance	(8,000,000)	(8,000,000)	(75,888)	7,924,112
Fund Balance:				
Beginning of Year	-	-	1,563,208	1,563,208
Decrease in Inventories	-	-	(52,574)	(52,574)
End of Year	\$ (8,000,000)	\$ (8,000,000)	\$ 1,434,746	\$ 9,434,746

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – STUDENT ACTIVITIES FUND
YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance with Final Budget
Revenue:			
Contributions and Donations	\$ -	\$ 128,830	\$ 128,830
Total Revenue	-	128,830	128,830
Expenditures:			
Support Services:			
Students	200,000	146,036	53,964
Student Transportation	-	787	(787)
Total Expenditures	200,000	146,823	53,177
Excess (Deficiency) of Revenue Over Expenditures	(200,000)	(17,993)	10,997,492
Fund Balance:			
Beginning of Year	-	122,260	122,260
End of Year	\$ (200,000)	\$ 104,267	\$ 304,267

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – ADJACENT WAYS FUND
YEAR ENDED JUNE 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:			
Property Taxes	\$ -	\$ 258	\$ 258
Total Revenue	-	258	258
Expenditures:			
Facilities Acquisition	<u>1,600,000</u>	<u>251,635</u>	<u>1,348,365</u>
Excess (Deficiency) of Revenue Over Expenditures	(1,600,000)	(251,377)	1,348,623
Fund Balance:			
Beginning of Year	-	427,762	427,762
End of Year	<u>\$ (1,600,000)</u>	<u>\$ 176,385</u>	<u>\$ 1,776,385</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – BUILDING RENEWAL FUND
YEAR ENDED JUNE 30, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:			
Intergovernmental	\$ -	\$ 4,619,550	\$ 4,619,550
Investment Earnings (Loss)	<u>-</u>	<u>(6,138)</u>	<u>(6,138)</u>
Total Revenue	-	4,613,412	4,613,412
Expenditures:			
Facilities Acquisition	<u>6,500,000</u>	<u>4,718,834</u>	<u>1,781,166</u>
Excess (Deficiency) of Revenue Over Expenditures	(6,500,000)	(105,422)	6,394,578
Fund Balance:			
Beginning of Year	-	(29,087)	(29,087)
End of Year	<u>\$ (6,500,000)</u>	<u>\$ (134,509)</u>	<u>\$ 6,365,491</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – UNRESTRICTED CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue:				
Property Taxes	\$ -	\$ -	\$ 10,713,208	\$ 10,713,208
Investment Earnings	-	-	162,385	162,385
Other	-	-	2,897	2,897
Total Revenue	-	-	10,878,490	10,878,490
Expenditures:				
Instruction	10,830,997	12,792,144	3,702,986	9,089,158
Support Services:				
Students	52,522	52,522	52,522	-
Instructional Staff	3,867,478	3,567,478	595,839	2,971,639
General Administration	286,648	86,648	11,593	75,055
School Administration	3,336	3,336	3,336	-
Business and Other Support Services	1,660,016	1,660,016	1,660,016	-
Operations and Maintenance of Plant	800,000	800,000	615,757	184,243
Student Transportation	377,328	377,328	44,061	333,267
Operation of Noninstructional Services	100,000	100,000	5,061	94,939
Facilities Acquisition	1,100,000	1,100,000	829,949	270,051
Total Expenditures	19,078,325	20,539,472	7,821,877	13,319,109
Excess (Deficiency) of Revenue Over Expenditures	(19,078,325)	(20,539,472)	3,056,613	23,596,085
Fund Balance:				
Beginning of Year	-	-	6,409,654	6,409,654
End of Year	\$ (19,078,325)	\$ (20,539,472)	\$ 9,766,293	\$ 30,305,765

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INTERNAL SERVICE FUNDS

Transportation Services – accounts for charges to other departments for transportation services.

Insurance Benefit – accounts for the financial activity associated with the District's self-insurance program and other insurance related withholdings.

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2024

	Transportation Services	Insurance Benefit	Totals
ASSETS			
Current:			
Cash and Investments	\$ 321,704	\$ 7,021,766	\$ 7,343,470
Accounts Receivable	-	127,235	127,235
Total Assets	<u>321,704</u>	<u>7,149,001</u>	<u>7,470,705</u>
LIABILITIES			
Accounts Payable	-	23,991	23,991
Accrued Wages	29,914	(66)	29,848
Claims Payable	-	2,386,266	2,386,266
Total Liabilities	<u>29,914</u>	<u>2,410,191</u>	<u>2,440,105</u>
NET POSITION			
Unrestricted	<u>\$ 291,790</u>	<u>\$ 4,738,810</u>	<u>\$ 5,030,600</u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2024

	Transportation Services	Insurance Benefit	Totals
OPERATING REVENUES			
Contributions	\$ -	\$ 13,601,052	\$ 13,601,052
Charges for services	112,817	-	112,817
Other	-	107,532	107,532
Total Revenues	<u>112,817</u>	<u>13,708,584</u>	<u>13,821,401</u>
OPERATING EXPENSES			
Claims	-	10,342,447	10,342,447
Premiums	-	1,181,312	1,181,312
Administrative fees	-	1,479,799	1,479,799
Cost of Services	158,999	-	158,999
Total Expenditures	<u>158,999</u>	<u>13,003,558</u>	<u>13,162,557</u>
OPERATING INCOME (LOSS)	(46,182)	705,026	658,844
NONOPERATING REVENUES			
Investment Income	<u>8,048</u>	<u>149,332</u>	<u>157,380</u>
CHANGE IN NET POSITION	(38,134)	854,358	816,224
Net Position - Beginning of Year	<u>329,924</u>	<u>3,884,452</u>	<u>4,214,376</u>
NET POSITION - END OF YEAR	<u><u>\$ 291,790</u></u>	<u><u>\$ 4,738,810</u></u>	<u><u>\$ 5,030,600</u></u>

TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

	Transportation Services	Insurance Benefit	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Contributions	\$ -	\$ 13,603,157	\$ 13,603,157
Cash Received from Other Sources	112,817	107,532	220,349
Cash Payments for Claims and Administrative Fees	-	(11,781,638)	(11,781,638)
Cash Payments for Premiums	-	(1,179,180)	(1,179,180)
Cash Payments for Supplies for Goods and Services/Employees	(152,203)	-	(152,203)
Net Cash Provided (Used) by Operating Activities	(39,386)	749,871	710,485
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	8,048	149,332	157,380
Net Cash Provided by Investing Activities	8,048	149,332	157,380
NET CHANGE IN CASH AND CASH EQUIVALENTS	(31,338)	899,203	867,865
Cash and Cash Equivalents - Beginning of Year	353,042	6,122,563	6,475,605
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 321,704</u>	<u>\$ 7,021,766</u>	<u>\$ 7,343,470</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (46,182)	\$ 705,026	\$ 658,844
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:			
Change in Accounts Receivable	-	2,105	2,105
Change in Accounts Payable	(1,913)	2,132	219
Change in Accrued Liabilities	8,709	(66)	8,643
Change in Claims Payable	-	40,674	40,674
Total Adjustments	6,796	44,845	51,641
Net Cash Used by Operating Activities	<u>\$ (39,386)</u>	<u>\$ 749,871</u>	<u>\$ 710,485</u>

APPENDIX D

MARICOPA COUNTY, ARIZONA

The following information regarding the County is provided for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District; consequently, no representation is made as to the relevance of the data to the District or the Bonds. THE BONDS WILL NOT BE OBLIGATIONS OF THE COUNTY. The Bonds will be direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

General

The County was named after the Maricopa Indian tribe and was formed as the fifth county of Arizona in 1871. The principal geographic features of the County consist of the expansive river valleys of the Salt and Gila Rivers and a number of rugged mountain ranges scattered throughout the County.

The County encompasses approximately 9,222 square miles, 98 square miles of which is water.

LAND OWNERSHIP Maricopa County, Arizona

<u>Control/Ownership</u>	<u>Percent of Land in County</u>
U.S. Forest Service and Bureau of Land Management	39%
State of Arizona	11
Indian Reservation	5
Individual or Corporation	29
Other Public Lands	16
Total	<u>100%</u>

Source: *Arizona County Profiles*, Arizona Commerce Authority.

Municipal Government and Organization

The governmental and administrative affairs of the County are carried out by a Board of Supervisors (the "Board") comprised of five members who each serve four-year terms. The Board appoints a Chief Administrative Officer who is responsible for carrying out Board policies and administering County operations.

Located within the County are the cities of Avondale, Buckeye, Chandler, Glendale, Goodyear, Litchfield Park, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Tolleson; the towns of Carefree, Cave Creek, Fountain Hills, Guadalupe, Gilbert, Paradise Valley, Wickenburg and Youngtown and the unincorporated retirement communities of Sun City and Sun City West, along with several smaller communities.

The following table illustrates respective population statistics for the principal communities of the County, the County and the State.

POPULATION STATISTICS

Year	City of Phoenix	City of Mesa	City of Chandler	City of Glendale	City of Scottsdale	City of Tempe	Maricopa County	State of Arizona
2024 Estimate (a)	1,697,696	524,892	286,342	260,878	249,935	193,336	4,726,247	7,621,703
2020 Census	1,608,139	504,258	275,987	248,325	241,361	180,587	4,420,568	7,151,502
2010 Census	1,445,632	439,041	236,123	226,721	217,385	161,719	3,817,117	6,392,017
2000 Census	1,321,045	396,375	176,581	218,812	202,705	158,625	3,072,149	5,130,632
1990 Census	983,392	288,104	89,862	147,864	130,075	141,993	2,122,101	3,665,339
1980 Census	789,704	152,404	29,673	97,172	88,622	106,920	1,509,175	2,716,546

(a) Estimate as of July 2024 (data released in December 2024).

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Economy

The County's economy is based on high technology manufacturing, light manufacturing and commercial activities (including construction and trade), tourism, government and agriculture. The table below illustrates the employment structure of the County.

NON-AGRICULTURAL EMPLOYMENT STRUCTURE Maricopa County, Arizona

	2025 Percent of Total (a)
Mining and construction	7.4%
Manufacturing	5.9
Trade, transportation and utilities	19.1
Information	1.6
Financial activities	8.7
Professional and Business Services	15.9
Educational and Health Services	17.3
Leisure and Hospitality	10.9
Services and miscellaneous	3.2
Government	10.0
Total	100.0%

(a) Data through June 2025.

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

LABOR FORCE AND NONFARM EMPLOYMENT
Maricopa County, Arizona

	<u>2025 (a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Mining and construction	176,300	169,000	167,100	152,400	139,100	135,100
Manufacturing	140,300	140,000	141,800	140,400	133,700	129,900
Trade, transportation, and utilities	452,300	464,100	454,400	447,400	427,100	401,900
Information	38,200	40,000	41,900	42,800	39,700	37,400
Financial activities	207,100	209,700	209,400	214,600	214,300	206,600
Professional and business services	376,100	386,700	381,400	383,500	367,400	352,200
Educational and health services	411,100	408,900	383,300	359,100	339,100	329,300
Leisure and hospitality	257,000	239,000	241,700	229,900	206,200	187,200
Other services	76,700	75,600	74,300	71,400	66,800	60,100
Government	237,000	237,300	226,500	218,500	216,500	218,400
	<u>2,372,100</u>	<u>2,370,300</u>	<u>2,321,800</u>	<u>2,260,000</u>	<u>2,149,900</u>	<u>2,058,100</u>

(a) Data through June 2025.

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

The following table illustrates the unemployment rate averages for the County, the State and the United States of America.

UNEMPLOYMENT RATE AVERAGES

<u>Calendar Year</u>	<u>Maricopa County (a)</u>	<u>State of Arizona (a)</u>	<u>United States of America</u>
2025 (b)	3.5%	3.9%	4.2%
2024	3.1	3.6	4.0
2023	3.4	3.9	3.6
2022	3.3	3.8	3.6
2021	4.6	5.1	5.4
2020	7.3	7.8	8.1

(a) Each year, historical estimates from the LAUS program are revised to reflect new population controls from the Census Bureau, updated input data, and reestimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Sub-state area data subsequently are revised to incorporate updated inputs, reestimation, and controlling to new statewide totals.

(b) Data through June 2025.

Source: Arizona Office of Economic Opportunity, prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Bureau of Labor Statistics.

Retail Sales

The following table illustrates retail sales for the County.

TAXABLE RETAIL SALES Maricopa County, Arizona (\$000s omitted)

Calendar Year	Taxable Retail Sales (a)
2025 (b)	\$38,312,830
2024	72,535,228
2023	73,072,528
2022	71,219,545
2021	66,043,105
2020	54,900,739

(a) The statutory definition of “Retail Sales” is the business of selling tangible personal property at retail. Therefore, this class does not include services or hotels, restaurants or food sales.

(b) Data through June 2025.

Source: Arizona Department of Revenue, Office of Economic Research and Analysis.

Bank Deposits

The following table illustrates bank deposits for the County.

BANK DEPOSITS Maricopa County, Arizona (\$ in millions)

Fiscal Year	Amount
2024	\$163,404
2023	163,826
2022	178,327
2021	158,003
2020	132,017

Source: Federal Deposit Insurance Corporation.

FORM OF APPROVING LEGAL OPINION

[Closing Date]

GOVERNING BOARD
TEMPE ELEMENTARY SCHOOL DISTRICT
NO. 3 OF MARICOPA COUNTY, ARIZONA

We have examined the transcript of proceedings relating to the issuance by Tempe Elementary School District No. 3 (the “*District*”) of Maricopa County, Arizona (the “*County*”), of the District’s \$38,150,000* aggregate principal amount of School Improvement Bonds, Project of 2022, Series B (2025) (the “*Bonds*”). The Bonds are dated [Closing Date], and bear interest payable January 1 and July 1 of each year to maturity, or prior redemption, commencing January 1, 2026*.

As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The Bonds are valid and binding general obligations of the District.
2. All of the taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit as to rate or amount. It is required by law that the Board of Supervisors of the County levy, at the time of making the levy of taxes for County purposes, an annual tax upon the taxable property in the District sufficient to pay the principal of and interest on the Bonds when due.
3. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excludable from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code (as defined herein)) for the purpose of computing the alternative minimum tax imposed on corporations. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the “*Code*”). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The District has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the District with such restrictions, conditions and requirements.

* *Subject to change.*

The rights of the owners of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$38,150,000*
TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3
OF MARICOPA COUNTY, ARIZONA
SCHOOL IMPROVEMENT BONDS,
PROJECT OF 2022, SERIES B (2025)

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP Base No. 566880)

This Continuing Disclosure Certificate (this “*Disclosure Certificate*”) is undertaken by Tempe Elementary School District No. 3 of Maricopa County, Arizona (the “*District*”) in connection with the issuance of its \$38,150,000* School Improvement Bonds, Project of 2022, Series B (2025) (the “*Bonds*”). In consideration of the initial sale and delivery of the Bonds, the District covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is for the benefit of the Bondholders (as defined herein) and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein).

Section 2. Definitions. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

“*Annual Report*” shall mean the annual report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Audited Financial Statements*” shall mean the District’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the District intends to continue to prepare in substantially the same form.

“*Bond Counsel*” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the District.

“*Bondholder*” shall mean any registered owner or beneficial owner of the Bonds.

“*Dissemination Agent*” shall mean the District, or any person designated in writing by the District as the Dissemination Agent.

“*EMMA*” shall mean the Electronic Municipal Market Access system of MSRB, or any successor thereto approved by the Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

“*Financial Obligation*” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), except that “*Financial Obligation*” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Listed Events*” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

* Subject to change.

“Official Statement” shall mean the final official statement dated [_____, 2025] relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) Commencing February 1, 2026, and by no later than February 1 of each year thereafter (the “Filing Date”), the District shall, either directly or by directing the Dissemination Agent to do so, provide an Annual Report to MSRB. The Annual Report shall be provided electronically and in a format prescribed by MSRB. The Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Certificate and shall include information from the fiscal year ending on the preceding June 30. All documents provided to MSRB shall be accompanied by identifying information prescribed by MSRB. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District).

(b) If the District is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the District shall, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit A not later than the Filing Date.

(c) If the District’s Audited Financial Statements are not submitted with the Annual Report and the District fails to provide to EMMA a copy of its Audited Financial Statements within thirty (30) days of receipt thereof by the District, then the District shall, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit B.

(d) The Dissemination Agent shall:

(i) Determine the proper electronic filing address of EMMA each year prior to the date(s) for providing the Annual Report and Audited Financial Statements; and

(ii) If the Dissemination Agent is other than the District, file a report or reports with the District certifying that the Annual Report and Audited Financial Statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the Audited Financial Statements of the District; provided, however, that if the Audited Financial Statements of the District are not available at the time of the filing of the Annual Report, the District shall file unaudited financial statements of the District with the Annual Report and, when the Audited Financial Statements of the District are available, the same shall be submitted to EMMA within thirty (30) days of receipt thereof by the District.

(b) The District’s Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, Audited Financial Statements for the District.

(B) Annually updated financial information and operating data of the type contained in the following tables in APPENDIX A – “THE DISTRICT – DISTRICT INFORMATION” and APPENDIX B – “THE DISTRICT – FINANCIAL INFORMATION” of the Official Statement:

- (1) Table 2 – Average Daily Membership;
- (2) Table 7 – Property Taxes Levied and Collected;
- (3) Table 9 – Net Limited Assessed Property Value by Property Classification;
- (4) Table 10 – Net Limited Assessed Property Value of Major Taxpayers; and
- (5) Tables 15 and 16 – Constitutional / Statutory Debt Limit / Unused Borrowing Capacity after Bond Issuance.

(C) In the event of an amendment pursuant to Section 8 of this Disclosure Certificate not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the District’s Audited Financial Statements is contained in Note 1 of the Audited Financial Statements included within the Official Statement.

Notice of amendment to the accounting principles shall be sent within thirty (30) days to EMMA.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section shall govern the giving of notices by the District, either directly or by directing the Dissemination Agent to do so, of the occurrence of any of the following events with respect to the Bonds. The District shall in a timely manner, not in excess of ten (10) business days after the occurrence of the event, provide notice of the following events with EMMA:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service (the “IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination

- of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (xv) The incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders, if material; and
 - (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) “Materiality” will be determined in accordance with the applicable federal securities laws.

Note to Section 5(a)(xii): For the purposes of the event identified in subsection (a)(xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the District to give notice of such defeasance or prior redemption.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate if:

- (a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the District, or the type of business conducted;
- (b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Section 9. Filing with EMMA. The District shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. Additional Information. The District may, at the District’s election, include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate. If the District chooses to include such information, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder may seek specific performance by court order to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. **Compliance by District.** The District hereby covenants to comply with the terms of this Disclosure Certificate. The District expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter or Bond Counsel.

Section 13. **Subject to Appropriation.** Pursuant to Arizona law, the District's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and sending the Annual Report and notices of Listed Events to EMMA. Should funds that would enable the District to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact shall, in a timely manner, be sent to EMMA in substantially the form attached as Exhibit C.

Section 14. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

Section 15. **Governing Law and Interpretation of Terms.** This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Dated: [Closing Date]

**TEMPE ELEMENTARY SCHOOL DISTRICT NO. 3 OF
MARICOPA COUNTY, ARIZONA**

By _____
Its Executive Director of Business Services

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Tempe Elementary School District No. 3 of Maricopa County, Arizona
Name of Bond Issue: \$38,150,000* School Improvement Bonds, Project of 2022, Series B (2025)
Dated Date of Bonds: [Closing Date] Base CUSIP: 566880

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated [Closing Date]. The District anticipates that the Annual Report for fiscal year ended June 30, _____ will be filed by _____.

Dated: _____

Tempe Elementary School District No. 3 of Maricopa County,
Arizona
By _____
Its _____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: Tempe Elementary School District No. 3 of Maricopa County, Arizona
Name of Bond Issue: \$38,150,000* School Improvement Bonds, Project of 2022, Series B (2025)
Dated Date of Bonds: [Closing Date] Base CUSIP: 566880

NOTICE IS HEREBY GIVEN that the District failed to provide its Audited Financial Statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Continuing Disclosure Certificate dated [Closing Date], with respect to the above-named Bonds. The District anticipates that the Audited Financial Statements for the fiscal year ended June 30, _____ will be filed by _____.

Dated: _____

Tempe Elementary School District No. 3 of Maricopa County,
Arizona
By _____
Its _____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: Tempe Elementary School District No. 3 of Maricopa County, Arizona
Name of Bond Issue: \$38,150,000* School Improvement Bonds, Project of 2022, Series B (2025)
Dated Date of Bonds: [Closing Date] Base CUSIP: 566880

NOTICE IS HEREBY GIVEN that the District failed to appropriate funds necessary to perform the undertaking required by the Continuing Disclosure Certificate dated [Closing Date].

Dated: _____

Tempe Elementary School District No. 3 of Maricopa County,
Arizona
By _____
Its _____

* Subject to change.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Bonds and the redemption price of any Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.