

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 16 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Designations of Fund Balances

At June 30, 2008, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; rainy day - amounts designated for unforeseen events; Capital Projects - amounts designated for future capital projects; Rio Salado - amount designated for future operation and maintenance costs related to the Rio Salado Town Lake project; compensated absences - amount designated for future payment of compensated absences; arbitrage rebate - amount designated for future arbitrage rebate; retiree healthcare (OPEB) - amount designated for future payment of retiree healthcare; Marketplace contribution - amount designated for the repayment of Housing and Urban Development Section 108 loan; Rio Salado capital improvements fund- amount designated for dam replacements.

	<u>Amount</u>
General fund:	
Self-insurance purposes	\$ 8,841,391
Rainy day	8,000,000
Capital projects	9,117,213
Rio Salado	4,192,390
Compensated absences	7,026,071
Arbitrage rebate	500,000
Retiree healthcare (OPEB)	10,000,000
Marketplace contribution	143,979
Total General Fund	<u>47,821,044</u> ←
 Rio Salado capital improvements fund	 <u>1,267,619</u>
 Total governmental funds	 <u>\$ 49,088,663</u>

NOTE 17 - RISK FINANCING ACTIVITIES

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

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

The City is a self insured entity with excess commercial coverage purchased for general liability, automobile liability, property, workers' compensation and group health coverage. The coverage is as follows: for general liability the first \$2.0 million is self insured and excess coverage of \$40.0 million is provided; for automobile liability the deductible is \$25,000 for comprehensive and collision with a policy limit of \$5.0 million; for property the self-insurance retention is the first \$100,000 of all perils with a policy limit of \$200.0 million; for workers' compensation and employers' liability the first \$500,000 of each claim is self insured, with excess coverage of \$2.0 million in employers' liability and the Arizona statutory workers' compensation coverage; and for group health the self-insurance retention is \$200,000 per occurrence, with an aggregate stop loss deductible of \$18.2 million. During the year there were no significant reductions in the amounts of excess coverage purchased.