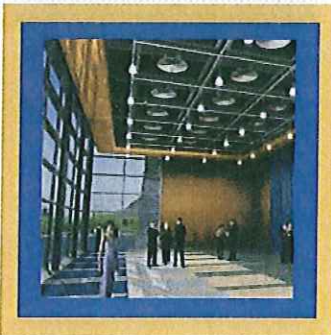
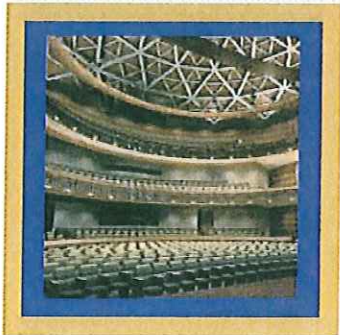
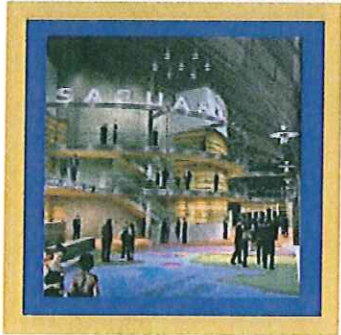




COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008



City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2008



City Council:

Hugh Hallman, Mayor
Hut Hutson, Vice Mayor
P. Ben Arredondo
Barbara J. Carter
Shanna Ellis
Mark Mitchell
Onnie Shekerjian

Administrative Staff:

Charles W. Meyer, City Manager

Presented by:

Jerry Hart, CPA, Financial Services Manager
Tom Duensing, CPA, Deputy Financial Services Manager
Karen Huffman, CPA, Controller



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

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City of Tempe, Arizona

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City of Tempe, Arizona

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

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



FINANCIAL SERVICES

November 28, 2008

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

The Comprehensive Annual Financial Report, including the Independent Auditors' Report, for the fiscal year ended June 30, 2008 is submitted in accordance with Article V of the City Charter for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with management. To the best of our knowledge and belief, this report is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This Comprehensive Annual Financial Report (CAFR) represents management's report to its governing body, constituents, legislative and oversight bodies, investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies that have expressed an interest in Tempe's financial condition. Copies of this financial report will also be placed in the City library and on the City's web site at <http://www.tempe.gov/accounting/> for use by the general public.

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

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

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

CITY OF TEMPE PROFILE

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

Current Profile - The boundaries of Tempe encompass an area approximately 40.1 square miles with an estimated population of 167,000 residents. Tempe offers more than 330 days of sunshine each year with rainfall amounts of approximately 7 inches a year. The City is located in Maricopa County, Arizona and is bordered by the cities of Phoenix, Scottsdale, Mesa, Chandler and the Town of Guadalupe. Tempe is surrounded by five major freeways and is only minutes away from Phoenix Sky Harbor International Airport making it the most accessible city in the metropolitan Phoenix area.

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

Budgetary Controls - The City maintains budgetary controls which are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating budget approved by the City Council. Activities of the General Fund, Special Revenue Funds (except for the Grant and Court Awards), General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are also prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations are carried forward at the end of each fiscal year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its' responsibility for sound financial management.

LOCAL ECONOMY

In the General Fund, the fund in which most general governmental services are financed, the City of Tempe's most significant revenue sources are derived from City sales taxes, state-shared sales taxes and state-shared income taxes. These three revenue sources contributed 68.2% of total General Fund revenues in fiscal year 2007-08. A downturn in the national economy impacted city and state-shared sales taxes for three fiscal years beginning in fiscal year 2001-02. However, proactive redevelopment and planning resulted in a rebound of city sales tax growth through fiscal year 2006-07. However, the impact of a recent downturn in the regional housing market has resulted in a slowing economy in the current fiscal year. State shared sales taxes are also following the same trend due to a slowing state economy.

Fiscal year 2007-08 saw decreases in total taxable sales (0.7%) and retail taxable sales (5.7%) when compared to the prior year. Retail taxable sales comprise approximately 48.4% of total taxable sales. Actual local sales tax revenue (including city sales, local bed, transit and performing arts taxes) decreased by 1.4% over the prior fiscal year. It is expected that city sales tax will remain relatively weak over the next couple of fiscal years due to the effects of the weakening state and national economy.

Both state-shared sales and income taxes are distributed based upon a municipality's percentage population to the State's total population. Like city sales taxes, these state shared revenues are projected to remain relatively weak over the next two fiscal years. In addition, a continued concern is the City's decrease in percentage population to the state overall. Given the City's landlocked status, significant population growth is not anticipated for Tempe in the future when comparing Tempe to other valley cities. Although any adjustments to the revenue distribution formulas generally occur only in decade and mid-decade censuses, any significant reduction in state-shared revenues could have a major impact to the City.

Tempe's unemployment rate was 2.8% during the fiscal year which is below the recent high of 4.5% in fiscal year 2002-03. The City has also saw a 19.7% increase in secondary assessed valuation growth from the fiscal year ended June 30, 2007 to the fiscal year ended June 30, 2008.

LONG-TERM FINANCIAL PLANNING

As part of the annual budget process, the City annually updates its Comprehensive Financial Plan. This document serves as a basis for developing suggested budget policies for City Council consideration. This effort is critical in identifying emerging economic challenges and adjusting priorities to meet those challenges. In conjunction with the Comprehensive Financial Plan and as required by City Charter, a five-year capital improvements program (CIP Budget) is developed and updated annually. This budget is also developed simultaneously with the annual operating budget and identifies any operating impacts of the capital projects.

Anticipating relatively flat revenue growth coupled with projected expenditure growth, the City is currently undergoing a process to examine the operations of the City with the goal of long-term financial sustainability. As part of this process, staff is in the process of 1) developing a new and interactive financial policies model, 2) examining pay and related benefits and 3) examining a comprehensive restructuring model to more efficiently provide services. Because of Council adopted financial policies relative to maintaining healthy fund balances, any adjustments to future City operations can be made over the next two to three fiscal years.

Favorable bond ratings are due not only to having a comprehensive budget process but also result from solid fund balances, adequate reserves and adherence to the City's Debt Management Plan which links future debt capacity to population, tax base growth and the current level of general operating revenue. The Debt Management Plan is designed to limit General Governmental tax supported debt yet provide adequate capital funding for Council approved projects.

The City Council has established a strong 25% reserve policy for the General Fund's unreserved fund balance and continues to adhere to this policy. At June 30, 2008, the General Fund unreserved, undesignated fund balance totaled \$44.6 million. In addition to the 25% reserve policy, the City has designated financial reserves to absorb other potential obligations. At June 30, 2008, the General Fund unreserved, designated fund balance totaled \$47.8 million. Included in this amount are capital projects reserves (\$9.1 million), other post employment benefits reserves (\$10.0 million), self-insurance reserves (\$8.8 million), Rainy Day Reserves (\$8.0 million) and other reserves (\$11.9 million).

As described in Management's Discussion and Analysis included in this report, beginning with the current fiscal year ended June 30, 2008, the City is now required to recognize unfunded costs related to its retiree health benefit program. The Governmental Accounting Standards Board (GASB) issued Statement No. 45 which requires governments to now recognize the cost of providing other postemployment benefits (OPEB) for beneficiaries over their working life. As anticipated, the financial impact of complying with this reporting requirement has caused the City to examine the benefits provided. Currently, the Mayor and Council has directed staff to research and develop a new retiree health benefit plan that substantially lowers the OPEB liability while maintaining a benefit plan for the employees. It is anticipated that a new retiree health plan will be adopted during fiscal year 2008-09 which will materially lower the future OPEB liability.

MAJOR INITIATIVES

The Light Rail project is now in the final phases of construction with planned, on-time completion scheduled for December 2008. The cities of Tempe, Phoenix, Mesa and Glendale currently participate in a joint powers agreement to construct and operate the system. The cost of the initial 20-mile segment is estimated at \$1.4 billion with approximately 41% of the project being funded through a federal grant. Running from Phoenix, through Tempe and into Mesa, a total of 5.5 miles of the initial segment will serve downtown Tempe, Arizona State University and the Apache Boulevard area.

Kept within the shores of the normally dry Salt River by a series of inflatable dams, Tempe Town Lake provides both recreational and business opportunities for residents and visitors. Approximately 60% of Town Lake is to be privately developed with the remainder set aside for parks, open space and wildlife habitat.

Tempe is also home to Arizona State University, the largest educational institution in Arizona and one of the largest in the United States. ASU has almost 53,000 students at the local campus and is the largest employer in the City. Due to the selection of Phoenix metropolitan area as the headquarters for the International Genomics Consortium and Translational Research Institute, the Arizona State University campus is the site of the Arizona Biodesign Institute. The Institute's goal is to improve human health and quality of life through biosystems research. The institute has generated millions of research dollars and launched hundreds of research projects.

Despite the recent slowing economy, the City's economic development and redevelopment efforts continue to be a priority. Because of strong growth through the 1970's and 1980's, the City is approaching build-out. Therefore, new growth will take the form of in-fill development and management's focus is shifting to infrastructure maintenance to improve quality of life. Highlights of the development efforts include the following:

- Located at the southeast edge of Tempe Town Lake and adjacent to Karsten Golf Course, the **South Bank** development is a 3.6 million square-foot, mixed-use development encompassing 27.3 acres. Plans call for Class A office buildings, a hotel and high-end residential buildings. A retail corridor runs through the development and will feature national retailers, well-known boutiques and restaurants.
- **Hayden Ferry Lakeside** is a 17-acre, water-front, master-planned project located on the southern shores of Tempe Town Lake. This 922,000 square foot project contains Class A office space and will feature three mid-rise towers, approximately 400 luxury condominiums and retail space.
- In June 2006, an agreement was reached on development of **Hayden Flour Mill**. The project on the Flour Mill site is intended to be a mixed use development including retail along Mill Avenue, downtown Tempe's main corridor, a site for office and residential development and has potential for a boutique hotel.
- **Centerpoint Condominiums** is a mixed-use development featuring one 22-story and three 30-story residential buildings with over 800 condominiums and 2,000 residents. Completion of the first 22-story tower and the first 30-story tower is expected to be completed in 2009
- During the fiscal year, construction was substantially complete on the **Tempe Marketplace**. Located at the southwest corner of Loops 101 and 202 freeways, this 1.3 million square feet development contains retail space uniquely positioned as an open-air, pedestrian-oriented environment. The development includes national retailers such as Barnes & Noble, GAP, Best Buy and Old Navy. Restaurants include California Pizza Kitchen, Lucille's BBQ, Kabuki Japanese and many others.
- Tempe's **Aloft Hotel** is scheduled to open in April 2009 with 136 loft-style guest rooms and 600 square feet of meeting space. This full service hotel will be located on the north shore of Tempe Town Lake.
- Approved in concept, the **100 Mill Avenue Project** is a redesign of an historic site along Mill Avenue. This 3.3-acre development includes one 26-story condominium tower and one 25-story hotel/condominium tower with ground floor retail space.
- With construction beginning May 2008, **Campus Edge** is the first major development on the light rail line. The eight-story building located near Arizona State University includes retail space and residential units.
- The **Farmer Arts District**, also approved in concept, combines 186 residential units with 54,000 square feet of retail and gallery space. Also included in the design is a possible branch library.
- The **Fifth and Mill Building** is an 11,000 square foot office, residential and retail development. The

- building is located in downtown Tempe and the site retains a portion of the original building.
- Located between downtown and Arizona State University, a new eleven-story, 185-room **Marriott Residence Inn** will be constructed. The project includes ground floor restaurants, retail and a community parking structure.
- In the beginning stages, **Mosaic** is an anticipated twenty-one story, high-rise tower offering approximately 236 residential condominiums as well as nine three bedroom penthouse units.
- The **Onyx Tower** is anticipated to be the tallest building on Tempe Town Lake. This planned 26-story high rise development includes a heated roof-top lap pool and movie theater.
- With the first two buildings of a five-building complex sold out, the **Riverside Office Plaza** is a 290,000 square-foot development located within close proximity of the Loop 101, Loop 202 and Interstate 10 freeways.
- Expected to open in December 2008, **Sotelo** is a 170-unit condominium project currently under construction located near the 1,200 acre Papago Park. The location of the project puts it within close proximity to Arizona State University, downtown Tempe and the light rail.
- A 240-room **Hyatt Regency** hotel is planned to break ground the summer of 2009 with the opening in 2011. This development will also include 24 condominiums, a 4,000 square foot spa and 13,000 square feet of meeting space which includes a 5,000 square foot ballroom.

The City also continues to be a regional draw for special events such as the P.F. Chang's® Rock & Roll Marathon and Half Marathon, Insight.com Bowl and the Ironman® Arizona triathlon. The City is the spring training home to Major League Baseball's Los Angeles Angels of Anaheim. These events have a positive economic impact on city revenues and future development.

A few of the notable City capital projects are as follows:

- Tempe voters passed Proposition 400 in May 2000 which dedicated a 0.1% sales tax to provide funding for development, construction and operation of the **Tempe Center of the Arts**. The \$69.8 million project opened in September 2007 and features a theater, studio, gallery, banquet/meeting room, donor lounge, on-site, full-service box office, dedicated catering areas and an arts retail space. The facility is located on the southwest end of Tempe Town Lake and resides by a 17-acre lakeside art park.
- The **Tempe Transportation Center** is located at the base of A-Mountain in close to downtown, adjacent to the light rail line. The Center serves as a transit plaza for light rail and regional bus riders. This 40,000 square foot facility is scheduled for completion in Fall 2008 and includes retail, a bike station, transit offices and a community conference room.
- The **East Valley Bus Regional Transportation Center** was completed during fiscal year 2007-08 and is owned and operated by the cities of Tempe and Scottsdale and Valley Metro which is the regional organization responsible for developing and integrating the regional transportation systems. The Transportation Center serves as a bus maintenance and fuel facility for the eastern metropolitan area.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirty-two consecutive years (fiscal years 1975-76 through 2006-07). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year 2007-08 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2008.

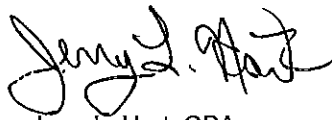
Acknowledgment

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

Respectfully submitted,



Charles W. Meyer
City Manager



Jerry L. Hart, CPA
Financial Services Manager



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tempe
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



For the Fiscal Year
Ended June 30, 2008

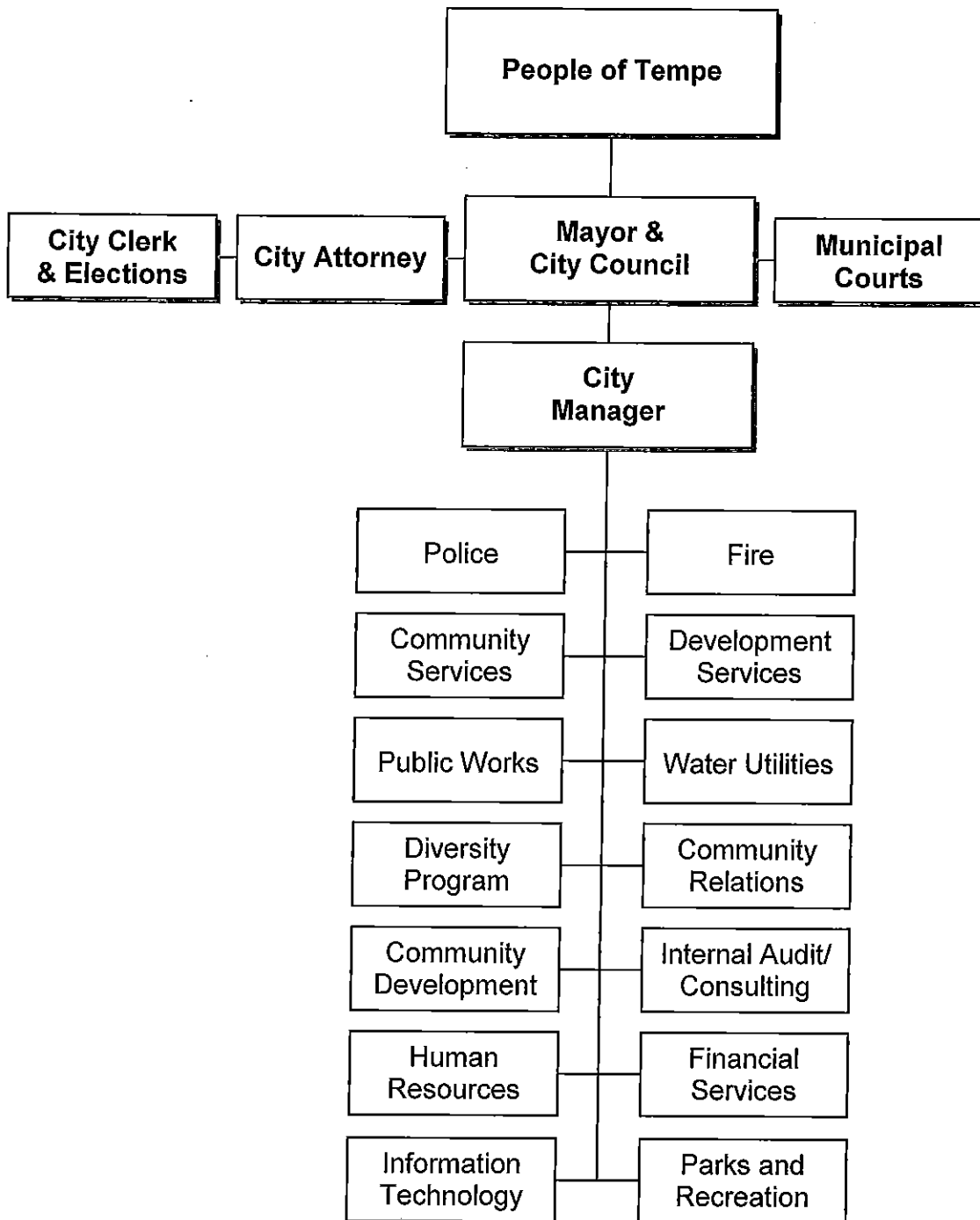
City of Tempe, Arizona List of Principal Officials

City Council

Hugh Hallman, Mayor
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P. Ben Arredondo
Barbara J. Carter
Shanna Ellis
Mark Mitchell
Onnie Shekerjian

Administrative Staff

Charles W. Meyer, City Manager
Jeff Kulaga, Assistant City Manager
Tom Ryff, Police
Cliff Jones, Fire
Tom Canasi, Community Services
Mark Richwine, Parks and Recreation
Glen Kephart, Public Works
Shelley Hearn, Community Relations
Rosa Inchausti, Diversity Program
Ken Jones, Internal Audit/Consulting
Jan Hort, City Clerk and Elections
Andrew Ching, City Attorney
Louraine Arkfeld, Municipal Courts
Chris Anaradian, Development Services
Chris Salomone, Community Development
Jerry Hart, Financial Services
Jon O'Connor, Human Resources
Gene Obis, Information Technology
Don Hawkes, Water Utilities



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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2008, on our consideration of City of Tempe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 19 through 34 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as the introductory section, combining statements, other supplementary information and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

November 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tempe's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.273 billion (net assets). Of this amount, \$380.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$80.6 million during the fiscal year which is a decrease of \$59.2 million over the prior year. The increase in total net assets is due primarily to capital grants and contributions received for the regional light rail project a gain recognized with the sale of City-owned land.
- Starting with the fiscal year ended June 30, 2008, the City is now required to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 related to financial reporting of other postemployment benefits (OPEB). This financial reporting standard requires the City to recognize the cost of providing postemployment health benefits each year. For the year ended June 30, 2008, total OPEB cost for the City was \$39.4 million of which \$33.8 million represented a net OPEB obligation at year end.
- At June 30, 2008, the City's governmental funds reported combined ending fund balances of \$231.8 million. Approximately 68.0% of this total amount (\$157.5 million) is unreserved fund balance available for spending at the government's discretion.
- At June 30, 2008, total unreserved fund balance for the general fund was \$92.4 million. The undesignated portion of unreserved fund balance was \$44.6 million, which is 25.0% of total general fund revenues of \$178.4 million.
- At June 30, 2008, the City's proprietary funds reported combined total net assets of \$258.7 million, and total unrestricted net assets of \$103.8 million. A total of \$101.3 million of the unrestricted net assets are in the Water and Wastewater Fund.
- At June 30, 2008, the total long-term obligations of the City increased by \$127.1 million due primarily to a) the issuance of \$66.4 million in new general obligation debt for water/wastewater system improvements, public safety improvements, community service/park improvements and street improvements; b) the issuance of \$30.2 million in transit excise tax revenue obligations to finance costs related to the regional light rail project; c) the issuance of improvement district special assessment debt totaling \$25.2 million and d) the recognition of the net OPEB obligation totaling \$33.8 million starting with the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, community services, parks and recreation, public works, community relations, mayor and council, city manager, diversity program, internal audit/consulting, city clerk and elections, city attorney, municipal courts, development services, community development, financial services, human resources, and information technology. The business-type activities of the City include water and wastewater, solid waste, golf and cemetery operations.

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

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following 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. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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.

Other than the general fund, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, transit special revenue fund, general obligation debt service fund, special assessment debt service fund and the transit capital projects fund which are all considered to be major funds. Data from the remaining governmental funds are combined

into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the general, special revenue (except grants and court awards), general obligation debt service, and proprietary funds. Budgetary comparison statements have been provided in the basic financial statements for the general and transit special revenue funds to demonstrate compliance with the budget. Budgetary comparison schedules for other nonmajor special revenue and general obligation debt service funds are included in Other Supplementary Information.

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

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

Notes to the Financial Statements

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

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

**Net Assets
June 30, 2008**

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 723,713,858	\$ 271,600,191	\$ 995,314,049
Capital assets, net	831,350,958	302,947,677	1,134,298,635
Total assets	1,555,064,816	574,547,868	2,129,612,684
Liabilities			
Long-term liabilities	469,287,801	289,364,007	758,651,808
Other liabilities	71,562,687	26,499,879	98,062,566
Total liabilities	540,850,488	315,863,886	856,714,374
Net Assets			
Invested in capital assets, net of related debt	597,765,255	154,867,017	752,632,272
Restricted	139,393,928	-	139,393,928
Unrestricted	277,055,145	103,816,965	380,872,110
Total net assets	\$ 1,014,214,328	\$ 258,683,982	\$ 1,272,898,310

**Net Assets
June 30, 2007**

	Governmental Activities (restated)	Business-type Activities (restated)	Total (restated)
Assets			
Current and other assets	\$ 594,669,309	\$ 247,893,583	\$ 842,562,892
Capital assets, net	791,669,427	285,760,381	1,077,429,808
Total assets	1,386,338,736	533,653,964	1,919,992,700
Liabilities			
Long-term liabilities	386,036,421	245,508,688	631,545,109
Other liabilities	74,272,763	21,907,615	96,180,378
Total liabilities	460,309,184	267,416,303	727,725,487
Net Assets			
Invested in capital assets, net of related debt	551,214,280	154,261,599	705,475,879
Restricted	114,918,257	-	114,918,257
Unrestricted	259,897,015	111,976,062	371,873,077
Total net assets	\$ 926,029,552	\$ 266,237,661	\$ 1,192,267,213

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.273 billion and \$1.192 billion at June 30, 2008 and 2007, respectively. As stated in the Financial Highlights section, the increase in total net assets is due primarily to the infusion of capital grants and contributions toward the regional light rail project.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment and construction in progress) less any related debt used to acquire those assets. The net assets invested in capital assets, net of related debt were \$752.6 million and \$705.5 million at June 30, 2008 and 2007, respectively. These totals represent 59.1% and 59.2% of total net assets at June 30, 2008 and 2007, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The net assets subject to external restrictions were \$139.4 million (11.0% of total net assets) and \$114.9 million (9.6% of total net assets) at June 30, 2008 and 2007, respectively. These restrictions are imposed by laws or regulations set by the City (transit and cultural and recreation) and the State of Arizona (highways and streets, court enhancements and debt service). The remaining balance of net assets is unrestricted, and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of unrestricted net assets was \$380.9 million (29.9% of total net assets) and \$371.9 million (31.2% of total net assets) at June 30, 2008 and 2007, respectively.

At the end of each fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities as a whole.

Analysis of Change in Net Assets

The City's net assets increased by \$80.6 million during the current fiscal year. These changes in net assets are explained in the governmental and business-type activities discussion below.

	Changes in Net Assets		
	June 30, 2008		
	Governmental	Business-type	Total
Revenues	Activities	Activities	Total
Program revenues:			
Charges for services	\$ 36,319,364	\$ 70,094,258	\$ 106,413,622
Operating grants and contributions	15,625,633	-	15,625,633
Capital grants and contributions	79,670,490	472,928	80,143,418
General revenues:			
Sales taxes	150,687,016	-	150,687,016
State shared income taxes	23,332,475	-	23,332,475
Property taxes	32,447,203	-	32,447,203
Franchise taxes	3,424,561	-	3,424,561
Auto-lieu taxes	6,655,516	-	6,655,516
Unrestricted investment earnings	14,041,876	4,618,383	18,660,259
Miscellaneous	2,879,878	344,449	3,224,327
Gain on sale of capital assets	36,146,557	70,495	36,217,052
Total revenues	401,230,569	75,600,513	476,831,082

Expenses

Police	83,613,800	-	83,613,800
Fire	30,133,124	-	30,133,124
Community services	24,070,427	-	24,070,427
Parks and recreation	20,521,457	-	20,521,457
Public works	82,727,089	-	82,727,089
Community relations	3,179,145	-	3,179,145
Mayor and council	547,453	-	547,453
City manager	488,323	-	488,323
Diversity program	687,926	-	687,926
Internal audit/consulting	558,706	-	558,706
City clerk and elections	870,815	-	870,815
City attorney	3,641,333	-	3,641,333
Municipal courts	6,066,038	-	6,066,038
Development services	8,596,785	-	8,596,785
Community development	20,037,984	-	20,037,984
Financial services	5,969,557	-	5,969,557
Human resources	3,648,975	-	3,648,975
Information technology	2,677,340	-	2,677,340
Non-departmental	3,067,647	-	3,067,647
Interest on long-term debt	12,091,111	-	12,091,111
Water/Wastewater	-	64,954,769	64,954,769
Solid waste	-	15,130,899	15,130,899
Golf	-	2,667,539	2,667,539
Cemetery	-	251,743	251,743
Total expenses	<u>313,195,035</u>	<u>83,004,950</u>	<u>396,199,985</u>
Increase (decrease) in net assets before transfers	88,035,534	(7,404,437)	80,631,097
Transfers	149,242	(149,242)	-
Change in net assets	<u>88,184,776</u>	<u>(7,553,679)</u>	<u>80,631,097</u>
Net assets at beginning of year	926,029,552	266,237,661	1,192,267,213
Net assets at end of year	<u>\$ 1,014,214,328</u>	<u>\$ 258,683,982</u>	<u>\$1,272,898,310</u>

**Changes in Net Assets
June 30, 2007**

Revenues	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 31,562,017	\$ 66,673,249	\$ 98,235,266
Operating grants and contributions	18,812,530	-	18,812,530
Capital grants and contributions	103,412,667	4,782,425	108,195,092
General revenues:			
Sales taxes	157,488,587	-	157,488,587
State shared income taxes	18,823,759	-	18,823,759
Property taxes	26,826,227	-	26,826,227
Franchise taxes	2,693,256	-	2,693,256
Auto-lieu taxes	6,870,739	-	6,870,739
Unrestricted investment earnings	13,337,247	3,305,406	16,642,653
Miscellaneous	2,780,229	716,338	3,496,567
Gain on sale of capital assets	-	48,264	48,264
Total revenues	<u>382,607,258</u>	<u>75,525,682</u>	<u>458,132,940</u>

Expenses

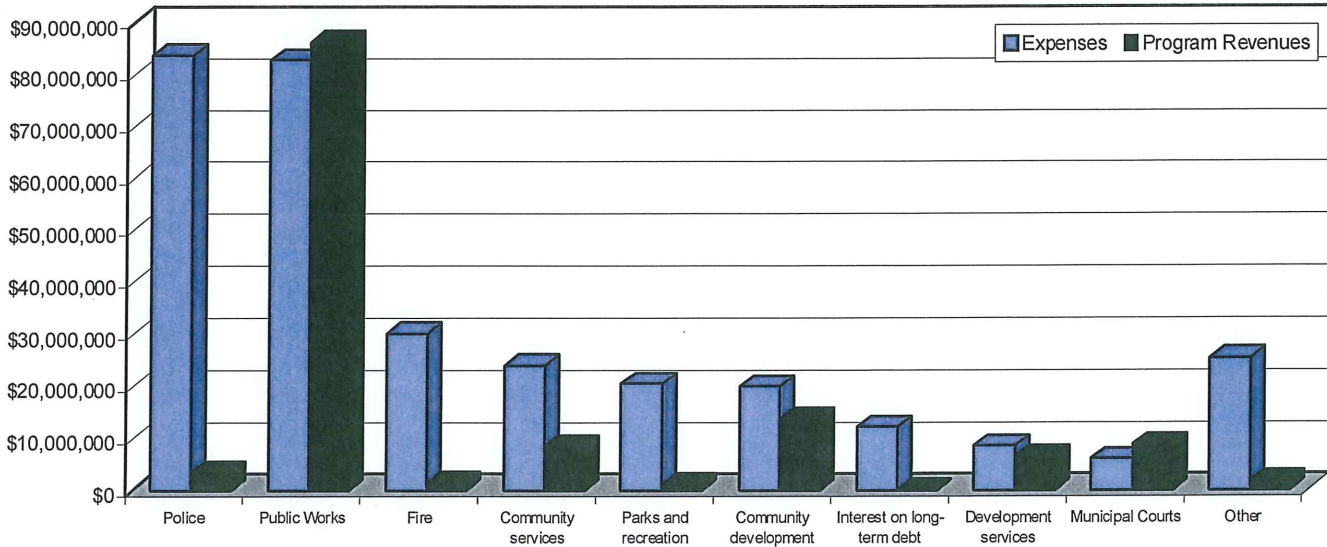
Police	60,929,075	-	60,929,075
Fire	22,563,083	-	22,563,083
Community services	16,072,936	-	16,072,936
Parks and recreation	20,015,034	-	20,015,034
Public works	56,869,440	-	56,869,440
Community relations	2,816,030	-	2,816,030
Mayor and council	362,281	-	362,281
City manager	445,531	-	445,531
Diversity program	548,552	-	548,552
Internal audit/consulting	476,089	-	476,089
City clerk and elections	528,493	-	528,493
City attorney	2,903,028	-	2,903,028
Municipal courts	4,708,606	-	4,708,606
Development services	8,611,601	-	8,611,601
Community development	21,444,736	-	21,444,736
Financial services	4,597,029	-	4,597,029
Human resources	2,877,320	-	2,877,320
Information technology	889,443	-	889,443
Non-departmental	8,127,073	-	8,127,073
Interest on long-term debt	13,996,681	-	13,996,681
Water/Wastewater	-	53,688,700	53,688,700
Solid waste	-	12,403,387	12,403,387
Golf	-	2,225,214	2,225,214
Cemetery	-	171,817	171,817
Total expenses	<u>249,782,061</u>	<u>68,489,118</u>	<u>318,271,179</u>
Increase (decrease) in net assets before transfers	132,825,197	7,036,564	139,861,761
Transfers	3,711,910	(3,711,910)	-
Change in net assets	<u>136,537,107</u>	<u>3,324,654</u>	<u>139,861,761</u>
Net assets at beginning of year	789,492,445	262,913,007	1,052,405,452
Net assets at end of year	<u>\$ 926,029,552</u>	<u>\$ 266,237,661</u>	<u>\$1,192,267,213</u>

Governmental activities. Despite increases in total expenses of \$63.4 million (a 25.4% increase over the prior fiscal year), governmental activities increased the City's net assets by \$88.2 million (compared to \$136.5 million during the prior year). The relatively smaller increase in net assets is due largely to decreases in capital grants and contributions of \$23.7 million related to transit programs. The key factors for the relatively smaller increase in net assets compared to the prior year are as follows:

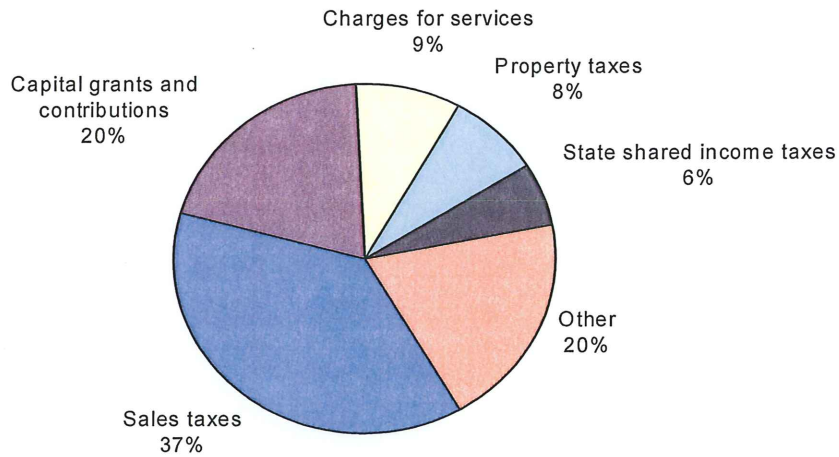
- During the fiscal year, the City saw a decrease of \$23.7 million in capital grants and contributions due mainly to reduced capital contributions for the completed East Valley Bus Operations and Maintenance Facility financed primarily prior to the current fiscal year.
- As explained in the Financial Highlights section, the City is now required to comply with the requirements of GASB Statement No. 45. For the year ended June 30, 2008, total OPEB cost for the governmental activities was \$34.0 million of which \$29.1 million represented a net OPEB obligation at year end.
- Sales tax revenue decreased by \$6.8 million (a decrease of 4.3%) and did not meet budgetary estimates due to the effects of the regional housing market downturn.

- During the year, sale of City-owned land adjacent to Tempe Town Lake resulted in a gain of approximately \$35.0 million.

Fiscal Year 2007-08 Expenses and Program Revenues - Governmental Activities



Fiscal Year 2007-08 Revenues by Source - Governmental Activities



The charts above illustrate the City’s governmental expenses and program revenues by function and its revenues by source for the current fiscal year.

A comparison of expense by function and the percentage of total expenses, for the five largest functions, is presented below. Significant increases in the police, public works and fire activities are due primarily to increases in personnel growth, benefit increases and the recognition of the unfunded OPEB liability beginning with the fiscal year ended June 30, 2008. Significant increase in community service activities is due primarily to a full year of operating expenditures for the Tempe Center for the Performing Arts.

	Fiscal Year Ended			
	June 30, 2008		June 30, 2007	
Police	\$ 83,613,800	26.7%	\$ 60,929,075	24.4%
Public works	82,727,089	26.4	56,869,440	22.8
Fire	30,133,124	9.6	22,563,083	9.0
Community Services	24,070,427	7.7	16,072,936	6.4
Parks and recreation	20,521,457	6.6	20,015,034	8.0

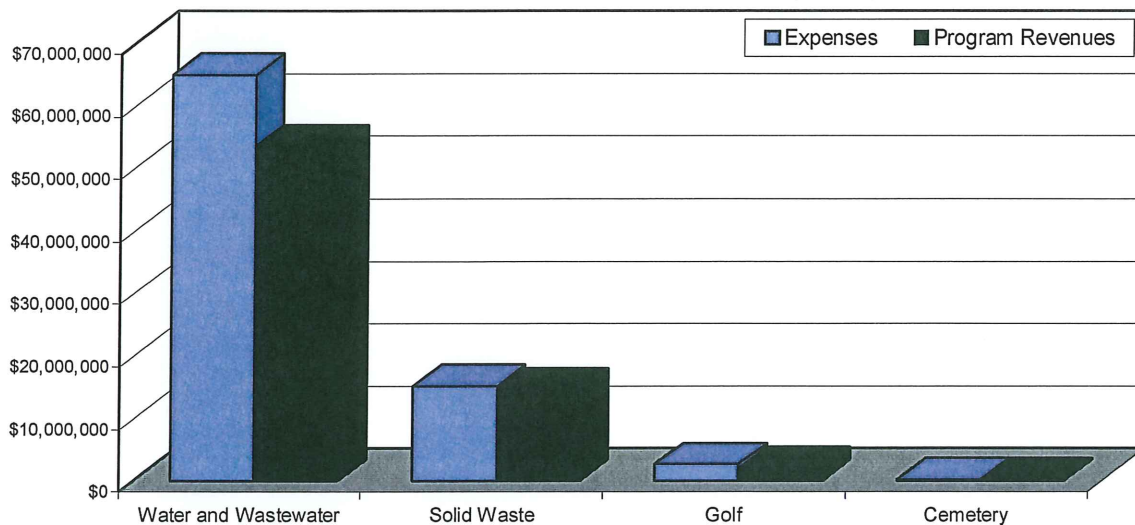
General revenues such as sales taxes, state income taxes, property taxes, and other excise taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, a comparison of the five largest general revenues, and their percentage of total revenues (excluding transfers), is presented below.

	Fiscal Year Ended			
	June 30, 2008		June 30, 2007	
Sales taxes	\$150,687,016	37.5%	\$157,488,587	41.2%
Gain on sale of capital assets	36,146,557	9.0	-	-
Property taxes	32,447,203	8.1	26,826,227	7.0
State shared income taxes	23,332,475	5.8	18,823,759	4.9
Unrestricted investment earnings	14,041,876	3.5	13,337,247	3.5

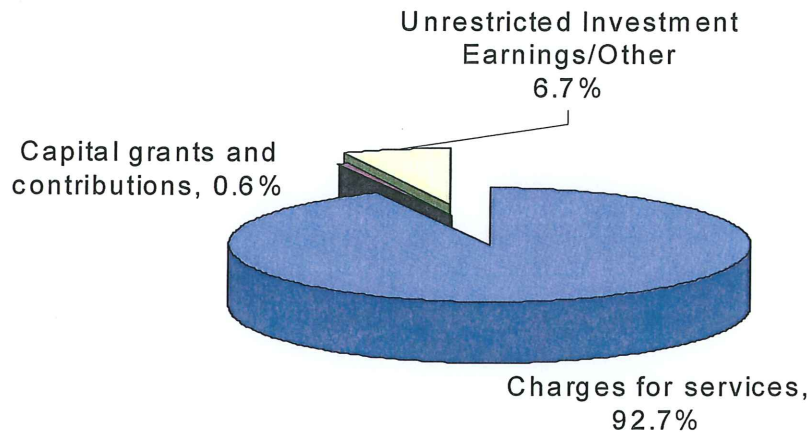
Business-type activities. Business-type activities decreased the City's net assets by \$7.6 million for the year ended June 30, 2008 compared to an increase of \$3.3 million for the year ended June 30, 2007. This decrease is due primarily to a decrease in capital grants and contributions of \$4.3 million, an increase in expenses due to recognition of retiree healthcare costs of \$4.7 million and an increase in the net loss from joint venture of \$3.8 million. The reduction in net assets was offset by increases in charges for services revenue due primarily to water/wastewater and solid waste rate increases. The decrease in capital grants and contributions was due primarily to payments received for wastewater capital projects in the fiscal year ended June 30, 2007.

Water/wastewater, solid waste, golf and cemetery expenses increased by \$14.5 million from the fiscal year ended June 30, 2007 to the fiscal year ended June 30, 2008. This increase is primarily due to the recognition of the unfunded OPEB liability of \$4.7 million, increases in interest expense of \$2.8 million and a net loss from joint venture of \$3.8 million in the water/wastewater fund.

Fiscal Year 2007-08 Expenses and Program Revenues - Business-type Activities



Fiscal Year 2007-08 Revenues by Source - Business-type Activities



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

	For the Year Ended June 30, 2008				
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 53,208,327	\$ 14,669,542	\$ 1,984,429	\$ 231,960	\$ 70,094,258
Capital grants and contributions	472,928	-	-	-	472,928
Unrestricted investment Earnings/other	4,674,920	310,154	29,377	18,876	5,033,327
Total	\$ 58,356,175	\$ 14,979,696	\$ 2,013,806	\$ 250,836	\$ 75,600,513

	For the Year Ended June 30, 2007				
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 50,922,496	\$ 13,820,128	\$ 1,912,286	\$ 18,339	\$ 66,673,249
Capital grants and contributions	4,782,425	-	-	-	4,782,425
Unrestricted investment Earnings/other	3,707,448	250,829	23,551	88,180	4,070,008
Total	\$ 59,412,369	\$ 14,070,957	\$ 1,935,837	\$ 106,519	\$ 75,525,682

As shown in the Analysis of Change in Net Assets schedules presented previously, the largest of the City's business-type activities, Water and Wastewater, had expenses of \$65.0 million for the fiscal year, followed by Solid Waste with \$15.1 million, Golf with \$2.7 million and Cemetery with \$0.3 million. The cemetery was not fully operational during the fiscal year as cemetery improvements were not fully completed.

For the current fiscal year, expenses exceeded revenues in each business-type activity. The City has approved rate increases for Water/Wastewater services and Solid Waste services in the next fiscal year. During the fiscal year, charges for services provided the largest share of revenues (92.7%) for all of the business-type activities.

FUND STATEMENTS FINANCIAL ANALYSIS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$231.8 million, a decrease of \$10.0 million from the prior year, due primarily to pay-as-you-go funding from the general fund to the non-major funds primarily for community development capital projects. Approximately \$157.5 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$47.9 million), (2) to pay debt service (\$24.4 million), and (3) for other restricted purposes (\$1.9 million).

Revenues for governmental functions overall totaled approximately \$321.3 million in the fiscal year ended June 30, 2008, which represents a decrease of 5.6% from the fiscal year ended June 30, 2007. Expenditures for governmental functions, totaling \$413.3 million, decreased by 7.9% from the fiscal year ended June 30, 2007 due primarily to decreased expenditures in the Transit Capital Projects Fund of \$59.4 million. In the fiscal year ended June 30, 2008, expenditures for governmental functions exceeded revenues by \$92.0 million or 28.6% of revenues. An analysis of each individual major fund follows.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$92.4 million (the undesignated portion equaled \$44.6 million), while total fund balance was \$96.9 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

	Fiscal Year Ended			
	June 30, 2008		June 30, 2007	
Revenues	\$ 178,445,742		\$ 173,061,235	
Total fund balance	96,882,322	54.3 %	101,182,696	58.5 %
Unreserved fund balance	92,432,479	51.8	96,883,636	56.0
Unreserved, designated fund balance	47,821,044	26.8	53,618,327	31.0

The total fund balance in the City's General Fund decreased by \$4.3 million during the fiscal year due mainly to the use of pay-as-you-go transfers from the general fund to finance community development capital projects. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2008 of \$8.9 million. This is a decrease of \$3.9 million over the comparable figure from the prior year. Expenditures increased by \$9.3 million or 5.8% primarily due to increases in payroll related costs plus an increase in the number of authorized full-time equivalent employees.

The **Transit Special Revenue Fund** is used to account for receipts and expenditures of Transit Tax monies. The unreserved fund balance totaled \$13.9 million at June 30, 2008, compared to a \$38.2 million unreserved fund balance at June 30, 2007. The net decrease in fund balance for the year ended June 30, 2008 was due primarily to transfers out of \$26.1 million primarily to the Transit Capital Projects fund and an increase in program expenditures of \$11.0 million due primarily to the expansion of local circulator bus service.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (restricted for general obligation debt service payments) increased from \$17.6 million at June 30, 2007 to \$23.9 million at June 30, 2008. The total debt service fund balance will be used to service future debt issuances consistent with the City's Debt Management Plan.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt. Total fund balance (restricted for special assessment debt service payments) increased from a deficit of \$66,826 at June 30, 2007 to \$562,174 at June 30, 2008. Total special assessments receivable increased from \$15.6 million to \$38.6 million from June 30, 2007 to June 30, 2008 as an additional \$25.2 million in special assessment debt was issued.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system, construction of the Tempe Transportation Center and other traffic flow improvements. Total fund balance decreased from \$29.6 million at June 30, 2007 to \$27.8 million at June 30, 2008. Total expenditures decreased by \$59.4 million from fiscal year ended June 30, 2007 to June 30, 2008 due primarily to completion of the East Valley Regional Maintenance Facility and decreased expenditures for the light rail system with completion scheduled for the fiscal year ended June 30, 2009. During the year, \$30.2 million in excise tax revenue obligations were issued to finance costs related to the light rail project.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year indicated, the unrestricted net assets for the proprietary funds were as follows:

	Fiscal Year Ended	
	June 30, 2008	June 30, 2007 (restated)
Water and wastewater fund	\$101,304,497	\$106,723,964
Solid waste fund	2,592,465	4,895,596
Golf fund	(39,071)	403,854
Cemetery fund	(40,926)	(47,352)
Internal service fund	4,082,855	1,689,857

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund saw a decrease in total net assets of \$6.9 million for the fiscal year ended June 30, 2008 compared to an increase in net assets of \$1.8 million for the fiscal year ended June 30, 2007. This is due primarily to recognition of unfunded net OPEB obligation of \$3.1 million, decreases in capital contributions of \$4.3 million offset by planned increases in charges for services revenue as a result of rate increases. Rate increases have been authorized and will become effective November 1, 2008 for this operation.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Operating expenses increased \$2.7 million (22.0%) from the fiscal year ended June 30, 2007 to June 30, 2008 due primarily to the recognition of unfunded net OPEB obligations of \$1.3 million. Revenues increased by approximately \$0.9 million (6.4%) as a result of a rate increase effective during the fiscal year. Rate increases over the next two years have been authorized and will become effective November 1, 2008 and again on November 1, 2009 for this operation.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund recognized a \$0.6 million reduction in total net assets due primarily to the recognition of unfunded net OPEB obligations of \$0.3 million. The Golf Fund is still experiencing reduced rounds of play compared with prior fiscal years as a result of continued competition from courses in neighboring cities.

The **Cemetery Fund** was established to account for the improvements, expansion and operations of the Double Butte Cemetery. Although limited cemetery operations occurred during the fiscal year, cemetery capital improvements were not yet completed as of June 30, 2008 resulting in limited operating revenues.

The **Internal Service Funds** accounts for the risk and health insurance activities of the City. The \$2.4 million increase in net assets is due primarily to operations of the health insurance activities.

Budget Highlights

The City's final General Fund expenditure budget of \$176.3 million differs from the original budget of 173.1 million due to contains carry-forward appropriations for encumbrances rolled forward from the prior fiscal year and

budget transfers to other funds. Carry-forward appropriations for rolled forward encumbrances were approximately \$3.7 million.

During the year, actual revenues were less than budgetary estimates by \$1.3 million (0.7% of total budgeted revenue) in the General Fund. This is due primarily to shortfalls in City sales taxes and state shared sales taxes.

Actual expenditures were less than budgetary estimates by \$3.2 million (1.8% of final budgetary estimates) in the General Fund. This positive variance was attributable to all General Fund operations and does not have a significant effect on future services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2008 amount to \$1,134.3 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$56.9 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2008 and 2007, respectively.

Capital Assets, Net of Depreciation June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 60,383,271	\$ 6,693,377	\$ 67,076,648
Buildings	211,214,698	32,428,075	243,642,773
Infrastructure	366,141,879	100,299,502	466,441,381
Improvements	85,792,878	85,430,666	171,223,544
Machinery and equipment	38,456,416	8,738,452	47,194,868
Construction in progress	69,361,816	69,357,605	138,719,421
Total	<u>\$ 831,350,958</u>	<u>\$ 302,947,677</u>	<u>\$ 1,134,298,635</u>

Capital Assets, Net of Depreciation June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 65,643,523	\$ 6,693,377	\$ 72,336,900
Buildings	101,213,761	33,525,319	134,739,080
Infrastructure	370,106,353	99,678,795	469,785,148
Improvements	84,532,386	85,521,295	170,053,681
Machinery and equipment	38,249,114	6,978,891	45,228,005
Construction in progress	131,924,290	53,362,704	185,286,994
Total	<u>\$ 791,669,427</u>	<u>\$ 285,760,381</u>	<u>\$ 1,077,429,808</u>

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

Governmental Activities

- During the fiscal year, construction was completed on the Tempe Center for the Arts for a total cost of \$69.8 million. The center includes a 600-seat main theater, a 200-seat studio theater, a 3,100 square foot multi-purpose room, a 3,500 square foot visual arts gallery and related administrative, technical and support spaces. Expenditures related to the Tempe Center for the Arts project totaled \$5.3 million for the fiscal year ended June 30, 2008.
- The Tempe Transportation Center is a three story, 40,000 square foot building which will house City of Tempe Transportation Offices, the Transit Operations Center, a community/conference room and include retail space. Scheduled for completion in Fall 2008, expenditures totaled \$13.6 million for the fiscal year ended June 30, 2008.
- Construction was completed on the East Valley Maintenance Facility for a total capitalized cost of \$45.2 million. The East Valley Regional Maintenance Facility is a cooperative multi-jurisdictional regional transit maintenance center located near Rio Salado Parkway and Priest Drive in Tempe. This 250-bus operations and maintenance facility will include administrative offices, maintenance facilities and fueling facilities.
- Scheduled to be completed in December 2008, the Central Phoenix/East Valley Light Rail project remained in the construction phase during the fiscal year ended June 30, 2008. Total project expenditures during the year were \$62.4 million compared to \$97.4 million in the prior fiscal year.

Business-type Activities

- Capital expenditures for the expansion of the Johnny G. Martinez Water Treatment Plant totaled \$19.4 million. In addition, a total of \$20.4 million in capital contributions were made to the 91st Avenue Wastewater Treatment facility primarily for wastewater treatment plant expansions.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$758.7 million which is an increase of \$127.1 million over the prior fiscal year. The increase is due primarily to the issuance of general obligation bonds primarily for water/wastewater capital projects, the issuance of excise tax revenue obligations for capital costs related to the light rail project and a special assessment debt issuance. In addition, the City began reporting a liability for its net OBEB obligation at June 30, 2008.

**Outstanding Long-term Obligations
June 30, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 125,075,000	\$ 282,520,000	\$ 407,595,000
Special assessment bonds	38,310,000	-	38,310,000
Certificates of participation	625,000	-	625,000
Excise tax obligations	241,125,000	2,157,372	243,282,372
HUD Section 108 loan	6,739,000	-	6,739,000
Capital improvement notes	1,506,411	-	1,506,411
Total debt payable	<u>413,380,411</u>	<u>284,677,372</u>	<u>698,057,783</u>
Capital leases	3,351,733	-	3,351,733
Compensated absences	18,004,532	-	18,004,532
Claims and judgments	5,461,724	-	5,461,724
Net OPEB obligation	29,089,400	4,686,635	33,776,035
Total long-term obligations	<u>\$ 469,287,800</u>	<u>\$ 289,364,007</u>	<u>\$ 758,651,807</u>

**Outstanding Long-term Obligations
June 30, 2007**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 116,500,000	\$ 243,265,000	\$ 359,765,000
Special assessment bonds	15,345,000	-	15,345,000
Certificates of participation	1,220,000	-	1,220,000
Excise tax obligations	218,480,000	2,243,688	220,723,688
HUD Section 108 loan	7,000,000	-	7,000,000
Capital improvement notes	1,970,427	-	1,970,427
Total debt payable	<u>360,515,427</u>	<u>245,508,688</u>	<u>606,024,115</u>
Capital leases	4,923,764	-	4,923,764
Compensated absences	15,372,758	-	15,372,758
Claims and judgments	5,224,472	-	5,224,472
Total long-term obligations	<u>\$ 386,036,421</u>	<u>\$ 245,508,688</u>	<u>\$ 631,545,109</u>

The City's issued \$66.4 million in new general obligation debt during the current fiscal year for water/wastewater, public safety, community service/park improvements and street improvements in the amounts of \$50.6 million, \$4.8 million, \$3.4 million and \$7.6 million, respectively. The City also issued \$30.2 million in excise tax revenue obligations to fund costs related to the city's portion of the regional light rail system. This is expected to be the final debt issuance relative to construction costs of the light rail project. In addition, the City issued improvement district bonds totaling \$25.2 million which will be repaid through property owner special assessments.

The City's total general obligation bonded debt increased by approximately \$47.8 million from the fiscal year ended June 30, 2007 to the fiscal year ended June 30, 2008. The ratio of net general obligation bonded debt (total bonded debt less debt service reserves) for governmental purposes to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. A comparison of these indicators follows:

	June 30, 2008	June 30, 2007
Net general bonded debt	\$ 101,216,008	\$ 98,892,233
Net general bonded debt per capita	604	594
Ratio of net general bonded debt to net assessed value	4.2%	4.9%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 0.89	\$ 0.88

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2008 is \$142.7 million and \$55.7 million under the 6% and 20% limitation, respectively. Additional information on the statutory debt limitations may be found in Note 9 to the Financial Statements and the Statistical Section (Exhibit S-16) of this report.

During the year, the City's ratings on its outstanding general obligation bonds were AAA from Standard & Poors Corporation, Aa1 from Moody's Investors Service, and AAA from Fitch Ratings.

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

OTHER MATTERS

While the requirements of GASB Statements No. 43 and 45, related to financial reporting of other postemployment benefits (OPEB), had a material affect on the financial position of the City starting with the fiscal year ended June 30, 2008, the Mayor and Council have directed staff to conduct an evaluation of the City's current benefit plan.

REQUESTS FOR INFORMATION

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

City of Tempe
 Financial Services Department
 Accounting Division
 20 E. Sixth Street
 Tempe, AZ 85281
 (480) 350-8350

Statement of Net Assets

June 30, 2008

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 225,351,578	\$ 102,206,560	\$ 327,558,138
Receivables:			
Taxes	9,354,289	-	9,354,289
Accounts, net	4,935,031	6,942,320	11,877,351
Accrued interest	709,571	532,278	1,241,849
Due from other governments	68,166,849	-	68,166,849
Inventories	1,484,309	758,419	2,242,728
Prepaid items	-	-	-
Restricted cash and investments	52,205,859	17,268,078	69,473,937
Special assessment receivables	38,552,710	-	38,552,710
Capital improvement note receivable	46,772,183	1,506,411	48,278,594
Equity in joint venture	276,181,479	142,386,125	418,567,604
Capital assets (net of accumulated depreciation):			
Land	60,383,271	6,693,377	67,076,648
Buildings	211,214,698	32,428,075	243,642,773
Infrastructure	366,141,879	100,299,502	466,441,381
Improvements	85,792,878	85,430,666	171,223,544
Machinery and equipment	38,456,416	8,738,452	47,194,868
Construction in progress	69,361,816	69,357,605	138,719,421
Total assets	<u>1,555,064,816</u>	<u>574,547,868</u>	<u>2,129,612,684</u>
Liabilities			
Accounts payable	27,783,307	5,744,677	33,527,984
Deposits	6,455,627	450,654	6,906,281
Accrued expenses	12,930,697	3,529,679	16,460,376
Deferred charges	2,786,192	-	2,786,192
Liabilities payable from restricted assets	21,606,864	16,774,869	38,381,733
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	2,215,000	-	2,215,000
Due in more than one year	36,095,000	-	36,095,000
Other long-term liabilities:			
Due within one year	31,405,481	13,846,316	45,251,797
Due in more than one year	399,572,320	275,517,691	675,090,011
Total liabilities	<u>540,850,488</u>	<u>315,863,886</u>	<u>856,714,374</u>
Net Assets			
Invested in capital assets, net of related debt	597,765,255	154,867,017	752,632,272
Restricted for:			
Transit	73,970,920	-	73,970,920
Cultural and recreation	26,429,426	-	26,429,426
Highways and streets	14,410,446	-	14,410,446
Court enhancements	161,970	-	161,970
Debt Service	24,421,166	-	24,421,166
Unrestricted	277,055,145	103,816,965	380,872,110
Total net assets	<u>\$ 1,014,214,328</u>	<u>\$ 258,683,982</u>	<u>\$ 1,272,898,310</u>

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

Statement of Activities

For the Fiscal Year Ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 83,613,800	\$ 1,110,714	\$ 1,893,900	\$ 464,341
Fire	30,133,124	303,824	1,004,706	53,892
Community services	24,070,427	6,924,685	1,029,828	549,787
Parks and recreation	20,521,457	27,844	74,150	1,016,569
Public works	82,727,089	11,305,217	761,513	74,142,980
Community relations	3,179,145	-	-	-
Mayor and council	547,453	-	-	-
City manager	488,323	-	-	-
Diversity program	687,926	-	-	-
Internal audit/consulting	558,706	-	-	-
City clerk and elections	870,815	-	-	-
City attorney	3,641,333	-	65,691	-
Municipal courts	6,066,038	8,211,574	-	586,033
Development services	8,596,785	6,175,963	-	409,040
Community development	20,037,984	451,535	10,795,845	2,447,848
Financial services	5,969,557	1,728,472	-	-
Human resources	3,648,975	-	-	-
Information technology	2,677,340	-	-	-
Non-departmental	3,067,647	79,536	-	-
Interest on long-term debt	12,091,111	-	-	-
Total governmental activities	313,195,035	36,319,364	15,625,633	79,670,490
Business-type activities:				
Water and wastewater	64,954,769	53,208,327	-	472,928
Solid waste	15,130,899	14,669,542	-	-
Golf course	2,667,539	1,984,429	-	-
Cemetery	251,743	231,960	-	-
Total business-type activities	83,004,950	70,094,258	-	472,928
Total government	\$ 396,199,985	\$ 106,413,622	\$ 15,625,633	\$ 80,143,418

General revenues:
 Sales taxes
 State shared income taxes, unrestricted
 Property taxes
 Franchise taxes
 Auto-lieu taxes
 Unrestricted investment earnings
 Miscellaneous
 Gain on sale of capital assets
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets- beginning
 Net assets- ending

City of Tempe, Arizona

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (80,144,845)	\$ -	\$ (80,144,845)
(28,770,702)	-	(28,770,702)
(15,566,127)	-	(15,566,127)
(19,402,894)	-	(19,402,894)
3,482,621	-	3,482,621
(3,179,145)	-	(3,179,145)
(547,453)	-	(547,453)
(488,323)	-	(488,323)
(687,926)	-	(687,926)
(558,706)	-	(558,706)
(870,815)	-	(870,815)
(3,575,642)	-	(3,575,642)
2,731,569	-	2,731,569
(2,011,782)	-	(2,011,782)
(6,342,756)	-	(6,342,756)
(4,241,085)	-	(4,241,085)
(3,648,975)	-	(3,648,975)
(2,677,340)	-	(2,677,340)
(2,988,111)	-	(2,988,111)
(12,091,111)	-	(12,091,111)
<u>(181,579,548)</u>	<u>-</u>	<u>(181,579,548)</u>
-	(11,273,514)	(11,273,514)
-	(461,357)	(461,357)
-	(683,110)	(683,110)
-	(19,783)	(19,783)
<u>-</u>	<u>(12,437,764)</u>	<u>(12,437,764)</u>
<u>(181,579,548)</u>	<u>(12,437,764)</u>	<u>(194,017,312)</u>
150,687,016	-	150,687,016
23,332,475	-	23,332,475
32,447,203	-	32,447,203
3,424,561	-	3,424,561
6,655,516	-	6,655,516
14,041,876	4,618,383	18,660,259
2,879,878	344,449	3,224,327
36,146,557	70,495	36,217,052
149,242	(149,242)	-
<u>269,764,324</u>	<u>4,884,085</u>	<u>274,648,409</u>
88,184,776	(7,553,679)	80,631,097
926,029,552	266,237,661	1,192,267,213
<u>\$ 1,014,214,328</u>	<u>\$ 258,683,982</u>	<u>\$ 1,272,898,310</u>

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

Balance Sheet

Governmental Funds

June 30, 2008

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
<u>Assets</u>				
Pooled cash and investments	\$ 99,108,900	\$ 5,267,346	\$ 23,496,590	\$ 563,409
Receivables:				
Taxes	5,032,219	2,754,157	772,801	-
Accounts	4,650,329	-	-	-
Accrued interest	608,994	48,333	-	-
Due from other funds	746,810	94,815	-	-
Due from other governments	4,219,641	9,403,062	-	-
Inventories	251,527	-	-	-
Restricted cash and investments	79,279	2,158,209	11,669,686	768,001
Special assessments	-	-	-	38,552,710
Capital improvement notes receivable	33,714,306	-	13,057,877	-
Total assets	\$ 148,412,005	\$ 19,725,922	\$ 48,996,954	\$ 39,884,120
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 4,393,504	\$ 3,587,932	\$ 32,592	\$ 1,235
Deposits	4,737,070	-	-	-
Accrued expenditures	3,316,698	74,569	-	-
Claims and judgements	1,210,727	28,369	-	-
Due to other funds	-	-	-	-
Deferred revenue	37,871,684	-	13,508,824	38,552,710
Matured bonds payable	-	1,890,000	8,420,000	-
Matured interest payable	-	140,985	3,176,546	768,001
Total liabilities	\$ 51,529,683	\$ 5,721,855	\$ 25,137,962	\$ 39,321,946
<u>Fund Balances</u>				
Fund balances:				
Reserved for:				
Encumbrances	3,748,316	89,196	-	-
Inventories	251,527	-	-	-
Capital improvements notes receivable	450,000	-	-	-
Debt Service	-	-	23,858,992	562,174
Unreserved, designated (see note 16)	47,821,044	-	-	-
Unreserved, reported in:				
General fund	44,611,435	-	-	-
Special revenue funds	-	13,914,871	-	-
Capital projects funds	-	-	-	-
Total fund balances	\$ 96,882,322	\$ 14,004,067	\$ 23,858,992	\$ 562,174
Total liabilities and fund balances	\$ 148,412,005	\$ 19,725,922	\$ 48,996,954	\$ 39,884,120

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 83,989,309	\$ 212,425,554
-	795,112	9,354,289
-	72,587	4,722,916
-	52,244	709,571
-	-	841,625
51,003,192	3,540,954	68,166,849
-	1,232,782	1,484,309
30,439,716	7,090,968	52,205,859
-	-	38,552,710
-	-	46,772,183
<u>\$ 81,442,908</u>	<u>\$ 96,773,956</u>	<u>\$ 435,235,865</u>

\$ 4,786,494	\$ 13,842,331	\$ 26,644,088
-	1,718,557	6,455,627
5,952	354,343	3,751,562
-	81,951	1,321,047
94,815	746,810	841,625
48,681,677	4,225,651	142,840,546
-	5,045,000	15,355,000
-	2,166,332	6,251,864
<u>53,568,938</u>	<u>28,180,975</u>	<u>203,461,359</u>

8,548,785	35,523,009	47,909,306
-	1,232,782	1,484,309
-	-	450,000
-	-	24,421,166
-	1,267,619	49,088,663
-	-	44,611,435
-	22,313,477	36,228,348
19,325,185	8,256,094	27,581,279
<u>27,873,970</u>	<u>68,592,981</u>	<u>231,774,506</u>
<u>\$ 81,442,908</u>	<u>\$ 96,773,956</u>	<u>\$ 435,235,865</u>

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

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2008

City of Tempe, Arizona

Fund balances- total governmental funds		231,774,506
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,260,005,722	
Accumulated depreciation	<u>(428,654,764)</u>	831,350,958
The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.		
		276,181,479
Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unearned revenue.		
Deferred special assessment revenue	38,552,710	
Deferred tax and other deferred revenue	875,479	
Deferred notes receivable revenue	46,772,183	
Deferred court revenue	3,732,846	
Capital grant and contribution monies not received within 60 days	<u>52,907,328</u>	142,840,546
Bond premium net of issuance costs are not financial resources and, therefore are not reported in the funds.		
		(2,786,193)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Compensated absences	(18,004,532)	
Claims and judgments	(5,461,724)	
Other post employment benefits (OPEB)	(29,031,423)	
Bonds, capital improvement notes and capital leases	<u>(416,732,144)</u>	(469,229,823)
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.		
		<u>4,082,855</u>
Net assets of governmental activities		<u><u>1,014,214,328</u></u>

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



Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2008

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	\$ 83,121,061	\$ 32,449,710	\$ -	\$ -
Property taxes	10,472,385	-	21,717,098	-
Franchise taxes	3,424,561	-	-	-
Intergovernmental:				
Federal grants	-	-	-	-
State grants	-	-	-	-
State sales tax	15,237,310	-	-	-
State income tax	23,332,475	-	-	-
Auto lieu tax	6,655,516	-	-	-
Other	120,849	-	-	-
Investment income	10,374,482	2,022,403	20,619	3,952
Charges for services	12,377,246	9,255,970	-	-
Fines and forfeitures	8,616,320	512,735	-	-
Other entities' participation	-	-	272,558	-
Special assessments	-	-	-	2,842,153
Licenses and permits	1,592,521	-	-	-
Miscellaneous	3,121,016	128,164	-	-
Total revenues	178,445,742	44,368,982	22,010,275	2,846,105
Expenditures:				
Current:				
Police	69,605,841	-	-	-
Fire	23,403,081	-	-	-
Community services	16,538,627	-	-	-
Parks and recreation	15,258,389	-	-	-
Public works	9,847,647	38,665,191	-	1,194
Community relations	2,843,668	-	-	-
Mayor and council	367,250	-	-	-
City manager	294,042	-	-	-
Diversity program	641,719	-	-	-
Internal audit/consulting	491,057	-	-	-
City clerk and elections	748,371	-	-	-
City attorney	3,158,316	-	-	-
Municipal courts	4,155,668	-	-	-
Development services	6,958,857	-	-	-
Community development	4,202,602	-	-	-
Financial services	4,390,171	-	-	-
Human resources	3,282,022	-	-	-
Non-departmental	3,407,427	-	-	-
Debt service:				
Principal retirement	-	1,890,000	8,700,865	2,225,000
Interest and fiscal fees	-	3,627,667	6,758,465	1,841,900
Capital outlay	-	-	-	-
Total expenditures	169,594,755	44,182,858	15,459,330	4,068,094
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	8,850,987	186,124	6,550,945	(1,221,989)
Other financing sources (uses):				
Transfers in	1,265,443	1,646,113	8,585,071	1,850,989
Transfers out	(23,091,626)	(26,051,711)	(8,884,791)	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from sale of capital assets	8,674,822	-	-	-
Total other financing sources (uses)	(13,151,361)	(24,405,598)	(299,720)	1,850,989
Net change in fund balances	(4,300,374)	(24,219,474)	6,251,225	629,000
Fund balance at beginning of year	101,182,696	38,223,541	17,607,767	(66,826)
Fund balance at end of year	\$ 96,882,322	\$ 14,004,067	\$ 23,858,992	\$ 562,174

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 8,491,615	\$ 124,062,386
-	121,988	32,311,471
-	-	3,424,561
2,879,976	11,965,051	14,845,027
265,731	829,332	1,095,063
-	11,387,320	26,624,630
-	-	23,332,475
-	-	6,655,516
27,511,500	2,135,834	29,768,183
439,748	1,180,672	14,041,876
-	2,041,382	23,674,598
-	1,019,321	10,148,376
62,500	1,077,097	1,412,155
-	-	2,842,153
-	-	1,592,521
324,798	1,912,200	5,486,178
<u>31,484,253</u>	<u>42,161,812</u>	<u>321,317,169</u>
-	2,208,154	71,813,995
-	1,010,626	24,413,707
-	4,305,688	20,844,315
-	567,828	15,826,217
-	7,802,344	56,316,376
-	-	2,843,668
-	-	367,250
-	-	294,042
-	-	641,719
-	-	491,057
-	-	748,371
-	65,691	3,224,007
-	1,407,370	5,563,038
-	435,322	7,394,179
-	14,043,989	18,246,591
-	-	4,390,171
-	-	3,282,022
-	-	3,407,427
-	5,306,000	18,121,865
-	4,408,179	16,636,211
87,631,864	50,779,081	138,410,945
<u>87,631,864</u>	<u>92,340,272</u>	<u>413,277,173</u>
<u>(56,147,611)</u>	<u>(50,178,460)</u>	<u>(91,960,004)</u>
25,377,032	32,637,951	71,362,599
(1,392,275)	(11,792,954)	(71,213,357)
30,170,000	41,000,000	71,170,000
254,044	988,325	1,242,369
42,570	712,648	9,430,040
<u>54,451,371</u>	<u>63,545,970</u>	<u>81,991,651</u>
(1,696,240)	13,367,510	(9,968,353)
29,570,210	55,225,471	241,742,859
<u>\$ 27,873,970</u>	<u>\$ 68,592,981</u>	<u>\$ 231,774,506</u>

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

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

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

Net change in fund balances- total governmental funds (9,968,353)

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

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

Compensated absences and long-term claims and judgements	(2,869,026)	
OPEB	(29,031,423)	(31,900,449)

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

Property tax and charges for services revenue	128,758	
Court revenue	(109,730)	
Capital grants and contributions	20,779,238	
Sale of Land financed by a note receivable	26,614,306	
Special assessments received/recognized	22,968,578	70,381,150

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	138,410,945	
Miscellaneous net capital expenditures	2,393,683	
Depreciation expense	(30,729,091)	110,075,537

Lease payments are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets while the acquisition of new leases increase the liability.

Principal payments made		393,814
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Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets.

Bond issuance costs	678,624	
Amortization of bond issuance costs	238,808	917,432

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.

General obligation bonds	(71,170,000)	
Premium on issuance of debt	(1,242,369)	
Principal payments made	18,305,016	(54,107,353)

Internal service funds are used by management to charge the costs of self-insurance to individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs.

2,392,998

Changes in net assets of governmental activities

88,184,776

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

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

General Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 102,890,221	\$ 102,890,221	\$ 97,018,007	\$ (5,872,214)
Intergovernmental	48,496,600	48,496,600	45,346,150	(3,150,450)
Investment income	5,424,874	5,424,874	9,843,187	4,418,313
Charges for services	11,248,351	11,248,351	12,377,246	1,128,895
Fines and forfeitures	7,303,553	7,303,553	8,616,320	1,312,767
Licenses and permits	1,415,650	1,415,650	1,592,521	176,871
Miscellaneous	2,478,282	2,386,238	3,121,016	734,778
Total revenues	<u>179,257,531</u>	<u>179,165,487</u>	<u>177,914,447</u>	<u>(1,251,040)</u>
Expenditures				
Police	66,043,829	67,337,362	69,362,663	(2,025,301)
Fire	22,400,895	25,592,179	25,615,082	(22,903)
Community services	16,860,108	16,932,353	16,565,601	366,752
Parks and recreation	15,789,440	15,838,705	15,491,661	347,044
Public works	9,807,148	10,887,265	10,313,740	573,525
Community relations	2,977,457	3,054,406	2,959,090	95,316
Mayor and council	429,943	429,943	366,695	63,248
City manager	363,884	363,884	302,434	61,450
Diversity program	604,701	708,799	641,510	67,289
Internal audit/consulting	500,620	500,620	490,817	9,803
City clerk and elections	734,318	734,318	748,020	(13,702)
City attorney	3,163,681	3,183,355	3,134,006	49,349
Municipal courts	4,140,201	4,154,817	4,150,050	4,767
Development services	6,833,694	7,042,390	6,928,113	114,277
Community development	3,964,249	4,238,146	4,218,064	20,082
Financial services	4,639,581	4,681,611	4,481,070	200,541
Human resources	3,261,368	3,553,433	3,312,487	240,946
Information technology	13,612,415	14,428,121	14,749,224	(321,103)
Interdepartmental charges	(13,612,415)	(13,612,415)	(14,367,310)	754,895
Non-departmental	10,633,738	6,218,423	3,587,968	2,630,455
Total expenditures	<u>173,148,855</u>	<u>176,267,715</u>	<u>173,050,985</u>	<u>3,216,730</u>
Other financing sources (uses)				
Transfers from other funds	-	-	1,265,443	1,265,443
Transfers to other funds	-	-	(23,091,626)	(23,091,626)
Proceeds from sale of capital assets	160,000	160,000	8,674,822	8,514,822
Total other financing sources (uses)	<u>160,000</u>	<u>160,000</u>	<u>(13,151,361)</u>	<u>(13,311,361)</u>
Net change in fund balance	<u>\$ 6,268,676</u>	<u>\$ 3,057,772</u>	<u>(8,287,899)</u>	<u>\$ (11,345,671)</u>

Explanation of differences between budgetary revenues and expenditures, and GAAP revenues and expenditures:

The City does not budget for the change in the fair value of investment, but recognizes the change for GAAP purposes	531,295
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(393,396)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	3,748,316
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	<u>101,310</u>
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ (4,300,374)</u>

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

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

Transit Special Revenue Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 36,250,700	\$ 36,250,700	\$ 32,449,710	\$ (3,800,990)
Intergovernmental	6,559,789	6,559,789	9,255,970	2,696,181
Investment income	261,290	261,290	960,154	698,864
Fines and forfeitures	562,740	562,740	512,735	(50,005)
Miscellaneous	779,795	779,795	128,164	(651,631)
Total revenues	44,414,314	44,414,314	43,306,733	(1,107,581)
Expenditures				
Current:				
Public works	39,039,675	39,062,352	38,743,364	318,988
Debt service:				
Principal retirement	2,522,796	2,522,796	1,890,000	632,796
Interest and fiscal fees	10,331,233	10,346,742	3,627,667	6,719,075
Total expenditures	51,893,704	51,931,890	44,261,031	7,670,859
Other financing sources (uses)				
Transfers from other funds	253,100	253,100	1,646,113	1,393,013
Transfers to other funds	(25,373,671)	(25,373,671)	(26,051,711)	(678,040)
Total other financing sources (uses)	(25,120,571)	(25,120,571)	(24,405,598)	714,973
Net change in fund balance	\$(32,599,961)	\$(32,638,147)	(25,359,896)	\$ 7,278,251

**Explanation of differences between budgetary revenues and expenditures,
and GAAP revenues and expenditures:**

The City does not budget for the change in the fair value of investment, but recognizes the change for GAAP purposes	1,062,249
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(3,549)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	89,196
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(7,474)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ (24,219,474)

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



Statement of Net Assets

Proprietary Funds

June 30, 2008

City of Tempe, Arizona

Assets	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Current assets:						
Pooled cash and investments	\$ 96,899,767	\$ 4,859,686	\$ 447,107	\$ -	\$ 102,206,560	\$ 12,926,024
Restricted cash and investments	16,652,687	-	-	615,391	17,268,078	-
Accounts receivable	5,963,390	978,930	-	-	6,942,320	212,115
Accrued interest receivable	479,118	35,929	14,456	2,775	532,278	-
Due from other funds	297,464	-	-	-	297,464	-
Inventories	758,419	-	-	-	758,419	-
Total current assets	121,050,845	5,874,545	461,563	618,166	128,005,119	13,138,139
Noncurrent assets:						
Notes receivable	1,506,411	-	-	-	1,506,411	-
Equity in joint venture	142,386,125	-	-	-	142,386,125	-
Capital Assets:						
Land	6,330,829	-	362,548	-	6,693,377	-
Buildings	48,197,957	1,265,783	1,822,663	-	51,286,403	-
Infrastructure	205,177,089	-	-	-	205,177,089	-
Improvements	142,161,586	-	4,247,980	-	146,409,566	-
Machinery and equipment	25,490,070	18,944,867	1,272,815	19,449	45,727,201	-
Construction in progress	67,187,898	-	46,952	2,122,755	69,357,605	-
Less accumulated depreciation	(202,286,998)	(14,147,382)	(5,264,785)	(4,399)	(221,703,564)	-
Total capital assets (net of accumulated depreciation)	292,258,431	6,063,268	2,488,173	2,137,805	302,947,677	-
Total noncurrent assets	436,150,967	6,063,268	2,488,173	2,137,805	446,840,213	-
Total assets	\$ 557,201,812	\$ 11,937,813	\$ 2,949,736	\$ 2,755,971	\$ 574,845,332	\$ 13,138,139

Liabilities	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Current liabilities:						
Accounts payable	\$ 4,347,423	\$ 1,374,457	\$ 21,041	\$ 1,756	\$ 5,744,677	\$ 1,139,219
Deposits	450,654	-	-	-	450,654	-
Accrued expenses	2,734,897	612,008	175,614	7,160	3,529,679	7,858,088
Due to other funds	-	-	-	297,464	297,464	-
Accrued interest payable	5,346,400	-	-	48,469	5,394,869	-
General obligation bonds- current	11,300,000	-	-	-	11,300,000	-
Excise tax revenue obligations- current	-	-	-	80,000	80,000	-
Total current liabilities	24,179,374	1,986,465	196,655	434,849	26,797,343	8,997,307
Noncurrent liabilities:						
General obligation bonds payable	282,520,000	-	-	-	282,520,000	-
Excise tax revenue obligations	-	-	-	2,050,000	2,050,000	-
Net OPEB Obligation	3,065,174	1,295,615	303,979	21,867	4,686,635	57,977
Unamortized premium	-	-	-	107,372	107,372	-
Total noncurrent liabilities	285,585,174	1,295,615	303,979	2,179,239	289,364,007	57,977
Total liabilities	309,764,548	3,282,080	500,634	2,614,088	316,161,350	9,055,284
Net Assets						
Invested in capital assets, net of related debt	146,132,767	6,063,268	2,488,173	182,809	154,867,017	-
Unrestricted	101,304,497	2,592,465	(39,071)	(40,926)	103,816,965	4,082,855
Total net assets	\$ 247,437,264	\$ 8,655,733	\$ 2,449,102	\$ 141,883	\$ 258,683,982	\$ 4,082,855

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

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds
For the Year Ended June 30, 2008

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Operating revenues:						
Charges for services	\$ 53,208,327	\$ 14,669,542	\$ 1,984,429	\$ 231,960	\$ 70,094,258	\$ 28,766,786
Miscellaneous	310,282	34,153	14	-	344,449	-
Total operating revenues	<u>53,518,609</u>	<u>14,703,695</u>	<u>1,984,443</u>	<u>231,960</u>	<u>70,438,707</u>	<u>28,766,786</u>
Operating expenses:						
Personal services	17,740,908	6,355,389	1,401,504	128,362	25,626,163	-
Supplies and materials	3,870,292	518,886	249,886	12,534	4,651,335	-
Fees and services	16,786,675	7,407,201	726,296	17,447	24,937,619	26,373,788
Depreciation	11,643,558	849,686	289,853	2,778	12,785,875	-
Total operating expenses	<u>50,041,433</u>	<u>15,130,899</u>	<u>2,667,539</u>	<u>161,121</u>	<u>68,000,992</u>	<u>26,373,788</u>
Operating income (loss)	<u>3,477,176</u>	<u>(427,204)</u>	<u>(683,096)</u>	<u>70,839</u>	<u>2,437,715</u>	<u>2,392,998</u>
Nonoperating revenues (expenses):						
Investment income	4,364,638	205,506	29,363	18,876	4,618,383	-
Interest and fiscal fees	(11,112,690)	-	-	(90,622)	(11,203,312)	-
Gain on sale of capital asset	-	70,495	-	-	70,495	-
Net loss from joint venture	(3,800,646)	-	-	-	(3,800,646)	-
Income (loss) before operating transfers	<u>(7,071,522)</u>	<u>(151,203)</u>	<u>(653,733)</u>	<u>(907)</u>	<u>(7,877,365)</u>	<u>2,392,998</u>
Capital contributions	472,928	-	-	-	472,928	-
Transfers in	6,385,282	5,000	60,957	90,856	6,542,095	-
Transfers out	(6,691,337)	-	-	-	(6,691,337)	-
Change in net assets	<u>(6,904,649)</u>	<u>(146,203)</u>	<u>(592,776)</u>	<u>89,949</u>	<u>(7,553,679)</u>	<u>2,392,998</u>
Total net assets- beginning	<u>254,341,913</u>	<u>8,801,936</u>	<u>3,041,878</u>	<u>51,934</u>	<u>266,237,661</u>	<u>1,689,857</u>
Total net assets- ending	<u>\$ 247,437,264</u>	<u>\$ 8,655,733</u>	<u>\$ 2,449,102</u>	<u>\$ 141,883</u>	<u>\$ 258,683,982</u>	<u>\$ 4,082,855</u>

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2008

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds				Governmental- Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	
Cash flows from operating activities:					
Receipts from customers	\$ 54,657,167	\$ 14,747,330	\$ 1,984,443	\$ 231,960	\$ 71,620,900
Receipts from other funds	(14,267,797)	(4,938,953)	(1,059,991)	(106,879)	(20,373,620)
Payments to employees for services	(21,346,242)	(7,196,546)	(1,028,196)	(30,193)	(29,603,177)
Payments to suppliers for goods and services	-	-	-	-	-
Payment for premiums and settlement of claims	-	-	-	-	-
Net cash provided (used) by operating activities	\$ 19,041,128	\$ 2,611,831	\$ (103,744)	\$ 94,888	\$ 21,644,103
Cash flows from noncapital financing activities:					
Advances from/(to) other funds	550,418	-	-	(550,418)	-
Transfers in	6,385,282	5,000	60,957	90,856	6,542,095
Transfers out	(6,691,337)	-	-	-	(6,691,337)
Net cash provided (used) by noncapital financing activities	\$ 244,363	\$ 5,000	\$ 60,957	\$ (459,562)	\$ (149,242)
Cash flows from capital and related financing activities:					
Proceeds from sale of bonds	50,555,000	-	-	-	50,555,000
Principal paid on long-term debt	(8,515,000)	-	(140,000)	(80,000)	(8,735,000)
Interest and fiscal fees	(9,769,223)	-	(4,097)	(98,338)	(9,871,658)
Acquisition of capital assets	(26,182,763)	(3,006,614)	-	(783,792)	(29,973,169)
Capital contributions	472,928	-	-	-	472,928
Proceeds from the sale of assets	-	70,495	-	-	70,495
Investment in joint venture	(20,382,239)	-	-	-	(20,382,239)
Net cash used by capital and related financing activities	\$ (13,821,297)	\$ (2,936,119)	\$ (144,097)	\$ (962,130)	\$ (17,863,643)
Cash flows from investing activities:					
Interest received	4,522,492	218,538	28,519	16,101	4,785,650
Collection of notes receivable	464,016	-	-	-	464,016
Net cash provided by investing activities	\$ 4,986,508	\$ 218,538	\$ 28,519	\$ 16,101	\$ 5,249,666
Cash and cash equivalents in cash and cash equivalents	10,450,702	(100,750)	(158,365)	(1,310,703)	8,880,884
Cash and cash equivalents at beginning of year	103,101,752	4,960,436	605,472	1,926,094	110,593,754
Cash and cash equivalents at end of year	\$ 113,552,454	\$ 4,859,686	\$ 447,107	\$ 615,391	\$ 119,474,638
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 3,477,176	\$ (427,204)	\$ (683,096)	\$ 70,839	\$ 2,437,715
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	11,643,558	849,686	289,853	2,778	12,785,875
Change in assets and liabilities:					
(Increase) decrease in receivables	1,138,558	43,635	-	-	1,182,193
(Increase) decrease in inventories	(57,607)	-	-	-	(57,607)
Increase (decrease) in deposits	93,929	-	-	-	93,929
Increase (decrease) in payables	(727,597)	729,278	(52,014)	(212)	(50,545)
Increase (decrease) in accrued expenses	407,937	120,821	37,534	(384)	565,908
Increase (decrease) in net OPEB obligation	3,065,174	1,295,615	303,979	21,867	4,686,635
Net cash provided (used) by operating activities	\$ 19,041,128	\$ 2,611,831	\$ (103,744)	\$ 94,888	\$ 21,644,103
Noncash investing, capital, and financing activities:					
Net loss from joint venture	\$ (3,800,646)	\$ -	\$ -	\$ -	\$ (3,800,646)
Total noncash investing, capital, and financing activities:	\$ (3,800,646)	\$ -	\$ -	\$ -	\$ (3,800,646)

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



Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basic Financial Statements

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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

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

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

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

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

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

C. Basis of Presentation

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

The following fund categories are used by the City:

Governmental Funds

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Governmental Funds include the following fund types:

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

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

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

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

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

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

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

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

Proprietary Funds

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

Proprietary funds include the following fund types:

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

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

The following enterprise funds are used by the City:

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

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

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

Cemetery Fund – accounts for the operation of the Double Butte cemetery. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operation, maintenance and financing.

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the annual budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

GASB No. 20 requires that governments with proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Accounting Principles Board Opinion No. 22, Disclosure of Accounting Policies, require the same treatment for the government-wide financial statements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989 for the government-wide or enterprise fund financial statements.

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

E. Budgetary Data

State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted each fiscal year for the General, Special Revenue (except Grants and Court Awards), Debt Service (except Special Assessments), and Proprietary Funds on a modified accrual basis plus encumbrances. The separately issued annual budget may be obtained from the City's Financial Services Department, Budget and Research Division, 20 East Sixth Street, Tempe, Arizona, 85281.

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimates Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2007-08 Expenditure Limitation is \$270,486,128.

Local governments may carryforward to later years revenues, which are not subject to the expenditure limitation and were not expended in the year of receipt.

G. Pooled Cash and Investments

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

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

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

H. Receivables

For accounts receivable (utility billing receivables), all amounts outstanding in excess of 120 days are included in the allowance.

I. Inventories

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

K. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

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

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	10-70
Improvements	10-50
Machinery and equipment	3-25
Infrastructure	7-70

L. Compensated Absences

Accumulated unpaid vacation, vested sick pay and vested "Mediflex" supplementary health maintenance benefits are accrued in the Government-wide and all Proprietary Fund statements. Compensated absences are only reported in the governmental funds if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). These long-term liabilities of the governmental funds are not shown on the fund financial statements, as the benefits are not expected to be liquidated with expendable available financial resources.

Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees. Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Upon retirement or resignation, employees with at least 10 years service are eligible for compensation of up to 50 percent of accumulated sick leave.

Each employee with 3 years service receives a "Mediflex" allowance each year as reimbursement for all otherwise nonreimbursed health maintenance costs. Benefits are prorated based on length of service and increase up to a maximum of \$650 a year. Unused credits are cumulative and upon employee termination are "banked" at the following rates: after 10 years, 50 percent; after 15 years, 75 percent; after 20 years, 100 percent.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-term Obligations

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

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

N. Interfund Transactions

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

O. Fund Equity

In the fund financial statements, reserved fund equity is defined as that portion of fund equity that has legally been segregated for specific purposes. Designated fund equity is defined as that portion of fund equity for which the City has made tentative plans for future use of financial resources. Unreserved/undesignated fund equity is defined as that portion of fund equity, which is available for use in a future period.

P. Statements of Cash Flows

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

Q. Use of Estimates

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

R. Implementation of New Accounting Principle

For the year ended June 30, 2008, the City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes governmental employer accounting and financial reporting requirements for postemployment benefits other than pensions.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 2 - BUDGET BASIS OF ACCOUNTING

Arizona state statutes require accounting for certain transactions to be on a basis other than GAAP. The actual results of operations, in accordance with state statutes ("budget basis") are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund and Transit Special Revenue Fund (major funds) to provide a meaningful comparison of actual results with the budget. Budgetary statements include a reconciliation of the adjustments required to convert the budgetary basis to GAAP basis.

The major differences between the budget and GAAP bases are:

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

NOTE 3 - PROPERTY TAXES

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

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.

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

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

Using the accrual basis of accounting, property taxes are recognized as revenue when earned in the government-wide financial statements. In the governmental funds, property taxes are recognized as revenue on the modified accrual basis, i.e., when both measurable and available. Property taxes levied in August 2008 are not available for the current year; accordingly, such taxes will not be recognized as revenue until the subsequent fiscal year. Prior year levies were recorded using these same principles, and remaining receivables from such levies are also recognized as revenue, when available.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS

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

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was <\$2,520,093> and the bank balance was \$7,220,088. Of the bank balance, \$100,000 was covered by federal depository insurance and \$7,120,088 was covered by collateral held in the pledging bank's trust department in the City's name.

Investments

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

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

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$399,552,168
Carrying amount of cash deposits	(2,520,093)
Total pooled cash and investments	<u>\$397,032,075</u>
Pooled cash and investments – unrestricted	\$327,558,138
Restricted cash and investments	69,473,937
Total pooled cash and investments	<u>\$397,032,075</u>

The City had a net increase in the fair value of investments during fiscal year 2007-08 of \$ 233,211. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2008, the City maintained the following investments and maturities:

Investment Type	Remaining Maturity in Months		
	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>13 - 24 Months</u>
US government treasuries	\$ 37,956,800	\$ 34,681,312	\$3,275,488
US government agencies	19,160,450	15,131,250	4,029,200
Money market	33,191,599	33,191,599	-
State investment pool	309,243,319	309,243,319	-
	<u>\$399,552,168</u>	<u>\$392,247,480</u>	<u>\$7,304,688</u>

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

Credit risk. The City addresses credit risk through the investment policy by restricting the allowable investment instruments. The investments in all of the US Agency obligations and money market funds were rated Aaa by Moody's Investor Service and AAA by Standard & Poor's. The Arizona Local Government Investment Pool is currently not rated.

Concentration of Credit Risk. The City policy places no limit on the amount that the City may invest in any one issuer for the US treasury obligations and the US Agency Obligations. The investment policy does establish a maximum percentage of 10% in banker's acceptances, 20% in commercial paper and 25% in repurchase agreements. The maximum investment in any one issuer for certificates of deposits is 33% and for repurchase agreements is 10%.

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

Due to/from other funds consisted of the following at June 30, 2008:

	<u>Due to</u>	<u>Due from</u>
General fund	\$ -	\$ 746,810
Transit special revenue fund	-	94,815
Transit capital projects fund	94,815	-
Non-major governmental	746,810	-
Total governmental funds	<u>\$841,625</u>	<u>\$841,625</u>
	<u>Due to</u>	<u>Due from</u>
Water and wastewater fund	\$ -	\$ 297,464
Cemetery fund	297,464	-
Total proprietary funds	<u>\$ 297,464</u>	<u>\$ 297,464</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

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

The interfund balances at June 30, 2008 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2008 are expected to be repaid within one year.

Interfund balances between the governmental funds and interfund balances between the proprietary funds have been eliminated in the government-wide statement of net assets.

		Transfers Out						
		General	Transit Special Revenue	General Obligation Debt Service	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Total
Transfers In	General	\$ -	\$ 678,040	\$ -	\$ -	\$ 512,476	\$ 74,927	\$ 1,265,443
	Transit Special Revenue	-	-	-	1,392,275	253,838	-	1,646,113
	General Obligation Debt Service	-	-	-	-	2,770,071	5,815,000	8,585,071
	Special Assessment Debt Service	-	-	-	-	1,850,989	-	1,850,989
	Transit Capital Projects	-	25,047,400	-	-	329,632	-	25,377,032
	Non-major Governmental	22,797,698	326,271	3,069,791	-	5,642,781	801,410	32,637,951
	Water and Wastewater	232,971	-	5,815,000	-	337,311	-	6,385,282
	Solid Waste	-	-	-	-	5,000	-	5,000
	Golf	60,957	-	-	-	-	-	60,957
	Cemetery	-	-	-	-	90,856	-	90,856
Total	\$23,091,626	\$26,051,711	\$8,884,791	\$1,392,275	\$11,792,954	\$6,691,337	\$77,904,694	

The interfund transfers generally fall within one of the following categories: 1) pay-as-you-go financing transfers into capital project funds; 2) transfers to cover debt service payments; or 3) transfers to cover operating expenditures in accordance with City policy. There were no significant transfers during fiscal year 2007-08 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE

On November 10, 2004 the City entered into an intergovernmental agreement with the Arizona Tourism and Sports Authority ("TSA") for the renovation of the Tempe Diablo Stadium Complex. On September 1, 2005, the City funded the project through the issuance of municipal bonds (see note 9). The TSA agreed to reimburse the City \$12,000,000 for their contribution, plus interest at the bond rate (3.50% to 5.00%). A note receivable was recorded in the General Obligation Debt Service Fund for the TSA's portion. Payments are received semi-annually and any unpaid interest is capitalized. Due to capitalizing interest, at June 30, 2008 the note receivable balance is \$13,057,877.

At June 30, 2008, notes receivable totaled \$1,506,411 in the Water and Wastewater Fund. The notes bear interest at 4.00% (see Note 9). Repayment of the receivable to the Water and Wastewater Fund will be made from the General and Highway User Special Revenue funds.

On August 22, 2007 the City sold land valued at \$42,142,823. A note receivable, bearing interest at 8.00%, was recorded in the General Fund in the amount of \$33,714,306. Principal payments are received annually and interest payments are received semi-annually. At June 30, 2008, the note receivable balance is \$33,714,306 and corresponding revenue has been deferred.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE

The City currently participates in two joint ventures, the Subregional Operating Group and Valley Metro Rail, Inc.

Subregional Operating Group (SROG)

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

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

As of June 30, 2007 (the latest information available), the City has a 16% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, development fees and grants. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2007 (the latest information available) is as follows (in thousands):

Total assets	\$ 771,098
Total liabilities	(68,444)
Total net assets	<u>\$ 702,654</u>
Total revenues	\$ 158,885
Total expenses	(59,539)
Total non-operating revenues (expenses)	(834)
Net increase in net assets	<u>\$ 98,512</u>

The City's net investment and its share of operating and maintenance expenses are recorded in the Water and Wastewater Enterprise Fund. The City's equity in joint venture at June 30, 2008, was \$142,386,125. The City's net loss from joint venture was \$3,800,646 for the fiscal year ended June 30, 2008. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 4041 North Central, Suite 900, Phoenix, Arizona, 85012.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Valley Metro Rail, Inc. (VMRI)

The City currently participates with the cities of Phoenix, Mesa and Glendale in a joint powers agreement for the design, construction and operation of a light rail transit system. Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint powers agreement between the cities. In addition, VMRI has oversight responsibility for the planning, designing, construction and operation of a regional mass transit light rail system. The agreement provides voting rights for members of the representative cities related to strategic initiatives including passage of an annual capital program and annual operating budget.

As of June 30, 2008, the City has 25.5% (unaudited) equity interest in the joint venture. The project is currently in the planning, design and construction phase. The scheduled completion date for the light rail project is December 2008. Member contributions to the joint venture are offset by a Federal funding agreement from the U.S. Department of Transportation. These contributions are recognized as intergovernmental revenue in the Transit Capital Projects fund.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2007 (the latest information available) is as follows:

Total assets	\$ 945,701,065
Total liabilities	<u>(171,893,575)</u>
Total net assets	<u>\$ 773,807,490</u>
Total revenues	\$ 359,636,200
Total expenses	<u>(46,311,898)</u>
Total non-operating revenues	<u>102,888</u>
Net increase in net assets	<u>\$ 313,427,190</u>

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project less any federal reimbursements and operating fares. The equity interests will be determined, and periodically adjusted, based on the number of rail mileage located within each city. The City expended \$62,384,955 in the fiscal year ended June 30, 2008 toward the light rail project. These expenditures were included in the financial statements predominately as capital outlay in the Transit Capital Projects fund. Of this amount, \$60,805,671 was included in equity in joint venture and \$1,579,284 was recorded to land in the government-wide financial statements. The City's equity in joint venture at June 30, 2008 was \$276,181,479. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2008 is as follows:

	Balances June 30, 2007	Additions	Retirements	Transfers in (out)	Balances June 30, 2008
Governmental activities:					
Non-depreciable assets:					
Land	\$ 65,643,523	\$ 10,445	\$ (7,100,000)	\$ 1,829,303	\$ 60,383,271
Construction-in-progress	131,924,290	77,295,627	(2,691,376)	(137,166,725)	69,361,816
Total non-depreciable assets	197,567,813	77,306,072	(9,791,376)	(135,337,422)	129,745,087
Depreciable assets:					
Buildings	136,518,572	-	(1,178,217)	115,230,375	250,570,730
Infrastructure	621,677,923	-	-	10,058,458	631,736,381
Improvements	112,235,164	131,508	-	5,540,998	117,907,670
Machinery and equipment	122,711,640	3,861,054	(1,034,431)	4,507,591	130,045,854
Total depreciable assets	993,143,299	3,992,562	(2,212,648)	135,337,422	1,130,260,635
Accumulated depreciation:					
Buildings	(35,304,811)	(4,326,138)	274,917	-	(39,356,032)
Infrastructure	(251,571,570)	(14,022,932)	-	-	(265,594,502)
Improvements	(27,702,778)	(4,412,014)	-	-	(32,114,792)
Machinery and equipment	(84,462,526)	(7,968,007)	841,095	-	(91,589,438)
Total accumulated depreciation	(399,041,685)	(30,729,091)	1,116,012	-	(428,654,764)
Governmental activities capital assets, net	\$ 791,669,427	\$50,569,543	\$ (10,888,012)	\$ -	\$831,350,958

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2007	Additions	Retirements	Transfers in (out)	Balances June 30, 2008
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	53,362,704	26,629,750	-	(10,634,849)	69,357,605
Total non-depreciable assets	60,056,081	26,629,750	-	(10,634,849)	76,050,982
Depreciable assets:					
Buildings	51,286,403	-	-	-	51,286,403
Infrastructure	199,347,153	-	-	5,829,936	205,177,089
Improvements	141,659,135	-	-	4,750,431	146,409,566
Machinery and equipment	43,121,251	3,424,673	(873,205)	54,482	45,727,201
Total depreciable assets	435,413,942	3,424,673	(873,205)	10,634,849	448,600,259
Accumulated depreciation:					
Buildings	(17,761,084)	(1,097,244)	-	-	(18,858,328)
Infrastructure	(99,668,358)	(5,209,229)	-	-	(104,877,587)
Improvements	(56,137,840)	(4,841,060)	-	-	(60,978,900)
Machinery and equipment	(36,142,360)	(1,638,342)	791,953	-	(36,988,749)
Total accumulated depreciation	(209,709,642)	(12,785,875)	791,953	-	(221,703,564)
Business-type activities capital assets, net	\$ 285,760,381	\$ 17,268,548	\$ (81,252)	\$ -	\$ 302,947,677

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

Police	\$ 2,379,083
Fire	1,558,002
Community services	680,682
Parks and recreation	2,623,447
Public works	18,160,203
Community relations	18,059
City manager	15,536
Diversity program	997
City clerk and elections	1,211
City attorney	659
Municipal courts	48,245
Development services	134,887
Community development	1,066,618
Financial services	195,070
Human resources	2,278
Information technology	1,057,020
Non-departmental	2,787,094
Total depreciation expense	\$ 30,729,091

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued for proprietary activities are reported in the Proprietary Funds as they are to be repaid from proprietary revenues. In the current year, \$66.4 million was issued to finance improvements for Water and Wastewater, Public Safety Police, Public Safety Fire, and Parks. In addition, general obligation bonds have been issued to refund previously issued general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds outstanding at June 30, 2008, were as follows:

\$17,305,000 1993A Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$80,000 to \$5,035,000 through July 1, 2011; interest at 2.6% to 5.4%	\$ 3,945,000
\$12,755,000 1998 Capital Improvements Refunding Issue Serial Bonds due in annual installments of \$90,000 to \$2,450,000 through July 1, 2010; interest at 4.25% to 4.90%	6,135,000
\$37,500,000 1998A Capital Improvement Serial Bonds due in annual installments of \$1,210,000 to \$2,755,000 beginning July 1, 1999 through July 1, 2018; interest at 4.00% to 5.50%	13,575,000
\$24,000,000 2001A Capital Improvement Serial Bonds due in annual installments of \$650,000 to \$1,630,000 beginning July 1, 2002 through July 1, 2021; interest at 4.50% to 6.00%	11,100,000
\$11,045,000 2002 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$1,145,000 through July 1, 2015; interest at 2.25% to 5.00%	6,780,000
\$22,000,000 2002A Capital Improvement Serial Bonds due in annual installments of \$690,000 to \$1,650,000 through July 1, 2022; interest at 3.5% to 5.0%	17,335,000
\$44,820,000 2003 Capital Improvement Serial Bonds due in annual installments of \$955,000 to \$3,340,000 through July 1, 2023; interest at 3.50% to 5.00%	37,255,000
\$19,900,000 2004 Capital Improvement Serial Bonds due in annual installments of \$560,000 to \$1,485,000 through July 1, 2024; interest at 3.5% to 5.5%	17,140,000
\$18,775,000 2004R Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$2,925,000 through July 1, 2017; interest at 2.00% to 5.00%	16,605,000
\$52,425,000 2005 Capital Improvement Serial Bonds due in annual installments of \$1,740,000 to \$3,860,000 through July 1, 2024; interest at 3.50% to 5.00%	46,670,000
\$74,495,000 2006 Capital Improvement Serial Bonds due in annual installments of \$2,150,000 to \$5,900,000 through July 1, 2025; interest at 3.50% to 5.00%	69,775,000
\$20,690,000 2007 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$20,000 to \$5,860,000 through July 1, 2018; interest at 3.75% to 5.00%	20,650,000
\$76,485,000 2007A Capital Improvement Serial Bonds due in annual installments of \$2,220,000 to \$5,350,000 through July 1, 2026; interest at 3.50% to 4.50%	74,265,000
\$66,365,000 2008A Capital Improvement Serial Bonds due in annual installments of \$1,870,000 to \$5,080,000 beginning July 1, 2009 through July 1, 2028; interest at 3.375% to 4.375%	<u>66,365,000</u>
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	<u>\$ 407,595,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 21,650,000	\$ 17,928,121	\$ 39,578,121
2010	22,845,000	16,733,919	39,578,919
2011	23,860,000	15,739,498	39,599,498
2012	23,445,000	14,723,158	38,168,158
2013	22,845,000	13,682,503	36,527,503
2014-2018	119,785,000	52,766,053	172,551,053
2019-2023	116,415,000	26,289,060	142,704,060
2024-2028	56,750,000	5,142,663	61,892,663
	<u>\$ 407,595,000</u>	<u>\$ 163,004,975</u>	<u>\$ 570,599,975</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 7,895,000	\$ 5,507,623	\$ 13,402,623
2010	8,415,000	5,098,349	13,513,349
2011	8,735,000	4,736,911	13,471,911
2012	8,580,000	4,369,389	12,949,389
2013	8,005,000	3,983,144	11,988,144
2014-2018	39,650,000	14,507,366	54,157,366
2019-2023	31,845,000	6,412,074	38,257,074
2024-2028	11,950,000	1,079,388	13,029,388
	<u>\$ 125,075,000</u>	<u>\$ 45,694,244</u>	<u>\$ 170,769,244</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 13,755,000	\$ 12,420,498	\$ 26,175,498
2010	14,430,000	11,635,570	26,065,570
2011	15,125,000	11,002,586	26,127,586
2012	14,865,000	10,353,769	25,218,769
2013	14,840,000	9,699,359	24,539,359
2014-2018	80,135,000	38,258,686	118,393,686
2019-2023	84,570,000	19,876,986	104,446,986
2024-2028	44,800,000	4,063,275	48,863,275
	<u>\$ 282,520,000</u>	<u>\$ 117,310,729</u>	<u>\$ 399,830,729</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Special Assessment Bonds Payable with Governmental Commitment. As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2008, the special assessments receivable of \$38,552,710, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment bonds payable with governmental commitment outstanding at June 30, 2008, were as follows:

\$1,665,000 ID 158 Special Assessment Bonds Payable with Governmental Commitment issued May 1, 1985; maturing January 1, 2010; due in annual installments of \$65,000 to \$70,000; interest at 10.125%	\$ 130,000
\$11,440,000 ID 170 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 1992; maturing January 1, 2011; due in annual installments of \$460,000 to \$1,160,000; interest at 6.875%	3,270,000
\$7,070,000 ID 172 Special Assessment Bonds Payable with Governmental Commitment issued August 1, 1997; maturing January 1, 2013; due in annual installments of \$470,000 to \$475,000; interest at 5.10%	2,350,000
\$6,175,000 ID 175 Special Assessment Bonds Payable with Governmental Commitment issued May 6, 1999; maturing January 1, 2015; due in annual installments of \$295,000 to \$555,000; interest at 4.70%	3,410,000
\$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of \$220,000 to \$385,000; interest at 4.10%	3,960,000
\$25,190,000 ID 180 Special Assessment Bonds Payable with Governmental Commitment issued February 27, 2008; maturing January 1, 2029; due in annual installments of \$760,000 to \$1,925,000; interest at 5.00%	<u>25,190,000</u>
Total special assessment bonds outstanding	<u><u>\$ 38,310,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 2,215,000	\$ 1,874,812	\$ 4,089,812
2010	3,070,000	1,722,562	4,792,562
2011	3,150,000	1,547,441	4,697,441
2012	2,060,000	1,409,611	3,469,611
2013	2,140,000	1,308,085	3,448,085
2014-2018	7,770,000	5,308,059	13,078,059
2019-2023	7,640,000	3,483,997	11,123,997
2024-2028	8,340,000	1,564,250	9,904,250
2029	<u>1,925,000</u>	<u>48,125</u>	<u>1,973,125</u>
	<u><u>\$38,310,000</u></u>	<u><u>\$18,266,942</u></u>	<u><u>\$56,576,942</u></u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Refunding Certificates of Participation. On June 1, 1999, the City issued \$5,110,000 of Refunding Certificates of Participation (COP). The proceeds were used to refund \$4,775,000 of the 1989 Tempe Sports Authority Facilities Bonds (TSAF), and pay costs incurred to issue the certificates. The City has collateralized the obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

\$5,110,000 1999B Refunding Certificates of Participation due in annual installments of \$400,000 to \$625,000 through July 1, 2009; interest at 4.20% to 4.90% \$ 625,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	<u>\$ 625,000</u>	<u>\$ 30,625</u>	<u>\$ 655,625</u>
	<u>\$ 625,000</u>	<u>\$ 30,625</u>	<u>\$ 655,625</u>

Excise Tax Revenue Obligations. On April 1, 2000, the City issued \$17,310,000 of Excise Tax Revenue Obligations. The proceeds were used to finance the improvements to the Papago Water Treatment Plant, the 91st Ave Treatment plant, the purchase of buses, the construction of a parking structure and office space and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$17,310,000 2000A Excise Tax Revenue Obligations due in annual installments of \$245,000 to \$2,880,000 through July 1, 2020 (debt service ensuing fiscal year 2011 was refunded); interest at 4.825% to 5.625% \$ 1,025,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 325,000	\$ 52,365	\$ 377,365
2010	340,000	35,790	375,790
2011	<u>360,000</u>	<u>18,450</u>	<u>378,450</u>
	<u>\$ 1,025,000</u>	<u>\$ 106,605</u>	<u>\$ 1,131,605</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations. On February 1, 2003, the City issued \$39,275,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$40,500,000 of the 1998 Variable Rate Demand Excise Tax Revenue Obligations, and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge of the excise taxes.

\$39,275,000 2003 Excise Tax Revenue Refunding Obligations due in annual installments of \$475,000 to \$2,950,000 through July 1, 2023; interest at 2.00% to 5.25% \$15,250,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,540,000	\$ 673,263	\$ 2,213,263
2010	1,610,000	603,387	2,213,387
2011	1,675,000	538,987	2,213,987
2012	1,760,000	455,237	2,215,237
2013	1,830,000	384,837	2,214,837
2014-2018	3,885,000	956,388	4,841,388
2019-2023	<u>2,950,000</u>	<u>682,190</u>	<u>3,632,190</u>
	<u>\$15,250,000</u>	<u>\$ 4,294,289</u>	<u>\$19,544,289</u>

Excise Tax Revenue Obligations. On June 1, 2004, the City issued \$37,595,000 of Excise Tax Revenue Obligations. The proceeds were used to (i) refund \$14,185,000 of the 2002 Variable Rate Demand Excise Tax Revenue Obligations related to the Tempe Center for the Performing Arts Project (Performing Arts Project), (ii) to fund a portion of the cost of the Performing Arts Project and (iii) to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of 0.10% performing arts center tax, approved by voters on May 16, 2000, which are restricted to the Tempe Center for the Performing Arts Project. Additionally, the payments to be made by the City are secured by a subordinate lien pledge by the City of all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing, including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year. The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$37,595,000 2004 Excise Tax Revenue Obligations due in annual installments of \$1,500,000 to \$3,350,000 through July 1, 2020; interest at 2.25% to 5.25%

\$ 30,785,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,910,000	\$ 1,611,438	\$ 3,521,438
2010	2,000,000	1,515,938	3,515,938
2011	2,115,000	1,410,938	3,525,938
2012	2,225,000	1,299,900	3,524,900
2013	2,340,000	1,183,088	3,523,088
2014-2018	13,665,000	3,939,864	17,604,864
2019-2020	<u>6,530,000</u>	<u>518,702</u>	<u>7,048,702</u>
	<u>\$30,785,000</u>	<u>\$11,479,868</u>	<u>\$42,264,868</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations. On September 1, 2005, the City issued \$21,315,000 of Excise Tax Revenue Obligations. The proceeds were used to finance the construction and renovation of various projects for Tempe Diablo Stadium, various cemetery improvements and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

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

\$21,315,000 2005 Excise Tax Revenue Obligations due in annual installments of \$345,000 to \$2,135,000 through July 1, 2025; interest at 3.50% to 5.00%

\$ 20,210,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 370,000	\$ 965,126	\$ 1,335,126
2010	385,000	952,176	1,337,176
2011	395,000	938,700	1,333,700
2012	410,000	924,876	1,334,876
2013	425,000	909,500	1,334,500
2014-2018	5,260,000	4,130,600	9,390,600
2019-2023	8,795,000	2,404,500	11,199,500
2024-2025	4,170,000	315,250	4,485,250
	<u>\$20,210,000</u>	<u>\$11,540,728</u>	<u>\$31,750,728</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 285,000	\$ 870,988	\$ 1,155,988
2010	295,000	861,012	1,156,012
2011	305,000	850,688	1,155,688
2012	315,000	840,013	1,155,013
2013	325,000	828,200	1,153,200
2014-2018	4,705,000	3,793,050	8,498,050
2019-2023	8,095,000	2,212,250	10,307,250
2024-2025	3,835,000	290,000	4,125,000
	<u>\$18,160,000</u>	<u>\$10,546,201</u>	<u>\$28,706,201</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 85,000	\$ 94,138	\$ 179,138
2010	90,000	91,163	181,163
2011	90,000	88,013	178,013
2012	95,000	84,863	179,863
2013	100,000	81,300	181,300
2014-2018	555,000	308,675	863,675
2019-2023	700,000	221,125	921,125
2024-2025	335,000	25,250	360,250
	<u>\$2,050,000</u>	<u>\$994,527</u>	<u>\$3,044,527</u>

Excise Tax Revenue Obligations. On May 1, 2006 the City issued \$22,265,000 of Excise Tax Revenue Obligations. The proceeds were used to fund a portion of the cost of the Tempe Center for the Arts Project and to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of 0.10% performing arts center tax, approved by voters on May 16, 2000, which are restricted to the Tempe Center for the Performing Arts Project. Additionally, the payments to be made by the City are secured by a subordinate lien pledge by the City of all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing, including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

The City further covenants and agrees that so long as any Special Parity Obligations are outstanding, the Performing Arts Center Excise Taxes, the Excise Taxes and the Special Excise Taxes will be imposed in each Fiscal Year so that the sum of (A) Performing Arts Center Excise Taxes for such Fiscal Year, plus (B) Special Excise Taxes for such Fiscal Year plus (C) the excess of the Excise Taxes for such Fiscal Year over the Debt Service on the Outstanding Senior Excise Tax Obligations for such Fiscal Year shall be equal to at least three times the total of the Debt Service with respect to the Parity Obligations and the Special Parity Obligations in such Fiscal Year.

The City further covenants and agrees that if such revenues for any such Fiscal Year shall not equal three times such Debt Service or will not be sufficient to meet such Fiscal Year's actual Debt Service with respect to Parity Obligations and Special Parity Obligations, the City will either impose new Excise Taxes or Special Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) such revenues for the current Fiscal Year will be sufficient to meet such Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations and (ii) such revenues for the next succeeding Fiscal Year will be equal to at least three times the next succeeding Fiscal Year's Debt Service with respect to Parity Obligations and Special Parity Obligations. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

\$22,265,000 2006 Excise Tax Revenue Obligations due in annual installments of
 \$1,650,000 to \$2,385,000 through July 1, 2016; interest at 4.00% to 4.50% \$ 16,555,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,790,000	\$ 701,288	\$ 2,491,288
2010	1,860,000	629,688	2,489,688
2011	1,935,000	555,288	2,490,288
2012	2,015,000	477,888	2,492,888
2013	2,100,000	392,250	2,492,250
2014-2016	6,855,000	620,252	7,475,252
	<u>\$16,555,000</u>	<u>\$3,376,654</u>	<u>\$19,931,654</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Variable Rate Demand Excise Tax Revenue Obligations. On June 21, 2006, the City entered into a purchase agreement with Royal Bank of Canada, acting by and through its New York branch, to pay costs associated with a portion of the City's light rail project. These costs were financed through the issuance of \$60,675,000 of variable rate demand excise tax revenue obligations (Obligations). The Obligations are remarketed by RBC Dain Rauscher, Inc., serving as the remarketing agent, at an interest rate which would cause the Obligations to have a market value on the commencement date of such rate period equal to the principal amount thereof plus accrued and unpaid interest, if any, not to exceed 12%.

The interest rate on these Obligations is reset on a weekly basis and interest will be paid monthly. The City has the option of converting from the weekly rate to either a daily rate or term rates, including a term rate period through the final maturity of the Obligations. In the event that the Obligations are converted to a term rate (other than daily or weekly), the Obligations are subject to mandatory tender for purchase.

The City has entered into a standby obligation purchase agreement with Royal Bank of Canada. The stated expiration date of the standby obligation purchase agreement is June 21, 2009, with extension request options available to the City thereafter. Royal Bank of Canada is providing liquidity and is obligated to purchase the Obligations that are tendered for purchase and not remarketed. The quarterly fee paid to Royal Bank of Canada for this liquidity support is an annualized rate of 0.10% of the average daily amount of available commitment for principal and interest. As of June 30, 2008 there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

If the standby obligation purchase agreement was to be exercised and all outstanding obligations were purchased by Royal Bank of Canada because they could not be remarketed, the maximum repayment liability would be the outstanding principal balance plus interest calculated at the greater of the Federal Funds Rate plus 2.5% or the Prime Rate plus 2.0%.

The City has collateralized the bonds by a pledge of excise taxes collected and paid to the City under a 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which is restricted to public transit use. The City covenants and agrees that the excise taxes, which it presently imposes, will continue to be imposed so that the amount of excise taxes shall be equal to at least two times the total obligation debt service requirements for all outstanding parity obligations in each fiscal year.

\$60,675,000 2006 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$890,000 to \$3,385,000 through July 1, 2036.	<u>\$58,655,000</u>
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Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Variable Rate Demand Excise Tax Revenue Obligations (Continued)

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2008 was 2.91%. The following is a summary of debt service cash requirements to maturity assuming the interest rate at June 30, 2008 of 1.57%.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,175,000	\$ 920,884	\$ 2,095,884
2010	1,220,000	902,436	2,122,436
2011	1,270,000	883,282	2,153,282
2012	1,320,000	863,343	2,183,343
2013	1,375,000	842,619	2,217,619
2014-2018	7,735,000	3,871,699	11,606,699
2019-2023	9,405,000	3,214,261	12,619,261
2024-2028	11,455,000	2,414,110	13,869,110
2029-2033	13,930,000	1,440,317	15,370,317
2034-2036	9,770,000	310,782	10,080,782
	<u>\$58,655,000</u>	<u>\$15,663,733</u>	<u>\$74,318,733</u>

Excise Tax Revenue Refunding Obligations. On January 1, 2007, the City issued \$21,310,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$4,205,000 of the 2000A Excise Tax Revenue Obligations, \$17,025,000 of the 2003 Excise Tax Revenue Refunding Obligations, and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, State-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The Excise Taxes do not include the 0.10% Performing Arts Center Excise Taxes, the excise taxes collected and paid to the City under the 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, or the excise taxes collected under the 1.00% increase in the transient lodging tax on hotels approved by the voters on September 10, 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge or the excise taxes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations (Continued)

\$21,310,000 2007 Excise Tax Revenue Refunding Obligations due in annual installments of \$25,000 to \$3,100,000 through July 1, 2022; interest at 4.00% to 5.00% \$21,285,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 25,000	\$ 1,019,350	\$ 1,044,350
2010	25,000	1,018,350	1,043,350
2011	25,000	1,017,350	1,042,350
2012	400,000	1,016,350	1,416,350
2013	420,000	1,000,350	1,420,350
2014-2018	8,925,000	4,404,800	13,329,800
2019-2022	<u>11,465,000</u>	<u>1,312,525</u>	<u>12,777,525</u>
	<u>\$21,285,000</u>	<u>\$ 10,789,075</u>	<u>\$ 32,074,075</u>

Variable Rate Demand Excise Tax Revenue Obligations. On June 7, 2007, the City entered into a purchase agreement with Royal Bank of Canada, acting by and through its New York branch, to pay costs associated with a portion of the City's light rail project. These costs were financed through the issuance of \$50,000,000 of variable rate demand excise tax revenue obligations (Obligations). The Obligations are remarketed by RBC Dain Rauscher, Inc., serving as the remarketing agent, at an interest rate which would cause the Obligations to have a market value on the commencement date of such rate period equal to the principal amount thereof plus accrued and unpaid interest, if any, not to exceed 12%.

The interest rate on these Obligations is reset on a weekly basis and interest will be paid monthly. The City has the option of converting from the weekly rate to either a daily rate or term rates, including a term rate period through the final maturity of the Obligations. In the event that the Obligations are converted to a term rate (other than daily or weekly), the Obligations are subject to mandatory tender for purchase.

The City has entered into a standby obligation purchase agreement with Royal Bank of Canada. The stated expiration date of the standby obligation purchase agreement is June 7, 2010, with extension request options available to the City thereafter. Royal Bank of Canada is providing liquidity and is obligated to purchase the Obligations that are tendered for purchase and not remarketed. The quarterly fee paid to Royal Bank of Canada for this liquidity support is an annualized rate of 0.10% of the average daily amount of available commitment for principal and interest. As of June 30, 2008, there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

If the standby obligation purchase agreement was to be exercised and all outstanding obligations were purchased by Royal Bank of Canada because they could not be remarketed, the maximum repayment liability would be the outstanding principal balance plus interest calculated at the greater of the Federal Funds Rate plus 2.5% or the Prime Rate plus 2.0%.

The City has collateralized the bonds by a pledge of excise taxes collected and paid to the City under a 0.50% transportation excise tax approved by the voters of the City on September 10, 1996 which is restricted to public transit use. The City covenants and agrees that the excise taxes, which it presently imposes, will continue to be imposed so that the amount of excise taxes shall be equal to at least two times the total obligation debt service requirements for all outstanding parity obligations in each fiscal year.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Variable Rate Demand Excise Tax Revenue Obligations (Continued)

\$50,000,000 2007 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$760,000 to \$2,790,000 through July 1, 2037. \$ 49,240,000

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2008 was 2.91%. The following is a summary of debt service cash requirements to maturity assuming the interest rate at June 30, 2008 of 1.57%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 930,000	\$ 773,068	\$ 1,703,068
2010	965,000	758,467	1,723,467
2011	1,005,000	743,317	1,748,317
2012	1,045,000	727,538	1,772,538
2013	1,085,000	711,132	1,796,132
2014-2018	6,125,000	3,285,775	9,410,775
2019-2023	7,455,000	2,764,849	10,219,849
2024-2028	9,070,000	2,130,883	11,200,883
2029-2033	11,035,000	1,359,620	12,394,620
2034-2037	<u>10,525,000</u>	<u>421,231</u>	<u>10,946,231</u>
	<u>\$49,240,000</u>	<u>\$13,675,880</u>	<u>\$62,915,880</u>

Excise Tax Revenue Obligations. On June 17, 2008 the City issued \$30,170,000 of Excise Tax Revenue Obligations. The proceeds were used to fund the costs associated with a portion of the City's light rail project and to pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of 0.50% transit excise tax revenues, approved by voters on September 10, 1996, which are restricted to public transit use. Such lien on and pledge of the transit excise taxes is on parity with that for the City's Variable Rate Demand Transit Excise Tax Revenue Obligations, Series 2006 and the City's Variable Rate Demand Transit Excise Tax Obligations, Series 2007.

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

\$30,170,000 2008 Excise Tax Revenue Obligations due in annual installments of \$480,000 to \$1,120,000 through July 1, 2038; interest at 3.50% to 5.00% \$ 30,170,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 480,000	\$ 1,415,895	\$ 1,895,895
2010	550,000	1,346,094	1,896,094
2011	565,000	1,326,844	1,891,844
2012	585,000	1,307,069	1,892,069
2013	605,000	1,286,594	1,891,594
2014-2018	3,390,000	6,077,269	9,467,269
2019-2023	4,130,000	5,342,843	9,472,843
2024-2028	5,110,000	4,356,969	9,466,969
2029-2033	6,495,000	2,967,750	9,462,750
2034-2038	8,260,000	1,213,625	9,473,625
	<u>\$30,170,000</u>	<u>\$26,640,952</u>	<u>\$56,810,952</u>

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

\$7,000,000 HUD Section 108 Guaranteed Loan due in annual installments of \$261,000 to \$549,000 through August 1, 2024; interest at 5.37% to 6.01%

\$ 6,739,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Section 108 Guaranteed Loan (Continued)

The following discloses debt service requirements as of June 30, 2008 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 273,000	\$ 360,752	\$ 633,752
2010	285,000	349,136	634,136
2011	298,000	336,170	634,170
2012	311,000	321,912	632,912
2013	325,000	306,404	631,404
2014-2018	1,858,000	1,256,665	3,114,665
2019-2023	2,313,000	672,884	2,985,884
2024	1,076,000	65,222	1,141,222
	<u>\$ 6,739,000</u>	<u>\$3,669,145</u>	<u>\$10,408,145</u>

Capital Improvement Notes. Capital improvement notes represent borrowings to provide long-term financing for certain major capital improvement program projects (see Note 6).

Capital improvement notes outstanding at June 30, 2008 were as follows:

\$11,440,000 capital improvement notes issued in 1990 due to the Water and Wastewater Enterprise Fund from the General Fund and Highway Users Special Revenue Fund and payable in equal annual installments through January 1, 2011; interest at 4.00%	<u>\$ 1,506,411</u>
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The following discloses debt service requirements as of June 30, 2008 segregating principal and interest, to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 482,576	\$ 60,257	\$ 542,833
2010	501,880	40,953	542,833
2011	521,955	20,878	542,833
	<u>\$ 1,506,411</u>	<u>\$ 122,088</u>	<u>\$ 1,628,499</u>

Capital Leases. The City has entered into capital lease agreements for building and equipment. These lease agreements generally require annual payments and the lease term varies from 3 years to 20 years. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception.

The assets acquired through capital leases are as follows:

	Amount
Building	\$ 6,434,335
Equipment, net	329,404
Total	<u>\$ 6,763,739</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2008. These amounts will be paid for by the General fund.

	Fiscal Year Ending June 30,	Total
	2009	\$ 543,434
	2010	484,304
	2011	482,027
	2012	478,500
	2013	462,500
	2014-2018	2,775,000
Total minimum lease payments		5,225,765
Less: interest at 4.72% to 8.50%		(1,874,032)
Present value of future minimum lease payments		<u>\$ 3,351,733</u>

Statutory Debt Limitation. In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, wastewater, open space preserves, artificial lighting, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities and 6 percent of the secondary assessed valuation for all other purposes.

At June 30, 2008, the 20 percent debt limitation was \$480,379,693 with \$424,675,000 of outstanding debt. This provided a 20 percent debt margin of \$55,704,693. The 6 percent debt limitation was \$144,113,908 with \$1,455,000 of outstanding debt. This provided a 6 percent debt margin of \$142,658,908. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2008, was \$198,363,601.

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

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2008. However, the City has designated \$500,000 in the General Fund for this purpose.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Debt Service Coverage for Governmental General Obligation Bonds. The City has pledged future ad valorem tax revenues to repay a total of \$125,075,000 in outstanding general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2028. Annual principal and interest payments on the bonds are expected to require less than 58% of total 2007-08 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$170,769,244. Principal and interest paid for the current year and total ad valorem tax revenues were \$12,416,863 and \$21,717,098, respectively.

Debt Service Coverage for Business-type Activities General Obligation Bonds. The City has pledged future water and wastewater system revenues, net of operating expenses, to repay a total of \$282,520,000 in outstanding water and wastewater system general obligation bonds. Proceeds of the bonds were used for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2028. Annual principal and interest payments on the bonds are expected to require less than 39% of 2007-08 water and wastewater operating and non-operating revenue. The total principal and interest remaining to be paid on the bonds is \$399,830,729. Principal and interest paid for the current year and water and wastewater system revenues were \$22,384,072 and \$57,883,247, respectively.

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$55,720,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2025. Annual principal and interest payments on the bonds are expected to require less than 4% of total 2007-08 excise taxes. The total principal and interest remaining to be paid on the bonds is \$82,111,795. Principal and interest paid for the current year and total excise taxes were \$5,449,930 and \$141,601,237, respectively.

Debt Service Coverage for Business-type Activities Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$2,050,000 in outstanding cemetery excise tax obligations. Proceeds of the bonds were used for improvements to the Double Butte Cemetery. The bonds are payable through July 1, 2025. Annual principal and interest payments on the bonds are expected to require less than 71% of total 2007-08 cemetery operating and non-operating revenues. The total principal and interest remaining to be paid on the bonds is \$3,044,527. Principal and interest paid for the current year and cemetery revenues were \$176,937 and \$250,836, respectively.

Debt Service Coverage for Transit Excise Tax Obligations. For the repayment of transit excise tax obligation bonds, the City has pledged all future excise taxes collected and paid under the 0.50% transportation excise tax. Proceeds of the bonds were used for the construction of the City's portion of the light rail system. The current balance outstanding is \$138,065,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 16% of total 2007-08 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$194,045,563. Principal and interest paid for the current year and transit excise taxes were \$5,092,190 and \$32,449,710, respectively.

Debt Service Coverage for Performing Arts Center Excise Taxes. For repayment of performing arts excise tax obligations, the City has pledged all future excise taxes collected and paid under a 0.10% performing arts center tax. Proceeds of the bonds were used for the construction of the Tempe Performing Arts Center. The bonds are payable primarily from performing arts excise taxes and are secured by a subordinate lien pledge of all future unrestricted excise taxes. The current balance outstanding is \$47,340,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to require less than 89% of total 2007-08 performing excise taxes. The total principal and interest remaining to be paid on the bonds is \$62,196,522. Principal and interest paid for the current year and performing arts excise taxes were \$6,009,925 and \$6,820,193, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$ 116,500,000	\$ 15,810,000	\$ (7,235,000)	\$125,075,000	\$ 7,895,000
Special assessments	15,345,000	25,190,000	(2,225,000)	38,310,000	2,215,000
1999 Excise tax refunding certificates of participation	1,220,000	-	(595,000)	625,000	625,000
2000A Excise tax obligations	1,335,000	-	(310,000)	1,025,000	325,000
2003 Excise tax refunding obligations	16,720,000	-	(1,470,000)	15,250,000	1,540,000
2004 Excise tax obligations	32,620,000	-	(1,835,000)	30,785,000	1,910,000
2005 Excise tax obligations	18,435,000	-	(275,000)	18,160,000	285,000
2006 Excise tax obligations	18,275,000	-	(1,720,000)	16,555,000	1,790,000
2006 Variable rate demand excise tax obligations	59,785,000	-	(1,130,000)	58,655,000	1,175,000
2007 Excise tax refunding obligations	21,310,000	-	(25,000)	21,285,000	25,000
2007 Variable rate demand excise tax obligations	50,000,000	-	(760,000)	49,240,000	930,000
2008 Excise tax obligations	-	30,170,000	-	30,170,000	480,000
2004 HUD Section 108 loan	7,000,000	-	(261,000)	6,739,000	273,000
Capital improvement notes payable	1,970,427	-	(464,016)	1,506,411	482,576
Total debt payable	360,515,427	71,170,000	(18,305,016)	413,380,411	19,950,576
Capital leases	4,923,764	-	(1,572,031)	3,351,733	543,434
Compensated absences	15,372,758	12,874,100	(10,242,326)	18,004,532	11,096,854
Claims and judgments	5,224,472	1,627,264	(1,390,012)	5,461,724	2,029,617
Net OPEB obligation	-	33,989,583	(4,900,183)	29,089,400	-
Governmental activities long-term	<u>\$ 386,036,421</u>	<u>\$119,660,947</u>	<u>\$(36,409,568)</u>	<u>\$469,287,800</u>	<u>\$33,620,481</u>
Business-type activities:					
General obligation bonds payable	\$ 243,265,000	\$ 50,555,000	\$(11,300,000)	\$282,520,000	\$13,755,000
2005 Excise tax obligations	2,130,000	-	(80,000)	2,050,000	85,000
2005 Excise tax obligation premium amortization	113,688	-	(6,316)	107,372	6,316
Net OPEB obligation	-	5,414,779	(728,144)	4,686,635	-
Total debt payable	<u>\$ 245,508,688</u>	<u>\$ 55,969,779</u>	<u>\$(12,114,460)</u>	<u>\$289,364,007</u>	<u>\$13,846,316</u>

The long-term liabilities at June 30, 2008 have been reduced by deposits made with the City's fiscal agent for July 1, 2008 maturities.

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

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

Advance Bond Refundings

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

On January 1, 2007, the City issued \$20,690,000 of general obligation refunding bonds with a premium of \$718,251 to partially refund \$3,680,000 of Series 1995; \$750,000 of Series 1997; \$8,890,000 of Series 1998A; and \$7,370,000 of Series 2001A outstanding general obligation bonds. The bonds were issued with an average interest rate of 4.30%. The net proceeds of \$21,162,165, after payment of \$246,085 issuance costs and accrued interest of \$19,313, were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Water/Wastewater funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$700,471, which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$591,533.

On January 1, 2007, the City issued \$21,310,000 of excise tax revenue refunding obligation bonds with a premium of \$1,387,396 to partially refund \$4,205,000 of Series 2000A; and \$17,025,000 of Series 2003 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 4.80%. The net proceeds of \$22,436,893, after allocation of \$260,503 of issuance costs and accrued interest of \$22,674, were used to purchase State and local government securities.

The primary purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service in the City's General Obligation Debt Service and Community Facilities District funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$946,355, which resulted in an economic gain of \$701,966.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2008 are as follows:

\$24,000,000 general obligation bonds issued in 2001 and partially refunded in 2007	\$ 7,370,000
\$17,310,000 excise tax revenue obligation bonds issued in 2000 and partially refunded in 2007	4,205,000
\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2007	17,025,000
Total bonds advance refunded	<u>\$28,600,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 11 - COMMITMENTS

In the Governmental fund financial statements, construction commitments are disclosed as reserves for encumbrances.

At June 30, 2008 the City's construction commitments are as follows:

	<u>Construction in Progress</u>	<u>Commitment</u>
Governmental funds:		
Performing arts	\$ -	\$ 356,478
Transit	31,171,138	8,548,785
Streets	10,147,982	18,170,313
Police	8,632,603	9,995
Fire	765,320	575,880
Storm sewers	7,643	249,156
Parks and recreation	318,506	2,649,727
Rio Salado	10,076,775	198,438
Community development	8,193,184	11,687,295
Signals	48,665	14,719
	<u>\$69,361,816</u>	<u>\$42,460,786</u>
	<u>Construction in Progress</u>	<u>Commitment</u>
Proprietary funds:		
Water/wastewater	\$67,187,898	\$20,530,239
Golf	46,952	-
Cemetery	2,122,755	31,037
	<u>\$69,357,605</u>	<u>\$20,561,276</u>

NOTE 12 - OPERATING LEASES

The City leases copiers under certain noncancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Current year lease costs for the fiscal year ended June 30, 2008 was \$164,646.

The following is a schedule by year of future minimum lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 150,338
2010	139,202
2011	78,626
Total minimum payments required	<u>\$ 368,166</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS

The City contributes to four separate defined benefit pension plans for the benefit of all full-time employees and elected officials. The Arizona Public Safety Personnel Retirement System administers separate agent multiple-employer retirement plans for all full-time police and fire personnel. The Arizona Public Safety Personnel Retirement System also acts as fund administrator for the Elected Officials Retirement Plan, a multiple-employer cost-sharing plan for elected officials of the City. The Arizona State Retirement System administers a multiple-employer cost-sharing plan for all other full-time employees. The City has met all required payment dates for these plans.

Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees)

A. Plan Description

The City contributes to the Arizona Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various police and fire agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes (A.R.S). The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arizona Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

B. Funding Policy

PSPRS members are required to contribute 7.65% for fire and 7.65% for police of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for fiscal year 2007-08 was 18.21% for fire personnel and 16.69% for police members. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

C. Annual Pension Cost

Police personnel contributed \$2,077,276 and fire personnel \$943,390 during fiscal year 2007-08. For 2008, the City's annual pension cost was \$4,531,993 for police and \$2,245,638 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation determining contribution requirements for fiscal year 2007-08, using the projected unit credit method. The actuarial assumptions included (a) 8.50% investment rate of return (b) projected salary increases of 5.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 5.50% to 8.50% per year, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2007 was 29 years.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

Arizona Public Safety Personnel Retirement System (Full-time Police and Fire Employees) (Continued)

D. Three Year Trend Information (latest available information):

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2005	\$ 2,211,359	100%	-
2006	2,893,578	100	-
2007	3,154,840	100	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2005	\$ 953,985	100%	-
2006	527,484	100	-
2007	1,600,734	100	-

E. Schedule of Funding Progress (latest information available):

Police

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2005	\$ 85,021,886	\$ 110,974,549	76.6%	\$ 25,952,663	\$ 19,644,420	132.1
2006	87,050,680	122,297,808	71.2	35,247,128	20,537,953	171.6
2007	84,586,242	142,121,830	59.5	57,535,588	22,621,598	254.3

Fire

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2005	\$ 69,263,990	\$ 76,888,991	90.1%	\$ 7,625,001	\$ 8,577,147	88.9
2006	68,637,326	83,445,495	82.3	14,808,169	9,829,033	150.7
2007	62,981,056	90,835,797	69.3	27,854,741	11,423,138	243.8

Arizona State Retirement System (All Other Full-time Employees)

A. Plan Description

The City has elected to participate in the Arizona State Retirement System (ASRS or The System), a multiple-employer cost-sharing retirement plan, which provides retirement benefits for all full-time employees, except police and fire employees. The plan provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, AZ, 85012 or by calling 602-240-2000.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

Arizona State Retirement System (All Other Full-time Employees) (Continued)

B. Funding Policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change the contribution rate from that actuarially determined.

Covered employees contributed 9.10% of their annual compensation to the plan, as actuarially determined and set by State statute and the City contributed an amount equal to employee contributions each pay period. The City's contributions to the ASRS for the years ended June 30, 2008, 2007, and 2006 were \$6,957,969, \$6,250,065 and \$4,938,788 respectively, equal to the annual required contributions for each year.

Elected Officials Retirement Plan (Mayor and City Council)

A. Plan Description

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System ("PSPRS") is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. The authority to amend Title 38, Chapter 5, Article 3 is reserved for the State Legislature. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona, 85016 or by calling 602-255-5575.

B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7% of their annual covered salary. The employer rate for 2007-08 was 20.21%. The City's contributions to EORP for the fiscal years ended June 30, 2008, 2007 and 2006 were \$41,482, \$36,829 and \$39,937 respectively, equal to the annual required contributions for each year. The City's employees contributed \$14,368, \$13,898 and \$13,611 for the same time period.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Other postemployment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Similar to pension benefits, the cost of other postemployment benefits (OPEB) generally should be associated with the periods in which the exchange occurs rather than in future periods in which the benefits are provided. GASB Statement No. 45 requires the City to measure and recognize the OPEB cost while employee services are rendered, report the accumulated liability from prior years and provide information about the potential demands on the City's future cash flows. Recognition of the liability, from the plan described below, accumulated from prior years, will be amortized over 30 years with the first period beginning with the fiscal year ending June 30, 2008.

A. Plan Description

The City offers the continuation of group health insurance benefits, in accordance with Resolution 90.63 of the City Council, to all retired employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Plan Description (Continued)

As of June 30, 2008, 698 retirees meet those eligibility requirements to receive postemployment healthcare benefits. Total membership in the program is as follows:

Retirees Receiving Benefits	673
Active Employees	<u>1,596</u>
Total	<u>2,269</u>

This OPEB provides medical coverage for qualified retired employees through a single-employer defined benefit plan. The plan provides benefits to eligible retirees (as outlined above), their spouses and dependents through the City's group health insurance plans which covers both active and retired members. The plan benefits and contribution rates are determined by the City's Human Resources Department based on claims experience and administrative costs of the plan. Because an irrevocable trust fund has not been established, the plan is not accounted for as a trust fund nor does the plan issue separate financial statements.

B. Benefits Provided

The City offers three health plans to its retirees; Tempe Basic and Tempe Preferred Provider Organization (PPO), which are the City's self-insurance plans, and the CIGNA Health Maintenance Organization (HMO) plan. The benefits provided by the group health insurance plans are the same as those offered to active employees.

C. Funding Policy

The plan premium rates are determined annually by the City's Human Resources Department. The retiree contribution rates are the same as active, regular, full-time employees and are, therefore, blended rates. By providing retirees and active employees with the same level of benefits at blended rates, the City is in effect providing an additional subsidy to retirees. This implicit rate subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. The City has not advance-funded any portion of the retiree health plan and covers the cost of the program on a pay-as-you-go basis. The current premium contribution structure for both retirees and active employees is 0% for single coverage and 30% for dependent coverage.

Both the Arizona State Retirement and Arizona Public Safety Personnel Retirement systems subsidize the health insurance premium of eligible retirees depending on type of health plan chosen, coverage selected, and years of service. Approximately 61% of retiree premiums were subsidized by the City during the fiscal year resulting in expenditures of \$5,425,979 that were recognized for post retirement health care.

D. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

D. Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 39,404,362
Interest on Net OPEB Obligation	-
Adjusted to Annual Required Contribution	-
Annual OPEB Cost	39,404,362
Contributions Made	(5,628,327)
Increase in Net OPEB Obligation	33,776,035
Net OPEB Obligation – Beginning of Year	-
Net OPEB Obligation – End of Year	<u>\$ 33,776,035</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the new OPEB obligation for the year ended June 30, 2008 were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 39,404,362	\$5,628,327	14.3%	\$33,776,035

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008 was as follows:

Actuarial Accrued Liability	\$ 398,306,209
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 398,306,209</u>
Funded Ratio	0.0%
Covered Payroll	\$ 122,444,935
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	325.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions and actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

F. 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions used for this fiscal year valuation were as follows:

Actuarial Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	29 Years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Healthcare Inflation Rate	13% initial rate, 5% ultimate rate, 9 year grade in period
Investment Rate of Return	4%
Projected Salary Increases	3.75% per year
Amortization Method	Level Dollar

NOTE 15 - DEFERRED COMPENSATION PLANS

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

Federal legislation requires that Section 457 plan assets be held in trust for employees. As a result, the employee assets held in Section 457 plans are no longer the property of the City and subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency assets are not included in the City's basic financial statements.

NOTE 16 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Reservations of Fund Balances

At June 30, 2008, amounts were reserved on the fund financial statements for the following purposes: encumbrances - represent purchase obligations outstanding at the end of the fiscal year; inventories - the value of materials and supplies needed to maintain adequate levels of operating supplies; capital improvements notes receivable - represents amounts to be received that are not currently available; debt service - for payment of future amounts of principal and interest due.

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 (Continued)

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2008, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

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

	June 30, 2007	Claims Incurred Net of Change in Estimates	Payments	June 30, 2008
General liability	\$ 4,573,410	\$ (1,178,191)	\$ (110,463)	\$ 3,284,756
Automobile liability	2,223,765	275,389	(232,258)	2,266,896
Property liability	61,387	122,579	(135,916)	48,050
Workers' compensation	2,215,247	940,913	(911,375)	2,244,785
Health insurance	1,407,482	16,516,503	(16,355,733)	1,568,252
	<u>\$ 10,481,291</u>	<u>\$ 16,677,193</u>	<u>\$(17,745,745)</u>	<u>\$ 9,412,739</u>

	June 30, 2006	Claims Incurred Net of Change in Estimates	Payments	June 30, 2007
General liability	\$ 13,322,788	\$ 2,328,738	\$(11,078,116)	\$ 4,573,410
Automobile liability	2,794,473	372,148	(942,856)	2,223,765
Property liability	92,224	191,805	(222,642)	61,387
Workers' compensation	1,811,428	1,575,371	(1,171,552)	2,215,247
Health insurance	1,316,128	14,739,924	(14,648,570)	1,407,482
	<u>\$ 19,337,041</u>	<u>\$19,207,986</u>	<u>\$(28,063,736)</u>	<u>\$ 10,481,291</u>

At June 30, 2008, the internal service fund accrued expenses totaled \$7,858,088. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$7,844,487 and other accrued expenses of \$13,601. The health insurance claims liability at June 30, 2008 of \$1,568,252 are deemed due and payable at June 30, 2008 and recorded as accrued expenditures/expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2008, the City had \$8,841,391 of General Fund fund balance designated for self-insurance purposes.

NOTE 18 - CONTINGENT LIABILITIES

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

NOTE 19 - RELATED ORGANIZATION

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

NOTE 20 - DEFICIT IN FUND BALANCE

The Police Capital Projects Fund had a deficit fund balance of \$2,303,721 at June 30, 2008. The deficit will be funded by future general obligation bond proceeds. The Bikeways Capital Projects Fund had a deficit fund balance of \$248,757 at June 30, 2008. The deficit will be covered by future transfers from operating funds. The Risk Management Internal Service Fund had a deficit fund balance of \$57,977 at June 30, 2008. The deficit will be covered by future transfers from operating funds.



Combining Fund Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

NON-MAJOR GOVERNMENTAL FUNDS (continued)

CAPITAL PROJECTS FUNDS

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

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

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Assets				
Pooled cash and investments	\$ 9,311,677	\$ 10,974,761	\$ 1,608,118	\$ -
Receivables:				
Taxes	568,243	-	-	-
Accounts	-	-	-	-
Accrued interest	13,040	-	-	-
Due from other governments	-	940,396	-	330,259
Inventories	-	1,232,782	-	-
Restricted cash and investments	4,782,593	-	-	-
Total assets	\$ 14,675,553	\$ 13,147,939	\$ 1,608,118	\$ 330,259
Liabilities				
Accounts payable	\$ 82,932	\$ 193,693	\$ -	\$ 98,246
Deposits	109,720	-	-	-
Accrued expenditures	38,147	98,347	-	12,728
Claims and judgements	10,188	53,571	-	-
Due to other funds	-	-	-	16,697
Deferred Revenue	-	-	-	50,000
Matured bonds payable	3,555,000	-	-	-
Matured interest payable	1,227,463	-	-	152,588
Total liabilities	5,023,450	345,611	-	330,259
Fund Balances				
Fund balance (deficit):				
Reserved for:				
Encumbrances	16,328	369,830	-	-
Inventories and prepaids	-	1,232,782	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	9,635,775	11,199,716	1,608,118	-
Total fund balances (deficit)	9,652,103	12,802,328	1,608,118	-
Total liabilities and fund balances	\$ 14,675,553	\$ 13,147,939	\$ 1,608,118	\$ 330,259

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ 1,902,985	\$ 787,200	\$ 1,927,415	\$ 267,313	\$ 26,779,469
-	226,869	-	-	795,112
72,587	-	-	-	72,587
-	39,204	-	-	52,244
-	-	1,788,943	-	3,059,598
-	-	-	-	1,232,782
-	-	-	2,289,986	7,072,579
<u>\$ 1,975,572</u>	<u>\$ 1,053,273</u>	<u>\$ 3,716,358</u>	<u>\$ 2,557,299</u>	<u>\$ 39,064,371</u>
\$ 10,298	\$ 57,926	\$ 512,598	\$ 281,018	\$ 1,236,711
-	-	670,698	-	780,418
159,070	44,406	1,645	-	354,343
-	18,192	-	-	81,951
-	-	-	-	16,697
1,806,204	-	2,369,447	-	4,225,651
-	-	-	1,490,000	5,045,000
-	-	-	786,281	2,166,332
<u>1,975,572</u>	<u>120,524</u>	<u>3,554,388</u>	<u>2,557,299</u>	<u>13,907,103</u>
-	6,250	1,192,399	26,202	1,611,009
-	-	-	-	1,232,782
-	-	-	-	-
-	926,499	(1,030,429)	(26,202)	22,313,477
-	932,749	161,970	-	25,157,268
<u>\$ 1,975,572</u>	<u>\$ 1,053,273</u>	<u>\$ 3,716,358</u>	<u>\$ 2,557,299</u>	<u>\$ 39,064,371</u>

(continued)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	Capital Projects				
	Streets	Police	Fire	Performing Arts	Storm Sewers
Assets					
Pooled cash and investments	\$ 25,342,771	\$ 1,490,141	\$ 1,077,233	\$ 333,520	\$ 2,818,502
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Restricted cash and investments	-	-	-	2,640	-
Total assets	<u>\$ 25,342,771</u>	<u>\$ 1,490,141</u>	<u>\$ 1,077,233</u>	<u>\$ 336,160</u>	<u>\$ 2,818,502</u>
Liabilities					
Accounts payable	\$ 5,540,122	\$ 3,793,862	\$ 277,147	\$ 12,103	\$ 230,545
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>5,540,122</u>	<u>3,793,862</u>	<u>277,147</u>	<u>12,103</u>	<u>230,545</u>
Fund Balances					
Fund balance (deficit):					
Reserved for:					
Encumbrances	18,170,312	9,995	575,880	356,478	249,156
Inventories and prepaids	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	1,632,337	(2,313,716)	224,206	(32,421)	2,338,801
Total fund balances (deficit)	<u>19,802,649</u>	<u>(2,303,721)</u>	<u>800,086</u>	<u>324,057</u>	<u>2,587,957</u>
Total liabilities and fund balances	<u>\$ 25,342,771</u>	<u>\$ 1,490,141</u>	<u>\$ 1,077,233</u>	<u>\$ 336,160</u>	<u>\$ 2,818,502</u>

Capital Projects

	Parks	Rio Salado	Community Development	Bikeways	Signals	Total	Total Nonmajor Governmental Funds
\$	2,929,952	\$ 4,766,520	\$ 17,096,173	\$ -	\$ 1,355,028	\$ 57,209,840	\$ 83,989,309
	-	-	-	-	-	-	795,112
	-	-	-	-	-	-	72,587
	-	-	-	-	-	-	52,244
	-	-	-	481,356	-	481,356	3,540,954
	-	-	-	-	-	-	1,232,782
	-	-	15,749	-	-	18,389	7,090,968
\$	<u>2,929,952</u>	<u>\$ 4,766,520</u>	<u>\$ 17,111,922</u>	<u>\$ 481,356</u>	<u>\$ 1,355,028</u>	<u>\$ 57,709,585</u>	<u>\$ 96,773,956</u>
\$	378,189	\$ 260,438	\$ 1,635,051	\$ -	\$ 478,163	\$ 12,605,620	\$ 13,842,331
	-	-	938,139	-	-	938,139	1,718,557
	-	-	-	-	-	-	354,343
	-	-	-	-	-	-	81,951
	-	-	-	730,113	-	730,113	746,810
	-	-	-	-	-	-	4,225,651
	-	-	-	-	-	-	5,045,000
	-	-	-	-	-	-	2,166,332
	<u>378,189</u>	<u>260,438</u>	<u>2,573,190</u>	<u>730,113</u>	<u>478,163</u>	<u>14,273,872</u>	<u>28,180,975</u>
	2,649,727	198,438	11,687,295	-	14,719	33,912,000	35,523,009
	-	-	-	-	-	-	1,232,782
	-	1,267,619	-	-	-	1,267,619	1,267,619
	(97,964)	3,040,025	2,851,437	(248,757)	862,146	8,256,094	30,569,571
	<u>2,551,763</u>	<u>4,506,082</u>	<u>14,538,732</u>	<u>(248,757)</u>	<u>876,865</u>	<u>43,435,713</u>	<u>68,592,981</u>
\$	<u>2,929,952</u>	<u>\$ 4,766,520</u>	<u>\$ 17,111,922</u>	<u>\$ 481,356</u>	<u>\$ 1,355,028</u>	<u>\$ 57,709,585</u>	<u>\$ 96,773,956</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales taxes	\$ 6,820,193	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	1,341,332
State grants	-	-	-	-
State sales tax	-	11,387,320	-	-
Other	-	-	761,513	235,793
Investment income	796,802	-	-	-
Charges for services	660,350	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	1,745	1,135	-	-
Total revenues	<u>8,279,090</u>	<u>11,388,455</u>	<u>761,513</u>	<u>1,577,125</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	3,320,589	-	-	-
Parks and recreation	-	-	-	-
Public works	-	7,802,344	-	-
City attorney	-	-	-	-
Municipal courts	-	-	-	-
Development services	-	-	-	-
Community development	-	-	-	1,577,125
Debt service:				
Principal retirement	3,555,000	-	-	261,000
Interest and fiscal fees	2,459,245	-	-	369,143
Capital outlay	-	-	-	-
Total expenditures	<u>9,334,834</u>	<u>7,802,344</u>	<u>-</u>	<u>2,207,268</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,055,744)</u>	<u>3,586,111</u>	<u>761,513</u>	<u>(630,143)</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	954,634	-	630,143
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	199,103	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
General fund	(140,262)	(260)	-	-
Special revenue funds	-	-	(253,838)	-
Debt service funds	-	(2,770,000)	-	-
Capital projects funds	(5,000,000)	(13,500)	-	-
Enterprise funds	-	(309,862)	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(4,941,159)</u>	<u>(2,138,988)</u>	<u>(253,838)</u>	<u>630,143</u>
Net change in fund balances	(5,996,903)	1,447,123	507,675	-
Fund balance at beginning of year	15,649,006	11,355,205	1,100,443	-
Fund balance (deficit) at end of year	<u>\$ 9,652,103</u>	<u>\$ 12,802,328</u>	<u>\$ 1,608,118</u>	<u>\$ -</u>

City of Tempe, Arizona

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 1,671,422	\$ -	\$ -	\$ 8,491,615
-	121,988	-	-	121,988
8,722,976	-	1,900,743	-	11,965,051
-	-	829,332	-	829,332
-	-	-	-	11,387,320
-	-	1,132,637	-	2,129,943
61,243	222,659	35,732	573	1,117,009
-	1,861	221,161	449,674	1,333,046
-	-	1,019,321	-	1,019,321
-	-	-	-	-
80,633	166,280	571,674	661,921	1,483,388
8,864,852	2,184,210	5,710,600	1,112,168	39,878,013
-	218,734	1,989,420	-	2,208,154
-	-	1,010,626	-	1,010,626
-	-	985,099	-	4,305,688
-	458,859	108,969	-	567,828
-	-	-	-	7,802,344
-	-	65,691	-	65,691
-	-	1,407,370	-	1,407,370
-	-	435,322	-	435,322
8,864,852	939,929	60,421	2,601,662	14,043,989
-	-	-	1,490,000	5,306,000
-	-	-	1,579,791	4,408,179
-	-	-	-	-
8,864,852	1,617,522	6,062,918	5,671,453	41,561,191
-	566,688	(352,318)	(4,559,285)	(1,683,178)
-	-	-	1,498,015	3,082,792
-	-	-	-	-
-	-	-	3,069,791	3,069,791
-	-	-	-	199,103
-	-	-	-	-
-	(20,821)	-	-	(161,343)
-	-	-	-	(253,838)
-	-	-	(71)	(2,770,071)
-	-	-	(8,450)	(5,021,950)
-	-	-	-	(309,862)
-	-	-	-	-
-	-	-	-	-
-	2,833	-	-	2,833
-	(17,988)	-	4,559,285	(2,162,545)
-	548,700	(352,318)	-	(3,845,723)
-	384,049	514,288	-	29,002,991
\$ -	\$ 932,749	\$ 161,970	\$ -	\$ 25,157,268

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2008

	Capital Projects				
	Streets	Police	Fire	Performing Arts	Storm Sewers
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Intergovernmental:					
Federal grants	-	-	-	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	-	-	-	63,334	-
Charges for services	342,804	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	99,999	-	-	-	-
Miscellaneous	-	25,554	-	-	-
Total revenues	<u>442,803</u>	<u>25,554</u>	<u>-</u>	<u>63,334</u>	<u>-</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
City attorney	-	-	-	-	-
Municipal courts	-	-	-	-	-
Development services	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	17,505,461	8,164,428	952,044	5,437,971	564,091
Total expenditures	<u>17,505,461</u>	<u>8,164,428</u>	<u>952,044</u>	<u>5,437,971</u>	<u>564,091</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(17,062,658)</u>	<u>(8,138,874)</u>	<u>(952,044)</u>	<u>(5,374,637)</u>	<u>(564,091)</u>
Other financing sources (uses):					
Transfers in:					
General fund	791,000	1,400,000	-	-	-
Special revenue funds	-	-	-	5,000,000	-
Debt service funds	-	-	-	-	-
Capital projects funds	14,000	-	-	-	-
Enterprise funds	-	-	-	-	250,000
Transfers out:					
General fund	-	(341,133)	-	-	-
Special revenue funds	-	-	-	(199,103)	-
Debt service funds	(1,850,989)	-	-	-	-
Capital projects funds	(219,239)	-	-	-	(8,829)
Enterprise funds	(27,449)	-	-	-	-
Issuance of debt	31,854,390	4,060,000	745,000	-	-
Premium on issuance of debt	988,325	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>31,550,038</u>	<u>5,118,867</u>	<u>745,000</u>	<u>4,800,897</u>	<u>241,171</u>
Net change in fund balances	14,487,380	(3,020,007)	(207,044)	(573,740)	(322,920)
Fund balance at beginning of year	5,315,269	716,286	1,007,130	897,797	2,910,877
Fund balance (deficit) at end of year	<u>\$ 19,802,649</u>	<u>\$ (2,303,721)</u>	<u>\$ 800,086</u>	<u>\$ 324,057</u>	<u>\$ 2,587,957</u>

Capital Projects

Capital Projects					Total	Total Nonmajor Governmental Funds
Parks	Rio Salado	Community Development Capital Projects	Bikeways	Signals		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,491,615
-	-	-	-	-	-	121,988
-	-	-	-	-	-	11,965,051
-	-	-	-	-	-	829,332
-	-	-	-	-	-	11,387,320
-	-	-	-	5,891	5,891	2,135,834
-	-	329	-	-	63,663	1,180,672
351,444	-	14,088	-	-	708,336	2,041,382
-	-	-	-	-	-	1,019,321
25,000	791,950	147,345	-	12,803	1,077,097	1,077,097
-	-	403,258	-	-	428,812	1,912,200
<u>376,444</u>	<u>791,950</u>	<u>565,020</u>	<u>-</u>	<u>18,694</u>	<u>2,283,799</u>	<u>42,161,812</u>
-	-	-	-	-	-	2,208,154
-	-	-	-	-	-	1,010,626
-	-	-	-	-	-	4,305,688
-	-	-	-	-	-	567,828
-	-	-	-	-	-	7,802,344
-	-	-	-	-	-	65,691
-	-	-	-	-	-	1,407,370
-	-	-	-	-	-	435,322
-	-	-	-	-	-	14,043,989
-	-	-	-	-	-	5,306,000
-	-	-	-	-	-	4,408,179
<u>4,134,328</u>	<u>1,322,180</u>	<u>11,132,743</u>	<u>-</u>	<u>1,565,835</u>	<u>50,779,081</u>	<u>50,779,081</u>
<u>4,134,328</u>	<u>1,322,180</u>	<u>11,132,743</u>	<u>-</u>	<u>1,565,835</u>	<u>50,779,081</u>	<u>92,340,272</u>
<u>(3,757,884)</u>	<u>(530,230)</u>	<u>(10,567,723)</u>	<u>-</u>	<u>(1,547,141)</u>	<u>(48,495,282)</u>	<u>(50,178,460)</u>
525,000	-	16,998,906	-	-	19,714,906	22,797,698
-	8,450	326,271	-	13,500	5,348,221	5,348,221
-	-	-	-	-	-	3,069,791
281,499	-	117,400	-	8,829	421,728	620,831
-	-	551,410	-	-	801,410	801,410
-	-	(10,000)	-	-	(351,133)	(512,476)
-	-	-	-	-	(199,103)	(452,941)
-	-	-	-	-	(1,850,989)	(4,621,060)
-	(165,283)	(344,009)	-	(14,000)	(751,360)	(5,773,310)
(90,856)	-	(5,000)	-	-	(123,305)	(433,167)
3,380,000	-	-	-	960,610	41,000,000	41,000,000
-	-	-	-	-	988,325	988,325
-	709,815	-	-	-	709,815	712,648
<u>4,095,643</u>	<u>552,982</u>	<u>17,634,976</u>	<u>-</u>	<u>968,939</u>	<u>65,708,515</u>	<u>63,545,970</u>
337,759	22,752	7,067,255	-	(578,202)	17,213,233	13,367,510
2,214,004	4,483,330	7,471,477	(248,757)	1,455,067	26,222,480	55,225,471
<u>\$ 2,551,763</u>	<u>\$ 4,506,082</u>	<u>\$ 14,538,732</u>	<u>\$ (248,757)</u>	<u>\$ 876,865</u>	<u>\$ 43,435,713</u>	<u>\$ 68,592,981</u>



INTERNAL SERVICE FUNDS

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

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

Combining Statement of Net Assets

Internal Service Funds

June 30, 2008

City of Tempe, Arizona

	Risk Management	Health	Total
<u>Assets</u>			
Current assets:			
Pooled cash and investments	\$ 7,962,991	\$ 4,963,033	\$ 12,926,024
Accounts receivable	-	212,115	212,115
Total assets	<u>7,962,991</u>	<u>5,175,148</u>	<u>13,138,139</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	104,903	1,034,316	1,139,219
Accrued expenses and claims payable	7,858,088	-	7,858,088
Total current liabilities	<u>7,962,991</u>	<u>1,034,316</u>	<u>8,997,307</u>
Noncurrent liabilities:			
Net OPEB Obligation	57,977	-	57,977
Total noncurrent liabilities	<u>57,977</u>	<u>-</u>	<u>57,977</u>
Total liabilities	<u>8,020,968</u>	<u>1,034,316</u>	<u>9,055,284</u>
<u>Net Assets</u>			
Unrestricted	(57,977)	4,140,832	4,082,855
Total net assets	<u>\$ (57,977)</u>	<u>\$ 4,140,832</u>	<u>\$ 4,082,855</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 2,158,360	\$ 26,608,426	\$ 28,766,786
Total operating revenues	2,158,360	26,608,426	28,766,786
Operating expenses:			
Claims incurred	2,216,337	24,157,451	26,373,788
Total operating expenses	2,216,337	24,157,451	26,373,788
Changes in net assets	(57,977)	2,450,975	2,392,998
Total net assets- beginning	-	1,689,857	1,689,857
Total net assets- ending	\$ (57,977)	\$ 4,140,832	\$ 4,082,855

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2008

City of Tempe, Arizona

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 2,158,360	\$ 26,500,952	\$ 28,659,312
Payments for settlement of claims	(3,334,513)	(23,338,980)	(26,673,493)
Net cash provided (used) by operating activities	<u>(1,176,153)</u>	<u>3,161,972</u>	<u>1,985,819</u>
Net increase (decrease) in cash and cash equivalents	(1,176,153)	3,161,972	1,985,819
Cash and cash equivalents, beginning of year	<u>9,139,144</u>	<u>1,801,061</u>	<u>10,940,205</u>
Cash and cash equivalents, end of year	<u>\$ 7,962,991</u>	<u>\$ 4,963,033</u>	<u>\$ 12,926,024</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income (loss)	\$ (57,977)	\$ 2,450,975	\$ 2,392,998
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(107,474)	(107,474)
Increase (decrease) in accounts payable	49,283	818,471	867,754
Increase (decrease) in accrued expenses	(1,225,436)	-	(1,225,436)
Increase (decrease) in net OPEB obligation	57,977	-	57,977
Net cash provided (used) by operating activities	<u>\$ (1,176,153)</u>	<u>\$ 3,161,972</u>	<u>\$ 1,985,819</u>



Other Supplementary Information



BUDGETARY COMPARISON SCHEDULES



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

General, Debt Service, Special Revenue and Enterprise Fund Types
For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 169,731,084	\$ 159,798,418	\$ (9,932,666)
Intergovernmental	78,103,080	77,051,053	(1,052,027)
Investment income	8,869,943	15,871,407	7,001,464
Charges for services	75,991,773	79,221,830	3,230,057
Fines and forfeitures	8,323,460	9,129,055	805,595
Licenses and permits	1,415,650	1,592,521	176,871
Miscellaneous	4,114,244	4,743,748	629,504
Total revenues	<u>346,549,234</u>	<u>347,408,032</u>	<u>858,798</u>
Expenditures			
Current:			
Police	67,337,362	69,362,663	(2,025,301)
Fire	25,592,179	25,615,082	(22,903)
Community services	20,293,184	19,898,472	394,712
Parks and recreation	18,094,594	17,627,569	467,025
Public works	76,065,217	74,722,229	1,342,988
Community relations	3,054,406	2,959,090	95,316
Mayor and council	429,943	366,695	63,248
City manager	363,884	302,434	61,450
Diversity program	708,799	641,510	67,289
Internal audit/consulting	500,620	490,817	9,803
City clerk and elections	734,318	748,020	(13,702)
City attorney	3,183,355	3,134,006	49,349
Municipal courts	4,154,817	4,150,050	4,767
Development services	7,042,390	6,928,113	114,277
Community development	20,393,892	18,900,895	1,492,997
Financial Services	4,681,611	4,481,070	200,541
Human resources	3,553,433	3,312,487	240,946
Information technology	14,428,121	14,749,224	(321,103)
Information technology interdept charges	(13,612,415)	(14,367,310)	754,895
Water utilities	36,627,267	35,340,259	1,287,008
Non-departmental	6,218,423	3,587,968	2,630,455
Debt Service:			
Principal	31,167,958	27,276,865	3,891,093
Interest and fiscal fees	36,190,470	26,003,939	10,186,531
Total expenditures	<u>367,203,828</u>	<u>346,232,147</u>	<u>20,971,681</u>
Other financing sources (uses)			
Transfers from other funds	1,665,933	24,299,552	22,633,619
Transfers to other funds	(26,738,781)	(73,096,267)	(46,357,486)
Proceeds from sale of capital assets	160,000	8,863,557	8,703,557
Total other financing sources (uses)	<u>(24,912,848)</u>	<u>(39,933,158)</u>	<u>(15,020,310)</u>
Net change in fund balance	<u>\$ (45,567,442)</u>	<u>\$ (38,757,273)</u>	<u>\$ 6,810,169</u>

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

General Obligation Debt Service Fund
For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Property taxes	\$ 22,252,163	\$ 21,717,098	\$ (535,065)
Investment income	-	20,619	20,619
Other entities' participation	-	272,558	272,558
Total revenues	<u>22,252,163</u>	<u>22,010,275</u>	<u>(241,888)</u>
Expenditures:			
Debt service:			
Principal retirement	8,815,344	8,700,865	114,479
Interest and fiscal fees	8,698,153	6,758,465	1,939,688
Total expenditures	<u>17,513,497</u>	<u>15,459,330</u>	<u>2,054,167</u>
Excess of revenues over expenditures	4,738,666	6,550,945	1,812,279
Other financing sources (uses):			
Transfers in	-	8,585,071	8,585,071
Transfers out	-	(8,884,791)	(8,884,791)
Total other financing sources	<u>-</u>	<u>(299,720)</u>	<u>(299,720)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>\$ 4,738,666</u>	<u>\$ 6,251,225</u>	<u>\$ 1,512,559</u>

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 7,270,400	\$ 6,820,193	\$ (450,207)
Investment income	457,167	948,834	491,667
Charges for services	350,000	660,350	310,350
Miscellaneous	-	1,745	1,745
Total revenues	<u>8,077,567</u>	<u>8,431,122</u>	<u>353,555</u>
Expenditures:			
Current:			
Community services	3,360,831	3,332,871	27,960
Debt service:			
Principal retirement	3,485,000	3,555,000	(70,000)
Interest and fiscal fees	2,532,051	2,459,245	72,806
Total expenditures	<u>9,377,882</u>	<u>9,347,116</u>	<u>30,766</u>
Deficiency of revenues over expenditures	(1,300,315)	(915,994)	384,321
Other financing sources (uses):			
Transfers in	-	199,103	199,103
Transfers out	-	(5,000,000)	(5,000,000)
Total other financing sources	<u>-</u>	<u>(4,800,897)</u>	<u>(4,800,897)</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (1,300,315)</u>	<u>\$ (5,716,891)</u>	<u>\$ (4,416,576)</u>

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

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
State sales tax	\$ 11,484,090	\$ 11,387,320	\$ (96,770)
Miscellaneous	142,970	1,135	(141,835)
Total revenues	<u>11,627,060</u>	<u>11,388,455</u>	<u>(238,605)</u>
Expenditures:			
Current:			
Public works	10,130,387	9,851,974	278,413
Total expenditures	<u>10,130,387</u>	<u>9,851,974</u>	<u>278,413</u>
Excess of revenues over expenditures	1,496,673	1,536,481	39,808
Other financing sources (uses):			
Transfers in	870,000	954,634	84,634
Transfers out	(309,862)	(3,093,622)	(2,783,760)
Total other financing sources	<u>560,138</u>	<u>(2,138,988)</u>	<u>(2,699,126)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 2,056,811</u>	<u>\$ (602,507)</u>	<u>\$ (2,659,318)</u>

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

Local Transportation Assistance Fund
For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Other	\$ 767,100	\$ 761,513	\$ (5,587)
Total revenues	<u>767,100</u>	<u>761,513</u>	<u>(5,587)</u>
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	767,100	761,513	(5,587)
Other financing uses:			
Transfers out	(253,838)	(253,838)	-
Total other financing uses	<u>(253,838)</u>	<u>(253,838)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 513,262</u>	<u>\$ 507,675</u>	<u>\$ (5,587)</u>

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

Community Development Fund
For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 2,173,533	\$ 1,341,332	\$ (832,201)
Other	141,323	235,792	94,469
Total revenues	<u>2,314,856</u>	<u>1,577,124</u>	<u>(737,732)</u>
Expenditures:			
Current:			
Community development	2,314,856	1,577,124	737,732
Debt service:			
Principal retirement	-	261,000	(261,000)
Interest and fiscal fees	-	369,143	(369,143)
Total expenditures	<u>2,314,856</u>	<u>2,207,267</u>	<u>107,589</u>
Deficiency of revenues over expenditures	-	(630,143)	(630,143)
Other financing sources:			
Transfers in	-	630,143	630,143
Total other financing uses	<u>-</u>	<u>630,143</u>	<u>630,143</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Federal grants	\$ 8,480,645	\$ 8,722,976	\$ 242,331
Investment income	221,743	61,243	(160,500)
Miscellaneous	-	80,633	80,633
Total revenues	<u>8,702,388</u>	<u>8,864,852</u>	<u>162,464</u>
Expenditures:			
Current:			
Community development	<u>8,702,388</u>	<u>8,864,852</u>	<u>(162,464)</u>
Total expenditures	<u>8,702,388</u>	<u>8,864,852</u>	<u>(162,464)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Rio Salado Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 917,600	\$ 1,671,422	\$ 753,822
Property taxes	150,000	121,988	(28,012)
Investment income	137,754	208,592	70,838
Charges for services	-	1,861	1,861
Miscellaneous	153,416	166,280	12,864
Total revenues	<u>1,358,770</u>	<u>2,170,143</u>	<u>811,373</u>
Expenditures:			
Current:			
Community development	2,083,894	1,612,990	470,904
Total expenditures	<u>2,083,894</u>	<u>1,612,990</u>	<u>470,904</u>
Excess (deficiency) of revenues over expenditures	(725,124)	557,153	1,282,277
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(20,821)	(20,821)
Proceeds from sale of capital assets	-	2,833	2,833
Total other financing sources	<u>-</u>	<u>(17,988)</u>	<u>(17,988)</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (725,124)</u>	<u>\$ 539,165</u>	<u>\$ 1,264,289</u>

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

Community Facilities District Fund
For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 573	\$ 573
Charges for services	981,765	449,674	(532,091)
Miscellaneous	30,825	661,921	631,096
Total revenues	<u>1,012,590</u>	<u>1,112,168</u>	<u>99,578</u>
Expenditures:			
Current:			
Community development	3,054,608	2,627,865	426,743
Debt service:			
Principal	1,470,000	1,490,000	(20,000)
Interest and fiscal fees	1,632,488	1,579,791	52,697
Total expenditures	<u>6,157,096</u>	<u>5,697,656</u>	<u>459,440</u>
Deficiency of revenues over expenditures	(5,144,506)	(4,585,488)	559,018
Other financing sources (uses):			
Transfers in	-	4,567,806	4,567,806
Transfers out	-	(8,521)	(8,521)
Total other financing sources	<u>-</u>	<u>4,559,285</u>	<u>4,559,285</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (5,144,506)</u>	<u>\$ (26,203)</u>	<u>\$ 5,118,303</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Investment income	\$ 2,222,229	\$ 3,354,999	\$ 1,132,770
Charges for services	47,405,102	49,078,728	1,673,626
Miscellaneous	621,000	310,282	(310,718)
Total revenues	<u>50,248,331</u>	<u>52,744,009</u>	<u>2,495,678</u>
Expenditures:			
Current:			
Water utilities	36,627,267	35,340,259	1,287,008
Debt service:			
Principal	14,790,354	11,300,000	3,490,354
Interest and fiscal fees	12,853,469	11,112,690	1,740,779
Total expenditures	<u>64,271,090</u>	<u>57,752,949</u>	<u>6,518,141</u>
Deficiency of revenues over expenditures	(14,022,759)	(5,008,940)	9,013,819
Other financing sources (uses):			
Transfers in	542,833	6,385,282	5,842,449
Transfers out	(801,410)	(6,691,337)	(5,889,927)
Total other financing sources	<u>(258,577)</u>	<u>(306,055)</u>	<u>(47,478)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u><u>\$(14,281,336)</u></u>	<u><u>\$(5,314,995)</u></u>	<u><u>\$ 8,966,341</u></u>

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

Solid Waste Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Investment income	\$ 126,348	\$ 222,531	\$ 96,183
Charges for services	<u>14,324,055</u>	<u>14,669,542</u>	<u>345,487</u>
Total revenues	<u>14,450,403</u>	<u>14,892,073</u>	<u>441,670</u>
Expenditures:			
Current:			
Public works	<u>15,985,213</u>	<u>15,813,151</u>	<u>172,062</u>
Total expenditures	<u>15,985,213</u>	<u>15,813,151</u>	<u>172,062</u>
Deficiency of revenues over expenditures	(1,534,810)	(921,078)	613,732
Other financing sources:			
Transfers in	-	5,000	5,000
Proceeds from sale of capital assets	<u>-</u>	<u>185,902</u>	<u>185,902</u>
Total other financing sources	<u>-</u>	<u>190,902</u>	<u>190,902</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (1,534,810)</u>	<u>\$ (730,176)</u>	<u>\$ 804,634</u>

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

Golf Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 5,705	\$ 18,715	\$ 13,010
Charges for services	2,032,500	1,984,429	(48,071)
Miscellaneous	-	14	14
Total revenues	<u>2,038,205</u>	<u>2,003,158</u>	<u>(35,047)</u>
Expenditures:			
Current:			
Parks and recreation	2,068,743	2,034,912	33,831
Debt service:			
Principal	4,464	-	4,464
Interest and fiscal fees	5,629	-	5,629
Total expenditures	<u>2,078,836</u>	<u>2,034,912</u>	<u>43,924</u>
Deficiency of revenues over expenditures	(40,631)	(31,754)	8,877
Other financing sources:			
Transfers in	-	60,957	60,957
Total other financing sources	<u>-</u>	<u>60,957</u>	<u>60,957</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (40,631)</u>	<u>\$ 29,203</u>	<u>\$ 69,834</u>

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

Cemetery Fund

For the Fiscal Year Ended June 30, 2008

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Charges for services	\$ 120,000	\$ 231,960	\$ 111,960
Total revenues	<u>120,000</u>	<u>231,960</u>	<u>111,960</u>
Expenditures:			
Current:			
Parks and recreation	187,146	100,996	86,150
Debt service:			
Principal	80,000	80,000	-
Interest and fiscal fees	<u>121,938</u>	<u>96,938</u>	<u>25,000</u>
Total expenditures	<u>389,084</u>	<u>277,934</u>	<u>111,150</u>
 Deficiency of revenues over expenditures	 <u>\$ (269,084)</u>	 <u>\$ (45,974)</u>	 <u>\$ 223,110</u>



FINANCIAL DATA SCHEDULES

The Financial Data Schedules in this section are presented as required by the U.S. Department of Housing and Urban Development in accordance with the Uniform Financial Reporting Standards Rule as contained in the Federal Register (24CFR, Part 5, Subpart H). These schedules are presented on a modified accrual basis of accounting.

**Other Supplementary Information - Financial Data Schedule
Balance Sheet**

Housing Assistance Fund
June 30, 2008

City of Tempe, Arizona

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Assets</u>		
111	Cash - unrestricted	\$ 1,902,985
128	Accounts receivable - Fraud Recovery	72,587
	Total assets	<u>\$ 1,975,572</u>
<u>Liabilities</u>		
312	Accounts payable <= 90 days	\$ 10,298
321	Accrued wage/payroll taxes payable	14,815
331	Accounts payable - HUD PHA programs	144,255
342	Deferred revenues	1,806,204
	Total liabilities	<u>1,975,572</u>
<u>Equity</u>		
512	Undesignated fund balance	-
513	Total equity	-
600	Total liabilities and equity	<u>\$ 1,975,572</u>

**Other Supplementary Information - Financial Data Schedule
Revenues and Expenses**

Housing Assistance Fund
For the Fiscal Year ended June 30, 2008

City of Tempe, Arizona

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Revenues</u>		
706	HUD PHA grants	\$ 8,722,976
711	Investment income - unrestricted	61,243
714	Fraud Recovery	80,633
715	Other revenue	-
	Total revenues	<u>8,864,852</u>
<u>Expenses</u>		
911	Administrative salaries	451,569
912	Auditing fees	4,534
914	Compensated absences	69,242
915	Employee benefit contributions - administrative	178,347
916	Other operating - administrative	124,816
973	Housing assistance payments	8,036,344
	Total expenses	<u>8,864,852</u>
	Excess of revenues over expenses	<u>\$ -</u>
<u>Memo Account Information</u>		
1120	Unit months available	12,984
1121	Number of unit months leased	12,818
1117	Administrative Fee Equity	\$ 325,391
1118	Housing Assistance Payments Equity	\$ 1,480,813



This section provides a broad range of trend data covering key financial indicators including general governmental revenues and expenditures, property taxes, debt burden, demographics and miscellaneous data useful in assessing the City's financial condition.

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information in regards to the City's overall financial health.

- **Financial Trends.** These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.
- **Revenue Capacity.** These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.
- **Debt Capacity.** These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- **Economic and Demographic Information.** These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.
- **Operating Information.** These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements. These amounts are presented on the accrual basis of accounting.



Net Assets by Component (Exhibit S-1)

Last Seven Fiscal Years
Accrual Basis of Accounting

	City of Tempe, Arizona						
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Governmental activities							
Invested in capital assets, net of related debt	\$ 433,414,734	\$ 440,494,223	\$ 426,857,287	\$ 425,257,427	\$ 388,629,882	\$ 397,087,925	\$ 597,765,255
Restricted	122,572,053	135,314,124	143,723,739	137,183,741	174,328,803	114,918,257	139,393,928
Unrestricted	102,002,207	73,239,199	91,829,853	153,918,478	226,533,760	414,023,370	277,055,145
Total governmental activities net assets	\$ 657,988,994	\$ 649,047,546	\$ 662,410,879	\$ 716,359,646	\$ 789,492,445	\$ 926,029,552	\$ 1,014,214,328
Business-type activities							
Invested in capital assets, net of related debt	\$ 173,224,647	\$ 171,881,978	\$ 174,841,674	\$ 191,670,395	\$ 174,110,077	\$ 177,682,915	\$ 154,867,017
Unrestricted	82,578,913	89,985,585	89,162,318	74,678,567	88,802,930	88,554,746	103,816,965
Total business-type activities net assets	\$ 255,803,560	\$ 261,867,563	\$ 264,003,992	\$ 266,348,962	\$ 262,913,007	\$ 266,237,661	\$ 258,683,982
Primary government							
Invested in capital assets, net of related debt	\$ 606,639,381	\$ 612,376,201	\$ 601,698,961	\$ 616,927,822	\$ 562,739,959	\$ 574,770,840	\$ 752,632,272
Restricted	132,637,849	143,444,919	152,737,563	137,183,741	174,328,803	114,918,257	139,393,928
Unrestricted	174,515,324	155,093,989	171,978,347	228,597,045	315,336,690	502,578,116	380,872,110
Total primary government net assets	\$ 913,792,554	\$ 910,915,109	\$ 926,414,871	\$ 982,708,608	\$ 1,052,405,452	\$ 1,192,267,213	\$ 1,272,898,310

Note: Information prior to fiscal year 2002 was not available in this format.

Changes in Net Assets (Exhibit S-2a)

Last Seven Fiscal Years
Accrual Basis of Accounting

	City of Tempe, Arizona							
Expenses	Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Governmental activities:								
Police	\$	45,265,995	47,729,305	49,973,991	51,928,073	59,957,698	60,929,075	83,613,800
Fire		15,988,363	15,103,049	16,990,382	17,679,667	20,098,598	22,563,083	30,133,124
Community services		20,874,630	20,307,801	20,629,836	21,116,067	22,205,153	16,072,936	24,070,427
Parks and recreation		-	-	-	-	-	20,015,034	20,521,457
Public works		57,047,822	57,917,031	61,814,870	61,853,194	67,537,876	56,869,440	82,727,089
Community relations		2,212,271	2,845,176	2,472,966	2,312,548	2,499,978	2,816,030	3,179,145
Mayor and council		516,899	579,089	407,818	400,549	362,810	362,281	547,453
City manager		1,414,543	918,556	209,830	312,882	412,936	445,531	488,323
Diversity program		-	-	505,865	544,872	534,950	548,552	687,926
Internal audit/consulting		-	-	440,660	446,333	460,824	476,089	558,706
City clerk and elections		784,099	433,922	652,442	443,255	752,336	528,493	870,815
City attorney		2,420,285	2,027,045	2,087,009	2,262,903	2,348,553	2,903,028	3,641,333
Municipal courts		3,325,642	3,230,817	4,053,127	3,655,280	4,342,297	4,708,606	6,066,038
Development services		16,808,229	18,760,209	19,111,722	21,448,181	4,492,161	8,611,601	8,596,785
Community development		2,485,774	3,245,906	4,021,965	3,187,992	30,358,768	21,444,736	20,037,984
Financial services		4,906,157	5,404,942	3,946,238	4,102,556	4,296,427	4,597,029	5,969,557
Human resources		4,058,772	3,762,782	2,418,605	2,561,746	2,727,058	2,877,320	3,648,975
Information technology		804,751	4,185,163	2,280,717	1,854,603	1,462,595	889,443	2,677,340
Non-departmental		7,594,725	14,852,873	9,637,203	6,895,583	6,122,335	8,127,073	3,067,647
Interest on long-term debt		6,588,170	6,956,107	8,974,827	9,033,035	10,821,420	13,996,681	12,091,111
Total governmental activities expenses		193,097,127	208,259,773	210,630,073	212,040,319	241,754,773	249,782,061	313,195,035
Business-type activities:								
Water/Wastewater		38,892,299	38,417,396	42,739,236	47,156,603	53,588,122	53,688,700	64,954,769
Solid waste		10,294,641	10,205,570	10,912,307	11,413,402	11,836,691	12,403,387	15,130,899
Golf course		2,441,907	2,435,783	2,353,586	2,442,925	2,375,802	2,225,214	2,667,539
Cemetery		-	-	-	-	152,717	171,817	251,743
Total business-type activities expenses		51,628,847	51,058,749	56,005,129	61,012,930	67,953,332	68,489,118	83,004,950
Total primary government expenses		\$ 244,725,974	\$ 259,318,522	\$ 266,635,202	\$ 273,053,249	\$ 309,708,105	\$ 318,271,179	\$ 396,199,985

Changes in Net Assets (Exhibit S-2b)

Last Seven Fiscal Years
Accrual Basis of Accounting

City of Tempe, Arizona

Program Revenues	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Governmental activities:							
Charges for services:							
Police	\$ 28,181	\$ 833,378	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973	\$ 1,110,714
Fire	43,782	334,773	305,964	41,561	566,505	1,116,101	303,824
Community services	4,586,011	4,996,644	5,213,032	5,045,852	5,098,319	5,353,815	6,924,585
Parks and recreation						30,053	27,844
Public works	3,343,519	4,112,610	5,261,301	9,904,057	6,594,229	7,940,104	11,305,217
Municipal courts	6,382,786	2,711,225	5,857,804	6,497,384	7,179,554	7,687,007	8,211,574
Development services	1,859,012	2,808,889	2,881,155	3,523,443	5,566,289	5,891,971	6,175,963
Economic development	179,726	238,226	238,417	325,191			
Community development							
Financial services					637,445	526,893	451,535
Non-departmental	2,007,179	1,469,142	1,378,148	1,744,163	1,932,684	1,900,016	1,728,472
Operating grants and contributions	115,498	83,938	59,598	78,767	92,827	284,084	79,536
Capital grants and contributions	11,782,757	13,490,697	14,346,903	16,245,880	19,903,398	18,812,530	15,625,633
Total governmental activities program revenues	9,376,155	5,098,677	12,589,817	33,688,443	54,935,929	103,412,667	79,670,490
	39,704,606	36,178,199	48,968,220	77,972,071	103,384,863	153,787,214	131,615,487
Business-type activities:							
Charges for services:							
Water and wastewater	40,890,844	43,315,681	42,604,532	44,443,764	47,012,596	50,922,496	53,208,327
Solid waste	9,979,359	10,496,774	11,014,949	12,054,563	12,989,827	13,820,128	14,669,542
Golf course	2,124,037	1,920,699	2,020,132	1,954,278	1,971,031	1,912,286	1,984,429
Cemetery					18,943	18,339	231,960
Capital grants and contributions	2,033,578	179,754	751,525	2,835,223	506,593	4,782,425	472,928
Total business-type activities program revenues	55,027,818	55,912,908	56,391,138	61,287,828	62,498,990	71,455,674	70,567,186
Total primary government program revenues	\$ 94,732,424	\$ 92,091,107	\$ 105,359,358	\$ 139,259,899	\$ 165,883,873	\$ 225,242,888	\$ 202,182,673
Net (Expense)/Revenue							
Governmental activities	\$ (153,392,521)	\$ (172,081,574)	\$ (161,661,853)	\$ (134,069,248)	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)
Business-type activities	3,398,971	4,854,159	386,009	274,898	(5,454,342)	2,966,556	(12,437,764)
Total primary government net expense	\$ (149,993,550)	\$ (167,227,415)	\$ (161,275,844)	\$ (133,793,350)	\$ (143,824,232)	\$ (93,028,291)	\$ (194,017,312)

Changes in Net Assets (Exhibit S-2c)

Last Seven Fiscal Years
Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
General revenues and other changes in net assets							
Governmental activities:							
General revenues:							
Sales taxes	\$ 111,538,072	\$ 112,724,512	\$ 120,075,959	\$ 131,256,519	\$ 145,109,192	\$ 157,488,587	\$ 150,687,016
State shared income taxes, unrestricted	16,544,791	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759	23,332,475
Property taxes	20,375,185	21,289,140	22,580,678	24,872,388	27,532,893	26,826,227	32,447,203
Franchise taxes	1,810,590	1,476,718	1,457,085	1,678,437	1,858,851	2,693,256	3,424,561
Auto-licu taxes	5,233,512	6,247,543	6,427,396	6,791,043	7,527,675	6,870,739	6,655,516
Unrestricted investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876
Miscellaneous	1,444,812	1,469,345	1,681,895	2,126,029	1,864,289	2,780,229	2,879,878
Gain on sale of capital assets	-	-	6,362,790	2,004,326	1,813,311	-	36,146,557
Transfers	(68,770)	171,977	(199,750)	168,734	1,149,970	3,711,910	149,242
Total governmental activities	168,101,784	163,140,126	175,025,186	188,017,015	211,502,689	232,531,954	269,764,324
Business-type activities:							
Unrestricted investment earnings	3,745,272	900,524	959,081	1,408,251	1,909,727	3,305,406	4,618,383
Miscellaneous	325,906	481,297	567,189	438,447	993,233	716,338	344,449
Gain on sale of capital assets	408,156	-	24,400	392,108	265,397	48,264	70,495
Transfers	68,770	(171,977)	199,750	(168,734)	(1,149,970)	(3,711,910)	(149,242)
Total business-type activities	4,548,104	1,209,844	1,759,420	2,070,072	2,018,387	358,098	4,884,085
Total primary government	\$ 172,649,888	\$ 164,349,970	\$ 176,775,606	\$ 190,087,087	\$ 213,521,076	\$ 232,890,052	\$ 274,648,409
Changes in net assets							
Governmental activities	\$ 14,709,263	\$ (8,941,448)	\$ 13,363,333	\$ 53,948,767	\$ 73,132,799	\$ 136,537,107	\$ 88,184,776
Business-type activities	7,947,075	6,084,003	2,136,429	2,344,970	(3,435,955)	3,324,654	(7,553,679)
Total primary government	\$ 22,656,338	\$ (2,877,445)	\$ 15,499,762	\$ 56,293,737	\$ 69,696,844	\$ 139,861,761	\$ 80,631,097

Note: Information prior to fiscal year 2002 was not available in this format.

Fund Balances, Governmental Funds (Exhibit S-3)

Last Seven Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Fiscal Year	2007-08
General fund									
Reserved		\$ 2,201,123	\$ 2,949,516	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060	\$	4,449,843
Unreserved		75,249,138	63,670,728	72,823,641	78,064,176	94,648,961	96,883,636		92,432,479
Total general fund		<u>\$ 77,450,261</u>	<u>\$ 66,620,244</u>	<u>\$ 74,786,670</u>	<u>\$ 81,340,119</u>	<u>\$ 97,025,779</u>	<u>\$ 101,182,696</u>		<u>\$ 96,882,322</u>
All other governmental funds									
Reserved		\$ 32,891,864	\$ 42,004,605	\$ 36,882,416	\$ 76,440,839	\$ 71,648,277	\$ 58,559,662	\$	69,814,938
Unreserved, reported in:									
Debt service funds (A)		-	-	-	-	-	(66,826)		-
Special revenues funds		59,551,110	67,312,797	64,835,343	55,470,121	66,938,765	65,022,802		36,228,348
Capital projects funds		39,530,059	29,984,703	36,375,643	21,153,248	53,752,477	17,044,525		28,848,898
Total all other governmental funds		<u>\$ 131,973,033</u>	<u>\$ 139,302,105</u>	<u>\$ 138,093,402</u>	<u>\$ 153,064,208</u>	<u>\$ 192,339,519</u>	<u>\$ 140,560,163</u>		<u>\$ 134,892,184</u>

(A) In fiscal year 2006-07 the special assessment debt service fund is reported in unreserved fund balance due to the current year deficit balance.

Note: Information prior to fiscal year 2002 was not available in this format.

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

Last Seven Fiscal Years

Modified Accrual Basis of Accounting

	City of Tempe, Arizona						
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenues:							
Taxes	\$ 111,252,263	\$ 112,859,765	\$ 119,673,043	\$ 130,779,821	\$ 146,084,925	\$ 159,569,926	\$ 159,798,418
Intergovernmental	65,143,039	66,221,384	68,292,581	94,349,370	109,213,832	127,738,319	102,320,894
Investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876
Charges for services	6,550,017	7,660,472	14,027,946	14,896,580	18,304,846	20,242,897	23,674,598
Fines and forfeitures	4,980,777	6,058,944	7,230,067	7,742,929	8,261,486	8,407,254	10,148,376
Other entities' participation	817,041	394,803	-	78,433	2,382,056	2,074,553	1,412,155
Special assessments	2,845,691	2,835,480	2,781,314	2,706,951	2,705,348	2,610,195	2,842,153
Licenses and permits	1,105,145	1,263,163	1,131,517	1,250,205	1,389,130	1,524,891	1,592,521
Miscellaneous	3,676,606	2,806,330	3,669,815	4,748,157	3,973,800	5,061,404	5,486,178
Total revenues	207,594,171	202,998,697	219,142,412	261,089,868	300,353,988	340,566,686	321,317,169
Expenditures:							
Police	44,524,865	45,287,397	48,576,160	50,148,794	59,977,366	60,200,957	71,813,995
Fire	14,903,901	14,944,261	15,622,805	17,235,231	19,599,806	21,054,670	24,413,707
Community services	19,353,717	18,578,259	18,809,726	18,653,915	20,743,534	15,166,076	20,844,315
Parks and recreation	-	-	-	-	-	49,026,864	56,316,376
Public works	41,042,674	40,904,425	43,811,239	45,853,027	48,822,208	2,773,675	2,843,668
Community relations	2,126,245	2,904,697	2,414,527	2,380,562	2,470,215	362,281	367,250
Mayor and council	516,899	579,089	407,818	400,549	362,810	440,915	294,042
City manager	1,464,931	944,568	254,578	293,964	383,025	440,915	641,719
Diversity program	-	-	472,233	544,032	520,748	542,292	491,057
Internal audit/consulting	-	-	408,862	420,449	450,650	462,751	748,371
City clerk and elections	774,756	442,615	641,753	440,041	747,588	484,894	3,224,007
City attorney	2,437,072	2,121,212	2,079,092	2,206,857	2,345,165	2,844,636	5,563,038
Municipal courts	3,261,268	3,142,488	4,039,664	3,588,317	4,454,473	4,662,214	7,394,179
Development services	15,815,204	17,919,144	17,285,467	19,435,003	5,768,444	17,278,332	18,246,591
Community development	2,445,475	2,956,263	4,002,794	3,296,692	19,795,483	20,566,776	4,390,171
Financial services	4,747,540	5,151,110	3,743,137	3,867,513	3,978,571	4,342,723	3,282,022
Human resources	4,049,591	3,797,137	2,388,877	2,567,259	2,730,740	2,842,328	-
Information technology	600,852	990,568	633,533	537,006	-	-	-
Non-departmental	1,412,665	9,197,356	3,440,150	4,433,871	3,937,911	6,031,097	3,407,427
Debt service:							
Principal retirement	10,884,500	8,105,000	10,345,000	10,470,000	14,580,000	15,765,000	18,121,865
Interest and fiscal fees	6,460,321	7,296,250	8,470,153	9,472,601	12,016,680	15,239,760	16,636,211
Capital outlay	36,318,048	58,052,049	52,669,125	84,525,728	153,961,610	193,312,819	138,410,945
Total expenditures	213,140,324	243,313,888	240,516,693	280,771,411	377,547,027	448,690,748	413,277,173
Deficiency of revenues over expenditures before other financing sources (uses)	(5,546,153)	(40,315,191)	(21,374,281)	(19,681,543)	(77,193,039)	(108,124,062)	(91,960,004)

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

Last Seven Fiscal Years
Modified Accrual Basis of Accounting

	City of Tempe, Arizona						
	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Other financing sources (uses):							
Transfers in	54,810,989	32,447,621	35,261,611	40,964,257	23,839,365	37,963,787	71,362,599
Transfers out	(54,879,759)	(32,275,644)	(35,461,361)	(40,795,523)	(22,689,395)	(34,250,777)	(71,213,357)
Issuance of debt	8,000,000	35,220,000	30,560,000	17,680,000	125,845,000	55,640,000	71,170,000
Premium on issuance of debt	-	-	1,861,088	-	1,847,396	1,746,522	1,242,369
Capital lease proceeds	686,109	990,569	633,533	537,006	220,940	108,464	-
Proceeds from sale of capital assets	-	-	8,492,867	2,004,326	3,090,704	656,603	9,430,040
Proceeds from loan	-	-	-	7,000,000	-	-	-
Proceeds of refunding bonds	5,970,000	40,931,700	24,945,000	-	-	31,655,000	-
Payment to refunded bond escrow agent	(5,948,430)	(40,500,000)	(24,145,002)	-	-	(33,017,976)	-
Total other financing sources (uses)	<u>8,638,909</u>	<u>36,814,246</u>	<u>42,147,736</u>	<u>27,390,066</u>	<u>132,154,010</u>	<u>60,501,623</u>	<u>81,991,651</u>
Net change in fund balances	<u>\$ 3,092,756</u>	<u>\$ (3,500,945)</u>	<u>\$ 20,773,455</u>	<u>\$ 7,708,523</u>	<u>\$ 54,960,971</u>	<u>\$ (47,622,439)</u>	<u>\$ (9,968,353)</u>
Debt service as a percentage of noncapital expenditures	9.8%	8.3%	10.0%	10.2%	11.9%	12.1%	12.6%

Note: Information prior to fiscal year 2002 was not available in this format.

Taxable Sales and Percentage of Taxable Sales by Category (Exhibit S-5)

Last Ten Fiscal Years
Cash Basis

City of Tempe, Arizona

Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	City Direct Sales Tax Rate
1998-99	\$ 2,699,994,000	\$ 834,741,353	\$ 460,132,588	\$ 356,863,882	\$ 380,975,471	\$ 108,374,328	\$ 90,028,235	\$ 99,786,294	\$ 5,030,836,151	1.70 %
1999-00	2,813,130,176	907,692,235	483,626,118	391,671,353	384,483,412	115,596,765	90,680,059	101,860,706	5,288,740,824	1.70
2000-01	2,952,902,588	1,013,508,353	629,601,294	410,577,353	377,591,647	124,502,176	103,980,412	99,680,412	5,712,344,235	1.70
2001-02	2,742,441,556	941,832,389	499,078,556	382,886,889	333,773,611	103,032,222	81,622,056	85,321,167	5,169,988,446	1.80
2002-03	2,719,123,222	906,578,056	467,647,889	368,798,222	296,740,778	106,429,056	91,584,111	92,793,667	5,049,635,001	1.80
2003-04	2,859,897,505	899,687,556	497,207,351	377,852,500	340,484,056	107,090,645	85,961,444	98,812,889	5,266,993,946	1.80
2004-05	3,143,763,590	917,707,487	501,110,558	412,292,532	410,634,122	122,425,842	97,748,939	109,532,310	5,715,215,380	1.80
2005-06	3,602,528,301	997,198,126	545,661,301	465,230,507	523,679,355	136,971,401	95,180,579	109,300,426	6,475,749,996	1.80
2006-07	3,732,944,444	1,085,111,111	571,722,222	484,500,000	784,444,444	132,888,989	82,277,778	116,722,222	6,990,611,110	1.80
2007-08	3,511,222,222	1,174,055,556	608,388,889	519,555,556	738,611,111	150,222,222	84,222,222	100,722,222	6,887,000,000	1.80

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
1998-99	53.67 %	16.59 %	9.15 %	7.08 %	7.57 %	2.15 %	1.79 %	1.99 %	100 %
1999-00	53.19	17.16	9.14	7.41	7.27	2.19	1.71	1.93	100
2000-01	51.69	17.74	11.02	7.19	6.61	2.18	1.82	1.75	100
2001-02	53.05	18.22	9.65	7.41	6.46	1.99	1.58	1.64	100
2002-03	53.85	17.95	9.26	7.30	5.88	2.11	1.81	1.84	100
2003-04	54.30	17.08	9.44	7.17	6.46	2.03	1.63	1.89	100
2004-05	55.01	16.06	8.77	7.21	7.18	2.14	1.71	1.92	100
2005-06	55.63	15.40	8.43	7.18	8.09	2.12	1.47	1.68	100
2006-07	53.40	15.52	8.18	6.93	11.22	1.90	1.18	1.67	100
2007-08	50.98	17.05	8.83	7.54	10.72	2.18	1.22	1.48	100

Source: City of Tempe, Arizona Tax and License Division

Note 1: In fiscal year 2000-01, City of Tempe, Arizona voters approved a 0.1% increase in the City sales tax.

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

Last Ten Fiscal Years		City of Tempe, Arizona			
Fiscal Year	City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate	
1998-99	1.70 %	0.70 %	5.60 %	8.00 %	
1999-00	1.70	0.70	5.60	8.00	
2000-01	1.70	0.70	5.60	8.00	
2001-02	1.80	0.70	5.60	8.10	
2002-03	1.80	0.70	5.60	8.10	
2003-04	1.80	0.70	5.60	8.10	
2004-05	1.80	0.70	5.60	8.10	
2005-06	1.80	0.70	5.60	8.10	
2006-07	1.80	0.70	5.60	8.10	
2007-08	1.80	0.70	5.60	8.10	

Source: City of Tempe, Arizona Tax and License Division

Note: In fiscal year 2000-01, City of Tempe, Arizona voters approved a 0.1% increase in the City sales tax.



General Property Tax Information (Exhibit S-7)

City of Tempe, Arizona

Tax Levy Limitations

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

Assessments and Collections

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

Taxes Due

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

Taxes Payable

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

Taxes Delinquent

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

Tax Sale

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

Tax Deed

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

Redemption

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

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

Last Seven Fiscal Years

Rate per \$100 of Assessed Value

Fiscal Year		Commercial, Manufacturing, Telecommunications Property	Vacant, Agricultural & Governmental Property	Owner Occupied Residential Property	Rental Residential Property	Railroad & Airlines Property
2001-02	Primary	\$ 834,642,415	\$ 31,186,396	\$ 374,437,089	\$ 123,377,474	\$ 1,710,226
	Secondary	887,301,591	38,657,266	388,110,036	135,780,153	1,811,596
2002-03	Primary	915,869,448	30,810,942	384,928,341	130,945,963	1,639,351
	Secondary	981,176,470	38,767,071	388,897,351	136,567,526	1,737,214
2003-04	Primary	935,290,666	28,432,421	461,432,599	139,596,174	1,695,416
	Secondary	1,016,813,162	40,528,635	466,917,457	153,014,453	1,829,752
2004-05	Primary	1,013,975,894	28,432,421	461,432,599	146,840,125	2,973,252
	Secondary	1,094,932,248	37,741,236	472,792,985	152,253,913	3,347,552
2005-06	Primary	1,245,827,301	238,624,198	499,989,878	163,440,750	2,770,242
	Secondary	1,303,026,577	282,897,988	528,444,640	175,658,220	3,046,217
2006-07	Primary	1,306,192,761	249,763,558	515,469,816	175,924,392	3,008,952
	Secondary	1,392,698,031	335,482,079	523,973,749	182,197,200	3,198,718
2007-08	Primary	1,369,975,785	287,255,556	587,620,345	191,632,935	3,284,085
	Secondary	1,487,353,047	386,956,732	782,035,308	240,647,400	3,652,041

Source: Maricopa County Assessor's Office

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

Note: Information prior to fiscal year 2002 was not available in this format

(A) Assessed values are shown net of tax-exempt property for fiscal year 2001-02 through 2004-05.

City of Tempe, Arizona

Non-commercial Historic Property	Less: Tax-Exempt Property (A)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 4,667,240 4,700,975	\$ N/A N/A	\$ 1,370,020,840 1,456,361,617	\$ 0.53 0.82	\$ 9,756,507,857 9,197,839,943	14.04 % 15.83
9,336,275 9,346,662	N/A N/A	1,473,530,320 1,556,492,294	0.52 0.83	10,505,677,932 9,669,307,443	14.03 16.10
9,128,538 9,348,956	N/A N/A	1,575,575,814 1,688,452,415	0.55 0.80	11,424,612,316 10,779,997,040	13.79 15.66
7,538,097 7,809,451	N/A N/A	1,661,192,388 1,768,877,385	0.53 0.82	12,379,112,416 11,034,323,885	13.42 16.03
1,229,232 1,426,854	350,861,051 390,074,308	1,801,020,550 1,904,426,188	0.52 0.88	13,289,932,548 14,207,441,131	13.55 13.40
1,341,770 1,448,936	356,496,779 432,295,381	1,895,204,470 2,006,703,332	0.52 0.88	13,995,714,438 15,035,677,275	13.54 13.35
5,569,454 6,404,967	413,757,218 505,151,029	2,031,580,942 2,401,898,466	0.51 0.89	15,428,450,636 18,964,996,979	13.17 12.66

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

Last Ten Fiscal Years

Rate per \$100 of Assessed Value

Fiscal Year		City of Tempe	Schools			Maricopa County	Community College
			Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology		
1998-99	Primary	\$ 0.54	\$ 2.30	\$ 3.18	\$ -	\$ 1.68	\$ 0.99
	Secondary	0.86	1.27	1.17	0.07	0.13	0.13
	Total	1.40	3.57	4.35	0.07	1.81	1.12
1999-00	Primary	0.55	2.45	3.37	-	1.19	0.97
	Secondary	0.85	1.45	1.00	0.07	0.11	0.15
	Total	1.40	3.90	4.37	0.07	1.30	1.12
2000-01	Primary	0.55	2.05	3.40	-	1.17	0.97
	Secondary	0.80	1.26	1.01	0.07	0.12	0.15
	Total	1.35	3.31	4.41	0.07	1.29	1.12
2001-02	Primary	0.53	2.08	3.41	-	1.18	0.96
	Secondary	0.82	1.11	1.00	0.06	0.09	0.15
	Total	1.35	3.19	4.41	0.06	1.27	1.11
2002-03	Primary	0.52	2.19	3.32	-	1.21	0.96
	Secondary	0.83	1.13	0.95	0.06	0.08	0.15
	Total	1.35	3.32	4.27	0.06	1.29	1.11
2003-04	Primary	0.55	2.24	3.10	-	1.21	0.94
	Secondary	0.80	1.05	1.10	0.05	0.07	0.14
	Total	1.35	3.29	4.20	0.05	1.28	1.08
2004-05	Primary	0.53	2.05	2.90	-	1.21	0.92
	Secondary	0.82	0.99	1.09	0.05	-	0.12
	Total	1.35	3.04	3.99	0.05	1.21	1.04
2005-06	Primary	0.52	1.73	2.90	-	1.20	0.89
	Secondary	0.88	0.92	1.08	0.06	-	0.14
	Total	1.40	2.65	3.98	0.06	1.20	1.03
2006-07	Primary	0.52	1.74	2.61	-	1.18	0.88
	Secondary	0.88	0.89	1.38	0.05	-	0.18
	Total	1.40	2.63	3.99	0.05	1.18	1.06
2007-08	Primary	0.51	1.75	2.59	-	1.10	0.82
	Secondary	0.89	0.76	1.23	0.05	-	0.15
	Total	1.40	2.51	3.82	0.05	1.10	0.97

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies & Rates Publication

(A) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$9.91, \$11.10 or \$11.84, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).

County-Wide Jurisdiction						
County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Free Library District	Special Health Care District	Total
\$ N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8.69
N/A	0.33	0.14	0.01	0.04	-	4.15
N/A	0.33	0.14	0.01	0.04	-	12.84
0.52	-	-	-	-	-	9.05
-	0.29	0.14	0.01	0.04	-	4.11
0.52	0.29	0.14	0.01	0.04	-	13.16
0.51	-	-	-	-	-	8.65
-	0.25	0.13	0.01	0.04	-	3.84
0.51	0.25	0.13	0.01	0.04	-	12.49
0.50	-	-	-	-	-	8.66
-	0.23	0.13	0.01	0.04	-	3.64
0.50	0.23	0.13	0.01	0.04	-	12.30
0.49	-	-	-	-	-	8.69
-	0.21	0.13	0.01	0.04	-	3.59
0.49	0.21	0.13	0.01	0.04	-	12.28
0.47	-	-	-	-	-	8.51
-	0.21	0.12	0.01	0.05	-	3.60
0.47	0.21	0.12	0.01	0.05	-	12.11
0.46	-	-	-	-	-	8.07
-	0.21	0.12	0.01	0.05	-	3.46
0.46	0.21	0.12	0.01	0.05	-	11.53
0.44	-	-	-	-	-	7.68
-	0.21	0.12	0.01	0.05	0.12	3.59
0.44	0.21	0.12	0.01	0.05	0.12	11.27
-	-	-	-	-	-	6.93
-	0.20	0.12	0.01	0.05	0.12	3.88
-	0.20	0.12	0.01	0.05	0.12	10.81
-	-	-	-	-	-	6.77
-	0.15	0.10	0.01	0.04	0.09	3.47
-	0.15	0.10	0.01	0.04	0.09	10.24

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

Last Ten Fiscal Years

Fiscal Year		City of Tempe	Schools			Maricopa County (C)	Community College
			Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology		
1998-99	Primary	\$ 5,612,357	\$ 42,137,221	\$ 27,500,363	\$ -	\$ 268,641,579	\$ 158,026,342
	Secondary	9,490,562	24,250,898	10,736,890	5,130,129	22,058,679	21,173,925
	Total	15,102,919	66,388,119	38,237,253	5,130,129	290,700,258	179,200,267
1999-00	Primary	6,270,439	49,048,837	31,471,163	-	207,540,697	170,115,611
	Secondary	10,557,655	31,196,746	10,270,170	5,922,133	20,264,361	28,833,135
	Total	16,828,094	80,245,583	41,741,333	5,922,133	227,805,058	198,948,746
2000-01	Primary	6,956,983	45,938,017	35,072,934	-	225,396,514	187,642,684
	Secondary	10,812,099	30,369,063	11,339,936	6,155,098	24,051,128	31,377,241
	Total	17,769,082	76,307,080	46,412,870	6,155,098	249,447,642	219,019,925
2001-02	Primary	7,288,511	50,998,246	38,038,775	-	252,676,223	204,648,094
	Secondary	11,913,038	28,778,881	11,823,692	6,258,774	20,071,906	34,930,475
	Total	19,201,549	79,777,127	49,862,467	6,258,774	272,748,129	239,578,569
2002-03	Primary	7,682,987	56,994,879	40,319,642	-	277,949,612	221,156,802
	Secondary	12,897,095	31,162,656	12,272,916	6,175,823	19,565,638	36,526,312
	Total	20,580,082	88,157,535	52,592,558	6,175,823	297,515,250	257,683,114
2003-04	Primary	8,621,551	63,921,636	40,269,326	-	308,122,580	239,464,278
	Secondary	13,554,896	32,236,303	15,349,563	6,429,195	19,234,591	37,777,314
	Total	22,176,447	96,157,939	55,618,889	6,429,195	327,357,171	277,241,592
2004-05	Primary	8,792,691	62,191,787	39,486,342	-	339,882,099	258,560,787
	Secondary	14,517,177	32,057,837	15,894,306	6,507,464	-	34,904,190
	Total	23,309,868	94,249,624	55,380,648	6,507,464	339,882,099	293,464,977
2005-06	Primary	9,413,934	56,658,831	43,132,854	-	371,224,118	277,107,904
	Secondary	16,707,531	31,948,408	17,095,540	8,400,949	-	45,791,129
	Total	26,121,465	88,607,239	60,228,394	8,400,949	371,224,118	322,899,033
2006-07	Primary	9,822,845	59,625,270	40,935,824	-	398,725,245	298,014,922
	Secondary	17,693,103	32,003,893	22,931,797	7,877,526	-	66,462,148
	Total	27,515,948	91,629,163	63,867,621	7,877,526	398,725,245	364,477,070
2007-08	Primary	10,371,221	65,184,130	43,415,950	-	430,023,735	321,018,986
	Secondary	21,364,887	34,707,242	23,923,712	10,940,725	-	74,981,944
	Total	31,736,108	99,891,372	67,339,662	10,940,725	430,023,735	396,000,930

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies & Rates Publication

- (A) For levies for Tempe property owners residing within Kyrene, Scottsdale or Mesa School Districts, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).
- (B) District which had its first secondary tax levy set in FY 2005-06.
- (C) For FY 1998-99 the County Ed Equalization rate was included in the Maricopa County rate.

County-Wide Jurisdictions						
Flood District	County Ed Equalization Rate	Central Arizona Project	Fire District Assistance	County Free Library District	Special Health Care District (B)	Total
\$ -	\$ N/A	\$ -	\$ -	\$ -	\$ -	\$ 501,917,862
44,670,223	N/A	23,536,796	1,737,365	7,078,280	-	169,863,747
44,670,223	-	23,536,796	1,737,365	7,078,280	-	671,781,609
-	91,109,039	-	-	-	-	555,555,786
44,310,754	-	26,147,563	1,873,777	7,862,946	-	187,239,240
44,310,754	91,109,039	26,147,563	1,873,777	7,862,946	-	742,795,026
-	99,193,054	-	-	-	-	600,200,186
44,309,245	-	27,141,030	1,997,318	8,789,518	-	196,341,676
44,309,245	99,193,054	27,141,030	1,997,318	8,789,518	-	796,541,862
-	106,221,394	-	-	-	-	659,871,243
45,322,696	-	29,787,075	2,086,084	9,646,430	-	200,619,051
45,322,696	106,221,394	29,787,075	2,086,084	9,646,430	-	860,490,294
-	112,231,223	-	-	-	-	716,335,145
44,868,063	-	31,805,013	1,859,466	10,296,417	-	207,429,399
44,868,063	112,231,223	31,805,013	1,859,466	10,296,417	-	923,764,544
-	120,037,513	-	-	-	-	780,436,884
51,153,993	-	33,010,980	1,931,237	14,316,032	-	224,994,104
51,153,993	120,037,513	33,010,980	1,931,237	14,316,032	-	1,005,430,988
-	128,003,169	-	-	-	-	836,916,875
56,334,141	-	36,112,556	2,084,229	15,664,900	-	214,076,800
56,334,141	128,003,169	36,112,556	2,084,229	15,664,900	-	1,050,993,675
-	135,142,821	-	-	-	-	892,680,462
62,733,411	-	39,800,085	2,276,200	17,295,751	40,000,000	282,049,004
62,733,411	135,142,821	39,800,085	2,276,200	17,295,751	40,000,000	1,174,729,466
-	-	-	-	-	-	807,124,106
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	318,518,743
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	1,125,642,849
-	-	-	-	-	-	870,014,022
70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	354,382,660
70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	1,224,396,682

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	% of Levy	Amount	% of Levy	Amount	% of Levy
1998-99	\$ 15,102,919	\$ 13,357,098	88.4 %	\$ 200,213		\$ 13,557,311	89.8 %
1999-00	16,828,094	14,946,148	88.8	258,257		15,204,405	90.4
2000-01	17,769,082	15,795,257	88.9	303,290		16,098,547	90.6
2001-02	19,201,549	18,543,839	96.6	319,446		18,863,285	98.2
2002-03	20,580,082	19,789,415	96.2	253,847		20,043,262	97.4
2003-04	22,176,447	21,283,933	96.0	274,988		21,558,921	97.2
2004-05	23,309,868	22,921,016	98.3	262,939		23,183,955	99.5
2005-06	26,121,465	25,519,585	97.7	(54,610)		25,464,975	97.5
2006-07	27,385,069	26,185,044	95.6	328,446		26,513,490	96.8
2007-08	31,520,944	30,686,950	97.4	-		30,686,950	97.4

Source: Maricopa County Treasurer

Principal Tax Payers (Exhibit S-12a)
Property Tax

Current Year and Nine Years Prior

City of Tempe, Arizona

Taxpayer	Fiscal Year 2007-08			Fiscal Year 1998-99		
	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value	Taxable Secondary Assessed Value	Rank	Percentage of Total City Secondary Taxable Assessed Value
Arizona Mills LLC	\$ 33,315,991	1	1.39 %	-	-	- %
Quest Corporation	32,202,927	2	1.34	24,581,054	2	2.24
Arizona Public Service Company	25,399,699	3	1.06	19,609,692	3	1.78
Wells Fargo Bank N A	24,496,477	4	1.02	-	-	-
Tempe Fountainhead Corporate LLC	16,784,317	5	0.70	-	-	-
Freescale Semiconductor Inc	15,735,130	6	0.66	-	-	-
State Farm Mutual Auto Insurance	14,242,975	7	0.59	-	-	-
Target Corporation T-9420	11,074,026	8	0.46	-	-	-
Safeway Incorporated	11,006,714	9	0.46	-	-	-
Tempe Commerce Park	9,972,397	10	0.42	-	-	-
Motorola, Incorporated	-	-	-	33,623,795	1	3.06
Arizona Mills LLC	-	-	-	16,195,539	4	1.47
Allied Signal	-	-	-	10,501,848	5	0.96
Amberjack (Commercial Property)	-	-	-	7,733,227	6	0.70
First Interstate Bank	-	-	-	6,587,296	7	0.60
Phoenix Coca-Cola	-	-	-	6,210,430	8	0.57
Micro-Rel Inc.	-	-	-	6,062,713	9	0.55
Southwest Gas Corp	-	-	-	5,457,581	10	0.41
Total	\$ 194,230,653		8.10 %	\$ 136,563,175		12.34 %

Source 2007-08: Dain Rauscher
 Source 1998-99: Maricopa County Assessor's Office

Principal Tax Payers (Exhibit S-12b)
Sales and Use Tax

Current Fiscal Year and Nine Years Prior

		City of Tempe, Arizona					
Taxpayer	Business Type	Fiscal Year 2007-08		Fiscal Year 1998-99			
		Sales and Use Tax Payments	Rank	Percentage of Total Sales and Use Tax Payments	Sales and Use Tax Payments	Rank	Percentage of Total Sales and Use Tax Payments
Taxpayer A	Utility	\$ 5,561,156	1	0.31 %	\$ 3,733,517	1	0.24 %
Taxpayer B	Auto Dealer	2,106,153	2	0.11	911,652	8	
Taxpayer C	Retail	1,961,805	3	0.10			
Taxpayer D	Retail	1,895,197	4	0.10	1,916,764	3	0.12
Taxpayer E	Retail	1,721,109	5	0.09	844,502	10	
Taxpayer F	Retail	1,613,083	6	0.08	1,506,483	6	0.10
Taxpayer G	Construction Contracting	1,099,650	7	0.06			
Taxpayer H	Utility	1,042,867	8	0.05			
Taxpayer I	Auto Dealer	1,041,581	9	0.05	1,592,700	4	
Taxpayer J	Equipment and Software	1,034,472	10	0.05	848,925	9	
Taxpayer K	Auto Dealer				2,050,474	2	0.13
Taxpayer L	Telecommunications				1,512,123	5	0.10
Taxpayer M	Auto				937,247	7	0.06
Total		\$ 19,077,073		1.00 %	\$ 15,854,387		0.75 %

Source: City of Tempe, Arizona Tax and License Division

Ratios of Outstanding Debt by Type (Exhibit S-13)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Governmental Activities										Total Government Type Debt
	General Obligation Bonds	Special Assessment Bonds	Refunding Certificates of Participation	Municipal Property Corporation Bonds	Excise Tax Revenue Bonds	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases			
1998-99	\$ 70,535,000	(A) \$ 24,955,000	\$ 5,110,000	\$ 1,220,325	\$ 56,200,000	\$ -	\$ 8,676,551	\$ 3,503,015		\$ 170,199,891	
1999-00	66,405,000	23,550,000	4,710,000	-	63,110,000	-	7,664,576	2,453,690		167,893,266	
2000-01	72,105,000	21,925,000	4,270,000	-	52,835,000	-	5,309,952	8,602,330		165,047,282	
2001-02	75,535,000	20,250,000	3,810,000	-	47,380,000	-	3,980,206	7,861,086		158,816,292	
2002-03	90,395,000	18,520,000	3,335,000	-	60,650,000	-	3,654,755	7,436,279		183,991,034	
2003-04	91,640,000	16,725,000	2,840,000	-	81,910,000	-	3,258,112	7,186,712		203,559,824	
2004-05	99,880,000	19,345,000	2,320,000	-	78,780,000	7,000,000	2,845,604	7,209,396		217,380,000	
2005-06	117,610,000	17,490,000	1,780,000	-	174,710,000	7,000,000	2,416,596	6,732,171		327,738,767	
2006-07	116,500,000	15,345,000	1,220,000	-	218,480,000	7,000,000	1,970,427	4,923,764		365,439,191	
2007-08	125,075,000	38,310,000	625,000	-	241,125,000	6,739,000	1,506,411	3,351,733		416,732,144	

Business-Type Activities

Fiscal Year	Municipal				Total Business Type Debt		Percentage of Personal Income	Per Capita
	General Obligation Bonds	Property Corporation Bonds	Excise Tax Revenue Bonds	Capital Improvement Notes	Total Primary Government			
1998-99	\$ 67,995,000	\$ 2,359,675	\$ -	\$ 473,673	\$ 241,028,239	7.33 %	\$ 1,528.85	
1999-00	62,600,000	835,000	-	365,796	231,694,062	6.78	1,460.64	
2000-01	70,860,000	735,000	-	251,176	236,893,458	6.65	1,477.00	
2001-02	78,595,000	630,000	-	129,393	238,170,685	6.65	1,493.84	
2002-03	97,580,000	520,000	-	-	282,091,034	7.78	1,769.43	
2003-04	103,735,000	400,000	-	-	307,694,824	8.38	1,927.73	
2004-05	137,390,000	275,000	-	-	355,045,000	9.48	2,207.72	
2005-06	180,935,000	140,000	2,330,004	-	511,143,771	13.09	3,082.97	
2006-07	243,265,000	-	2,130,000	-	610,834,191	14.91	3,665.92	
2007-08	282,520,000	-	2,050,000	-	701,302,144	15.98	4,187.93	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(A) Includes accreted interest and premium on Capital Appreciation bonds.

Percent of Net Direct Debt to Assessed Valuation and Net Direct Debt per Capita (Exhibit S-14)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	General Obligation Debt	Less: Debt Service Reserves	Net Direct Debt	Secondary Assessed Valuation (A)	Percent of Net Direct Debt To Assessed Valuation	Population (B)	Net Direct Debt Per Capita
1998-99	\$ 70,535,000	(C) \$ 8,019,429	\$ 62,515,571	\$1,098,826,160	5.7 %	157,653	\$ 396.54
1999-00	66,405,000	7,302,028	59,102,972	1,240,471,800	4.8	158,625	372.60
2000-01	72,105,000	9,135,690	62,969,310	1,356,429,397	4.6	160,388	392.61
2001-02	75,535,000	12,123,427	63,411,573	1,456,361,617	4.4	159,435	397.73
2002-03	90,395,000	13,471,704	76,923,296	1,556,492,294	4.9	159,425	482.50
2003-04	91,640,000	13,335,706	78,304,294	1,688,452,415	4.6	159,615	490.58
2004-05	99,880,000	15,991,147	83,888,853	1,768,877,385	4.7	160,820	521.63
2005-06	117,610,000	18,547,848	99,062,152	1,904,426,188	5.2	165,796	597.49
2006-07	116,500,000	17,607,767	98,892,233	2,006,703,332	4.9	166,625	593.50
2007-08	125,075,000	23,858,992	101,216,008	2,401,898,466	4.2	167,458	604.43

Source: (A) Assessed valuation from Maricopa County Assessor's Office
 (B) Estimate from City of Tempe, Arizona Budget Division
 (C) Includes accreted interest and premium on Capital Appreciation Bonds.

Net Direct and Overlapping General Obligation Bonded Debt (Exhibit S-15)

City of Tempe, Arizona

Jurisdiction	2007-08 Secondary Assessed Valuation	\$	2007-08 Secondary Tax Rate Per \$100 Assessed	Portion Applicable To		\$
				City of Tempe	Amount	
Net Direct	Net Bonded Debt	(A)	100.00 %	100.00 %	\$	101,216,008
City of Tempe - General (net)	2,401,898,466	\$			\$	101,216,008
Overlapping						
State of Arizona	71,852,630,420		None	N/A		N/A
Maricopa County	49,534,573,826		None	N/A		N/A
Maricopa County Community College	49,534,573,826		557,390,000	4.85	20,755,276	0.18
Tempe Union High School District No. 213	4,543,976,781		117,540,000	35.24	78,154,768	0.89
Tempe Elementary School District No. 3	1,947,868,645		89,240,000	82.22	60,434,063	1.38
Kyrene Elementary School District No. 28	2,596,108,136		76,240,000	29.05	20,051,753	2.08
Scottsdale Unified School District No. 48	6,183,080,117		388,660,000	0.30	1,441,291	1.26
Mesa Unified School District No. 4	4,019,953,395		289,315,000	0.70	2,045,349	2.08
East Valley Institute of Technology	20,859,728,880		None	N/A	None	N/A
Total overlapping debt	<u>1,518,385,000</u>				<u>182,882,500</u>	
Total net direct and overlapping debt	<u>\$ 1,619,601,008</u>				<u>\$ 284,098,508 (B)</u>	

Source: Dain Rauscher and Maricopa County Assessor

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

(A) Total outstanding general obligation less debt service fund reserve.

(B) Excludes the outstanding principal amount of Maricopa County Hospital District No. 1 general obligation bonds, as this obligation has historically and is presently being paid from revenues generated from the operations of the District.

Legal Debt Margin Information (Exhibit S-16)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 1998-99	Fiscal Year 1999-00	Fiscal Year 2000-01	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Assessed Valuation	\$ 1,098,826,160	\$ 1,240,471,800	\$ 1,386,429,397	\$ 1,455,351,517	\$ 1,556,492,294	\$ 1,688,452,415	\$ 1,768,877,385	\$ 1,904,426,188	\$ 2,006,703,332	\$ 2,401,898,466
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 219,765,232	\$ 248,094,360	\$ 271,285,879	\$ 291,272,323	\$ 311,298,459	\$ 337,690,483	\$ 353,775,477	\$ 380,885,238	\$ 401,340,666	\$ 480,379,693
Total net debt applicable to 20% limit	112,415,000	87,285,000	97,360,000	113,225,000	129,580,000	142,185,000	174,265,000	219,465,000	371,965,000	424,675,000
Legal 20% debt margin (available borrowing capacity)	\$ 107,350,232	\$ 160,799,360	\$ 173,925,879	\$ 178,047,323	\$ 181,718,459	\$ 195,505,483	\$ 179,510,477	\$ 161,420,238	\$ 29,375,666	\$ 55,704,693
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	51.15%	35.19%	35.89%	38.87%	41.63%	42.11%	49.26%	57.62%	92.68%	88.40%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 65,829,570	\$ 74,428,308	\$ 81,385,764	\$ 87,381,697	\$ 93,389,538	\$ 101,307,145	\$ 106,132,643	\$ 114,265,571	\$ 120,402,200	\$ 144,113,908
Total net debt applicable to 6% limit	40,470,000	51,235,000	55,645,000	52,315,000	69,370,000	65,690,000	73,535,000	92,300,000	3,065,000	1,455,000
Legal 6% debt margin (available borrowing capacity)	\$ 25,459,570	\$ 23,193,308	\$ 25,740,764	\$ 35,066,697	\$ 24,019,538	\$ 35,617,145	\$ 32,597,643	\$ 21,965,571	\$ 117,337,200	\$ 142,658,908
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	61.38%	68.84%	68.37%	59.87%	74.28%	64.84%	69.29%	80.76%	2.55%	1.01%

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

Note: Effective with fiscal years beginning 2006-07, general obligation bonded debt for transportation and public safety purposes became subject to the 20% debt limitation. Previously, general obligation debt issued for these purposes were subject to the 6% debt limitation.

Remaining General Obligation Bond Authorizations (Exhibit S-17)

City of Tempe, Arizona

2002 Program	Authorization	Prior Issues	Current Year Issue	Remaining Authorization
Water / Wastewater	\$ 77,000,000	\$ 77,000,000	\$ -	\$ -
Streets / Transportation	31,500,000	14,120,000	7,625,000	9,755,000
Police Protection	31,500,000	26,940,000	4,060,000	500,000
Fire Protection	6,000,000	2,710,000	745,000	2,545,000
Community Services/Park Improvements	12,000,000	12,000,000	-	-
Subtotal	<u>158,000,000</u>	<u>132,770,000</u>	<u>12,430,000</u>	<u>12,800,000</u>
2006 Program				
Water / Wastewater	172,000,000	121,445,000	50,555,000	-
Streets / Transportation	8,000,000	-	-	8,000,000
Police Protection	14,000,000	-	-	14,000,000
Fire Protection	2,500,000	-	-	2,500,000
Community Services/Park Improvements	14,000,000	2,520,000	3,380,000	8,100,000
Subtotal	<u>210,500,000</u>	<u>123,965,000</u>	<u>53,935,000</u>	<u>32,600,000</u>
	<u>\$ 368,500,000</u>	<u>\$ 256,735,000</u>	<u>\$ 66,365,000</u>	<u>\$ 45,400,000</u>

Source: City of Tempe, Arizona Financial Services Department

Pledged-Revenue Coverage (Exhibit S-18)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Special Assessment Bonds			Excise Tax Revenue Obligations		
	Special Assessment Collections	Debt Service	Coverage	Excise Tax Revenue Collections (A)	Debt Service	Coverage
1998-99	\$ 2,603,350	\$ 2,707,793	0.96 %	\$ 93,998,579	\$ 11,807,898	7.96 %
1999-00	2,604,043	2,827,774	0.92	103,598,887	15,388,333	6.73
2000-01	2,899,583	2,955,829	0.98	108,721,712	14,544,767	7.47
2001-02	2,849,998	2,908,056	0.98	98,220,588	7,505,627	13.09
2002-03	2,839,171	2,861,902	0.99	99,441,547	3,457,746	28.76
2003-04	2,781,576	2,821,905	0.99	101,591,009	4,497,682	22.59
2004-05	2,709,851	2,704,827	1.00	110,964,176	4,495,011	24.69
2005-06	2,705,348	2,866,617	0.94	126,916,690	5,737,352	22.12
2006-07	2,610,195	3,023,174	0.86	138,546,380	5,783,921	23.95
2007-08	2,842,153	4,066,900	0.70	141,601,237	5,626,868	25.17

Fiscal Year	Performing Arts Excise Tax Obligations			Transit Variable Rate Excise Tax Obligations		
	.1% Privilege and Use Tax Collections (B)	Debt Service	Coverage	.5% Privilege and Use Tax Collections (C)	Debt Service	Coverage
1998-99	\$ -	\$ -	- %	\$ 24,541,607	\$ -	- %
1999-00	-	-	-	26,384,487	-	-
2000-01	2,607,541	-	-	27,310,246	-	-
2001-02	5,006,344	-	-	25,229,927	-	-
2002-03	5,010,393	891,432	5.62	25,140,826	-	-
2003-04	5,279,580	710,448	7.43	26,740,623	-	-
2004-05	5,768,058	3,524,316	1.64	28,848,493	-	-
2005-06	6,480,218	6,017,247	1.08	32,440,082	-	-
2006-07	7,007,790	6,021,476	1.16	34,971,294	3,301,829	10.59
2007-08	6,820,193	6,014,245	1.13	32,449,710	5,517,667	5.88

Source: City of Tempe, Arizona Accounting Division

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

(B) The 0.1% privilege and use tax is a Performing Arts Center Tax approved by voters in September 2000.

(C) The 0.5% privilege and use tax is a Transit Tax approved by voters in September 1996.

Pledged Revenue, Projected Debt Service and Estimated Coverage (Exhibit S-19)

Excise Tax Obligations (Excluding Transit Excise Tax Obligations)

City of Tempe, Arizona

Fiscal Year	Senior Excise Tax Obligations			Subordinate Excise Tax Obligations		
	2008 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)	Revenue Available for Debt Service (D)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (E)	Coverage (F)
2007-08	\$ 141,601,237	5,628,868	25.17	\$ 142,794,562	6,009,926	23.76
2008-09		5,625,728	25.17		6,012,726	23.75
2009-10		4,969,702	28.49		6,005,626	23.78
2010-11		4,968,487	28.50		6,016,226	23.73
2011-12		4,966,462	28.51		6,017,788	23.73
2012-13		4,969,687	28.49		6,015,338	23.74
2013-14		4,973,437	28.47		6,013,238	23.75
2014-15		4,966,837	28.51		6,011,013	23.76
2015-16		5,876,238	24.10		6,012,438	23.75
2016-17		5,873,138	24.11		3,522,050	40.54
2017-18		5,872,138	24.11		3,521,375	40.55
2018-19		5,875,888	24.10		3,522,825	40.53
2019-20		5,878,638	24.09		3,525,875	40.50
2020-21		5,264,888	26.90			
2021-22		5,263,113	26.90			
2022-23		5,326,688	26.58			
2023-24		2,243,500	63.12			
2024-25		2,241,750	63.17			

Source:

- (A) Excise Tax Revenues received by the City in Fiscal Year 2007-08. See Excise Tax Collection Schedule (Exhibit S-21).
- (B) Includes the annual debt service requirements of the City of Tempe, Arizona, Excise Tax Refunding Obligations, Series 2003, currently outstanding in the principal amount of \$15,250,000; the City's Refunding Certificates of Participation, Series 1999, currently outstanding in the principal amount of \$625,000, the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2000A, currently outstanding in the principal amount of \$1,025,000, the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2005, currently outstanding in the principal amount of \$20,210,000 and the City of Tempe Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$21,285,000.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2006-07 excise tax revenues to total debt service requirements for the City's revenue bonds.
- (D) Consists of Performing Arts Center Excise Taxes and Excise Taxes (net of maximum annual debt service on Outstanding Senior Excise Tax Obligations) received in fiscal year 2007-08.
- (E) Includes the annual debt service requirements of the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2004, currently outstanding in the principal amount of \$30,785,000; the City of Tempe, Arizona Excise Tax Revenue Obligation and the Series 2006, currently outstanding in the principal amount of \$16,555,000.
- (F) Pursuant to the Purchase Agreement, the City agrees that the Performing Arts Center Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Performing Arts Center Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

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

Transit Excise Tax Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations			
Fiscal Year	2008 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)
2007-08	32,449,710	5,092,190	6.37
2008-09		5,694,847	5.70
2009-10		5,741,997	5.65
2010-11		5,793,442	5.60
2011-12		5,847,950	5.55
2012-13		5,905,344	5.49
2013-14		5,970,547	5.43
2014-15		6,026,730	5.38
2015-16		6,095,593	5.32
2016-17		6,160,104	5.27
2017-18		6,231,767	5.21
2018-19		6,300,545	5.15
2019-20		6,376,318	5.09
2020-21		6,463,929	5.02
2021-22		6,546,370	4.96
2022-23		6,624,791	4.90
2023-24		6,718,487	4.83
2024-25		6,808,078	4.77
2025-26		6,898,564	4.70
2026-27		7,003,522	4.63
2027-28		7,108,312	4.57
2028-29		7,207,682	4.50
2029-30		7,326,634	4.43
2030-31		7,439,602	4.36
2031-32		7,561,588	4.29
2032-33		7,692,183	4.22
2033-34		7,820,982	4.15
2034-35		7,956,655	4.08
2035-36		8,100,311	4.01
2036-37		4,726,716	6.87
2037-38		1,895,975	17.12

Source: Dain Rauscher

- (A) Excise Tax Revenues received by the City in Fiscal Year 2007-08.
- (B) Includes the annual debt service requirements of the City of Tempe Transit Variable Rate Revenue Bond Series 2006 and Series 2007 currently outstanding in the principal amount of \$58,655,000 and \$49,240,000 respectively. Interest is assumed at a rate of 1.57% per annum through maturity. Also includes annual debt service requirements of the Series 2008 City of Tempe Transit Excise Tax Revenue Obligations in the principal amount of \$30,170,000.
- (C) The Estimated Coverage figures shown reflect the ratio of actual fiscal year 2007-08 Excise Tax Revenues to total debt service requirements for the City's Transit Variable Rate Revenue bonds.

Excise Tax Collections (Exhibit S-21)

Last Nine Fiscal Years

City of Tempe, Arizona

	Fiscal Year 1999-00	Fiscal Year 2000-01	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Privilege and use tax (A) \$	\$ 62,285,205	\$ 66,121,741	\$ 59,299,061	\$ 59,379,586	\$ 62,884,508	\$ 68,533,088	\$ 77,080,250	\$ 86,750,870	\$ 81,108,518
State shared sales tax	13,511,356	13,951,532	12,148,438	12,405,713	13,345,152	14,695,069	16,810,760	15,758,491	15,237,310
State shared income tax	17,045,903	17,890,338	16,544,791	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759	25,401,762
Franchise tax	1,948,858	2,440,521	2,545,346	1,531,714	1,505,133	1,678,437	1,858,851	2,693,256	3,424,560
Permits and Fees (B)	4,097,817	3,750,761	3,081,194	3,731,523	3,722,079	4,643,117	6,708,183	7,300,676	7,812,768
Fines and forfeitures	4,709,748	4,566,819	4,601,758	5,510,476	5,831,133	6,651,934	7,287,717	7,219,328	8,616,319
Total	\$ 103,598,887	\$ 108,721,712	\$ 98,220,588	\$ 99,441,547	\$ 101,591,009	\$ 110,783,762	\$ 126,353,704	\$ 138,546,380	\$ 141,601,237

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

Note: Information prior to fiscal year 2000 was not available in this format.

(A) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, and the 1.0% increase in the transient lodging tax on hotels approved by the voters in September 2002, which are restricted to fund programs of the Tempe Convention and Visitor's Bureau.

(B) Amounts include all licenses and permits and Development Services fees and charges for services.

Demographic and Economic Statistics (Exhibit S-22)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Population (A)	Total Personal Income	Per Capita Personal Income (B)	Average Household Income (B)	Median Age (B)	School Enrollment (C)	ASU School Enrollment (D)	Unemployment Rate (E)
1998-99	157,653	\$ 3,286,907,397	\$ 20,849	N/A	N/A	25,189	41,006	2.30 %
1999-00	158,625	3,414,879,000	21,528	N/A	N/A	25,324	50,365	2.40
2000-01	160,388	3,561,736,316	22,207	N/A	N/A	26,010	44,126	2.30
2001-02	159,435	3,583,620,495	22,477	N/A	N/A	26,056	47,359	3.30
2002-03	159,425	3,626,440,475	22,747	N/A	N/A	26,380	49,980	4.50
2003-04	159,615	3,673,858,455	23,017	N/A	N/A	26,960	52,265	4.20
2004-05	160,820	3,745,015,340	23,287	N/A	N/A	26,787	49,171	3.40
2005-06	165,796	3,906,153,760	23,560	58,000	30.9	26,800	61,033	3.50
2006-07	166,625	4,097,808,625	24,593	59,936	31.3	26,292	63,278	3.00
2007-08	167,458	4,387,734,516	26,202	66,864	29.7	25,929	64,394	2.80

Source: (A) Estimate from City of Tempe, Arizona Budget Division

(B) Estimate from Sites USA for 2008

(C) School Registration, Tempe Elementary and High School District

(D) ASU Enrollment History

(E) Employment Trends, Arizona Department of Economic Security

Principal Employers (Exhibit S-23)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

Employers	Fiscal Year 2007-08			Fiscal Year 1998-99		
	Employees (A)	Rank	Employment %	Employees (B)	Rank	Employment %
Arizona State University	10,336	1	17.72 %	15,212	1	35.35 %
Wells Fargo	3,406	2	5.84	-	-	-
SRP	3,331	3	5.71	2,175	5	5.05
Freescale Semiconductor	3,000	4	5.14	-	-	-
Kyrene School District	2,860	5	4.90	1,900	7	4.42
US Airways	2,800	6	4.80	-	-	-
Insight Direct Inc	2,500	7	4.29	-	-	-
Honeywell	2,000	8	3.43	-	-	-
Bank One Telephone Banking Division	2,000	9	3.43	-	-	-
City of Tempe	1,740	10	2.98	1,998	6	4.64
America West Airlines	-	-	-	4,000	2	9.30
Motorola	-	-	-	3,775	3	8.77
Microage	-	-	-	2,700	4	6.28
Tempe Elementary School District	-	-	-	1,900	8	4.42
Chase Bankcard Services	-	-	-	1,732	9	4.03
Wells Fargo Operation Center	-	-	-	1,700	10	3.95
Total	33,973		58.24 %	37,092		86.21 %

Source: (A) City of Tempe, Arizona Economic Development Division, Major 100 Employers List

(B) City of Tempe, Arizona Comprehensive Annual Financial Report, 1998-99

Full-Time Equivalent City Government Employees by Function (Exhibit S-24)

Last Five Fiscal Years

City of Tempe, Arizona

	Full-Time Equivalent Employees				
	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Police	522	522	536	530	577
Fire	157	157	171	160	187
Community services	305	308	340	234	230
Parks and recreation	-	-	-	208	208
Public works	377	377	380	307	323
Community relations	20	18	18	20	20
Mayor and council	7	7	7	7	7
City manager	3	3	4	4	4
Diversity program	3	4	4	4	5
Internal audit/consulting	4	4	4	4	4
City clerk and elections	5	5	5	5	5
City attorney	25	25	26	29	29
Municipal courts	37	38	41	41	46
Development services	87	89	52	63	63
Community development	-	-	53	60	62
Economic development	12	13	-	-	-
Financial services	70	69	69	72	72
Human resources	19	19	19	21	23
Information technology	73	72	72	73	76
Water/wastewater	131	131	135	136	138
Total	1,857	1,861	1,935	1,978	2,078

Source: City of Tempe, Arizona 2007-08 Annual Budget

Note: Information prior to fiscal year 2004 was not available in this format.

Operating Indicators by Function/Program (Exhibit S-25)

Last Three Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Function /Program			
Police			
Crime rate (per 100,000 pop.)	8,269	8,000 (A)	7,800 (B)
Traffic accidents	5,562	6,729	5,895
Emergency service average response time (minimum)	4:43	5:01 (A)	5:11 (B)
Citizen calls for police service	124,923	123,847 (A)	118,150 (B)
Operating expenditures per citizen calls	\$391.87	\$353.37 (A)	\$404.38 (B)
Fire			
Firefighters per capita (10,000)	8.52	8.24 (A)	9.44 (B)
No. of fire calls	2,097	2,148	1,964
No. of medical calls	13,059	13,469	13,255
No. of other assistance calls	1,722	2,429	2,708
Emergency service average response time (minimum)	4:25	4:17 (A)	4:22 (B)
% of emergency responses taking 5.0 minutes or less	70%	72%	70%
Transportation			
On-time performance (bus)	94%	92%	89%
Annual boardings (bus)	6,805,383	8,156,782	7,387,024
Number of square yards repaired	1,884,102	1,136,956	1,391,711
Library			
Registered borrowers	141,509	142,323 (A)	142,500 (B)
Circulation	1,404,318	1,246,650 (A)	1,246,700 (B)
Development services			
# of permits issued for commercial /industrial	69	69	46
Valuation of commercial/industrial permits	\$83,599,700	\$170,983,900	88,143,100
# of permits issued for residential	1,061	700	675
Valuation of residential permits	\$250,869,200	\$ 152,320,600	96,512,400
# of permits issued other	715	673	653
Valuation of other permits	\$119,168,700	\$89,884,365	\$188,916,700
Water/wastewater			
Number of customer accounts	42,059	42,261	42,494
Total water gallons treated (million gallons - mg)	15,152	17,900	17,638
O&M per customer account	\$221	\$317	\$251
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%
Total wastewater gallons treated (million gallons per day)	22	25	22
Solid waste collection			
Residential container/recycling cost per ton	\$73	\$70 (A)	\$102 (B)
# of residential accounts	33,021	33,056	32,964
Residential recycling diversion rate	34%	29% (A)	31% (B)
# of commercial accounts	1,976	1,861	1,942
Commercial collection cost per ton	\$57	\$52 (A)	\$59 (B)

Source: City of Tempe, Arizona Budget and Research Division and other applicable City departments.

Note: Information prior to fiscal year 2005-06 was not available in this format.

(A) Numbers are updated to actual values as shown in City of Tempe, Arizona Annual Budget 2007-08.

(B) Numbers are estimates as shown in City of Tempe, Arizona Annual Budget 2007-08

Capital Asset Statistics by Function/Program (Exhibit S-26)

Last Three Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08
Police			
Stations	2	2	3
Patrol Units (Squads)	22	22	22
Fire Stations	6	6	6
Transportation			
Streets (miles)	1,241	1,241	1,241
Streetlights	11,754	11,774	11,810
Traffic Signals	193	199	217
Buses	123	115	148
Parks and recreation			
Acreage	1,684	1,684	1,872
Playgrounds	44	44	45
Sports Fields	195	195	200
Community centers	4	4	4
Golf Courses	2	2	2
Water/Wastewater			
Water mains (miles)	852	852	823
Water production capacity (million gallons per day)	120	120	120
Water storage capacity (million gallons)	53	53	53
Sanitary sewers (miles)	502	502	500
Storm sewers (miles)	174	174	193
Wastewater treatment capacity (million gallons per day)	32	32	32
Solid waste collection			
Collection trucks	68	56	60

Source: The City of Tempe, Arizona Budget and Research Division and other applicable City de

Note: Information prior to fiscal year 2005-06 was not available in this format.