

City of Tempe Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2009



City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2009



City Council:

Hugh Hallman, Mayor
Shana Ellis, Vice Mayor
P. Ben Arredondo
Mark Mitchell
Joel Navarro
Onnie Shekerjian
Corey Woods

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, 2009

City of Tempe, Arizona

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		7
Certificate of Achievement for Excellence in Financial Reporting		14
List of Principal Officials		15
City Organizational Chart		16
FINANCIAL SECTION		
Independent Auditors' Report		17
Management's Discussion and Analysis (required supplementary information)		19
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets		35
Statement of Activities		36
Fund Financial Statements:		
Balance Sheet - Governmental Funds		38
Reconciliation of the Balance Sheet to the Statement of Net Assets		40
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities		44
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund		45
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Transit Special Revenue Fund		46
Statement of Net Assets - Proprietary Funds		48
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds		50
Statement of Cash Flows - Proprietary Funds		51
Notes to the Financial Statements		53
Combining Fund Financial Statements:		
Non-Major Governmental Funds:		
Combining Balance Sheet		106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		110
Internal Service Funds:		
Combining Statement of Net Assets		116
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets		117
Combining Statement of Cash Flows		118

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION (CONTINUED)		
Other Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual:		
General, Debt Service, Special Revenue and Enterprise Fund Types		123
General Obligation Debt Service Fund		124
Performing Arts Fund		125
Highway User Revenue Fund		126
Local Transportation Assistance Fund		127
Community Development Fund		128
Housing Assistance Fund		129
Rio Salado Fund		130
Community Facilities District Fund		131
Water and Wastewater Fund		132
Solid Waste Fund		133
Golf Fund		134
Cemetery Fund		135
Financial Data Schedules:		
Housing Assistance Fund		
Balance Sheet		138
Revenues and Expenses		139
STATISTICAL SECTION		
Net Assets by Component - Last Eight Fiscal Years (accrual basis of accounting)	S-1	143
Changes in Net Assets - Last Eight Fiscal Years (accrual basis of accounting)	S-2	144
Fund Balances, Governmental Funds - Last Eight Fiscal Years (modified accrual basis of accounting)	S-3	147
Changes in Fund Balance, Governmental Funds – Last Eight Fiscal Years (modified accrual basis of accounting)	S-4	148
Taxable Sales and Percentage of Taxable Sales by Category – Last Ten Fiscal Years (cash basis)	S-5	150
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	S-6	151
General Property Tax Information	S-7	153
Primary and Secondary Assessed Value and Estimated Actual Value of Taxable Property - Last Eight Fiscal Years	S-8	154
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	S-9	156
Property Tax Levies – All Direct and Overlapping Governments – Last Ten Fiscal Years	S-10	158
Property Tax Levies and Collections - Last Ten Fiscal Years	S-11	160
Principal Tax Payers – Current Year and Nine Years Prior	S-12	161
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	S-13	163

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
STATISTICAL SECTION (CONTINUED)		
Percent of Net Direct Debt to Assessed Valuation and Net Direct Debt Per Capita - Last Ten Fiscal Years	S-14	164
Net Direct and Overlapping General Obligation Bonded Debt	S-15	165
Legal Debt Margin Information – Last Ten Fiscal Years	S-16	166
Remaining General Obligation Bond Authorizations	S-17	167
Pledged-Revenue Coverage – Last Ten Fiscal Years	S-18	168
Pledged Revenue, Projected Debt Service and Estimated Coverage – Excise Tax Obligation	S-19	169
Pledged Revenue, Projected Debt Service and Estimated Coverage – Transit Excise Tax Obligations	S-20	170
Excise Tax Collections – Last Ten Fiscal Years	S-21	171
Demographic and Economic Statistics - Last Ten Fiscal Years	S-22	172
Principal Employers – Current Fiscal Year and Nine Years Prior	S-23	173
Full-Time Equivalent City Government Employees by Function - Last Six Fiscal Years	S-24	174
Operating Indicators by Function/Program - Last Four Fiscal Years	S-25	175
Capital Asset Statistics by Function/Program - Last Four Fiscal Years	S-26	176



Introductory Section

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

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



FINANCIAL SERVICES

November 25, 2009

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, 2009 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 Reporting Package 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 173,000 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 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. As part of the annual budgeting process, encumbrances outstanding at each fiscal year end are re-appropriated through City Council action in order to be carried forward at the end of each fiscal year.

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 67.4% of total General Fund revenues in fiscal year 2008-09. The current economic recession has resulted in a \$10.0 million (8.2%) reduction in these three revenue sources. Fortunately, due to the City recognizing the importance of adequate reserves, the General Fund unreserved fund balance (both designated and undesignated) was 45.7% of revenue at the fiscal year ended June 30, 2009. These reserve levels provide the city some flexibility in dealing with the greatest economic downturn since the Great Depression.

Relative to **city sales taxes**, fiscal year 2008-09 saw unprecedented decreases in both total taxable sales (8.7%) and retail taxable sales (12.7%) when compared to the prior year. Retail taxable sales comprised approximately 46.3% of total taxable sales for the current fiscal year. It is expected that city sales tax will continue to decline in fiscal year 2009-10 as the effects of the state and national recession continue.

Both **state-shared sales taxes** 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 in fiscal year 2009-10. In addition, a continued concern is the City's decrease in its relative percentage of the state population. Population is the key factor in the state revenue distribution formulas. Given the City's "landlocked" status, significant population growth is not anticipated for Tempe in the future when comparing Tempe to other valley cities' potential for growth. 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.

Like the City, the State of Arizona is also dealing with its own significant financial challenges and some legislators have suggested possible changes to the revenue distribution formulas as a partial solution to the states budget problems. Collectively, cities and towns in Arizona remain vigilant in opposing any such action by the state.

Tempe's unemployment rate remained relatively low at 4.2% during the fiscal year. The City has also experienced a 10.6% increase in secondary assessed valuation growth for the fiscal year ended June 30, 2009. Given the continued weakness in the current economy, we do not anticipate any significant growth in valuation in the near term.

LONG-TERM FINANCIAL PLANNING

Due to broad-based structural problems in both the national and state economies, combined with increasing operating costs, the City is faced with unprecedented financial challenges. In particular, those operating funds that rely on sales taxes as a major source of revenue (General Fund, Transit Special Revenue Fund and Performing Arts Special Revenue Fund) are being significantly impacted by the current economic downturn. In order to address the significant financial issues and attempt to minimize the impact on service levels, the City Council held a number of special budget meetings to set financial policy and identify Council priorities to properly size operations with the goal of achieving long-term financial sustainability. Based on this guidance, the City has created a number of Budget Results Teams. It is anticipated any financial savings resulting from budget balancing ideas from these teams will be incorporated into the fiscal year 2010-11 budget, commencing July 1, 2010.

Additionally, as part of a planning tool to provide a long-range context for making budgetary decisions, the City annually updates its Comprehensive Financial Plan. This document serves as a basis for fine-tuning budget policies for City Council consideration. 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. The CIP Budget is also developed simultaneously with the annual operating budget and identifies any operating impacts of the capital projects.

Anticipating continued economic weakness, the following are major policy decisions developed during the fiscal year 2009-10 budget development process. These policy decisions primarily impact the General Fund but also impact other operating funds of the City.

- Freeze employee compensation and benefits at fiscal year 2008-09 levels
- Eliminate 48.75 vacant positions
- Shift positions to other funding sources including state and federal grants
- Generate additional revenues
- Eliminate the General Fund contingency appropriation
- Reduce non-personnel operating budgets
- Leverage General Fund balances as needed on a non-recurring basis
- Fund a portion of retiree health care for current and future retirees
- Eliminate an additional 72 positions in fiscal year 2010-11

In the General Fund, the City Council has established a reserve coverage (the amount of General Fund unreserved fund balance) ratio of 25% of fund revenues but allows for a range of 20% to 30% in future years to provide flexibility in responding to economic conditions. At June 30, 2009, the General Fund unreserved,

undesignated fund balance totaled \$54.0 million (32.6% of total General Fund revenues). In addition to the 25% reserve policy, the City has designated financial reserves to absorb other potential obligations. At June 30, 2009, the General Fund unreserved, designated fund balance totaled \$21.6 million. Included in this amount are capital projects reserves (\$8.7 million), self-insurance reserves (\$8.8 million) and other reserves (\$4.1 million).

Historically, as the City has developed and maintained a strong financial position through conservative financial management and adherence to sound fiscal analysis and policies, Tempe has been able to adjust to economic downturns and enjoys favorable bond ratings. This strong financial position is due in large part to a comprehensive budget process, 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 City has developed a Debt Management Plan which is designed to limit General Governmental tax supported debt yet provide adequate capital funding for Council approved projects.

As described in Management's Discussion and Analysis included in this report, the City implemented changes to its retiree health benefit program. As a result of the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, which requires governments to now recognize the cost of providing other postemployment benefits (OPEB) for beneficiaries over their working life, the City recognized the need to make significant changes to address the sustainability of the program. Based on direction of the Mayor and Council, staff implemented changes to the program over the past fiscal year. The results of these changes decreased the annual OPEB cost from \$39.4 million to \$10.4 million for the fiscal years ended June 30, 2008 and 2009, respectively.

MAJOR INITIATIVES

In December 2008, construction on the **Light Rail** project was completed. The cities of Tempe, Phoenix, Mesa and Glendale currently participate in a joint powers agreement to 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 serves downtown Tempe, Arizona State University and the Apache Boulevard area. This important transportation improvement is expected to provide many redevelopment opportunities in the city for years to come.

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 65% of Town Lake is dedicated to park space, open space and wildlife habitat.

Tempe is home to **Arizona State University**, the largest educational institution in Arizona and one of the largest in the United States. ASU has in excess of 55,000 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. Additionally, the recently established Global Institute of Sustainability conducts research, education, and problem-solving related to sustainability, with a special focus on urban environments. Issues such as sustainable water supplies, energy independence and climate change are addressed at the institute.

Despite the recent slowing economy and the fact that the City is approaching build-out, the City's economic development and redevelopment efforts continue to be a priority. Therefore, higher density and in-fill development/redevelopment is predominant. As a result of this development approach, Tempe did not experience as large an increase in new single family housing units during the recent housing boom as did some parts of the metropolitan area. Consequently, Tempe has not experienced as drastic a valuation decline in the ensuing regional housing market crash. Significant development efforts include the following:

- **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. The first 22-story tower and the first 30-story tower are expected to be completed in 2010.
- During the fiscal year, construction was 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.
- Substantially completed during the fiscal year, Tempe **Gateway** is an eight story mixed use development located on Mill Avenue between Town Lake and the Mill Avenue District Shops. The Main Light Rail Station is on site and the project has easy access and great visibility to the Loop 202 Freeway. It offers 238,000 square feet of Class A office space and 25,000 square feet of ground floor retail with structured parking and signage all available.
- Tempe's **Aloft Hotel** opened in April 2009 with 136 loft-style guest rooms and 600 square feet of meeting space. This full service hotel is located on the north shore of Tempe Town Lake.
- Opening in the spring of 2009, the **Lakes Towne Center** project saw the opening of a **Lowe's Home Improvement** store. Phase I of this 16 acre development include a 119,000 square foot store, a 27,000 square foot garden center and a 10,000 square foot multi-tenant retail building.
- With construction completed during the fiscal year, the 10-story, 132-unit **Campus Edge** project is a mixed-use residential and commercial development totaling 270,000 square feet with access to the light rail line. This 1.5 acre project is within walking distance to the Arizona State University campus.
- Scheduled to open in January 2010, **The Dump** is a discount furniture store that will occupy a 104,000 square foot retail store with an additional 125,000 warehouse located near the store.
- The recently completed **Sotelo** project is a 170-unit condominium complex 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.
- Scheduled to open in 2010, Tempe City Council recently approved the **Sea Life Aquarium** to be located in Tempe's Arizona Mills mall. The aquarium will be a 26,000 square foot development with 12 different habitat zones housing over 30 separate display tanks.

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. Additionally, the City is the spring training home to Major League Baseball's Los Angeles Angels of Anaheim. These events continue to have a positive economic impact on city revenues and future development.

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

- The **Tempe Transportation Center** is located at the base of A-Mountain, close to the downtown area and 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 was completed in Fall 2008 and includes retail, a bike station,

- transit offices and a community conference room.
- The **Tempe Public Library** is one of the busiest libraries in the Phoenix metropolitan area. In May 2006, Tempe citizens passed an \$8 million bond issue for library renovations and technology enhancements. Construction began in the summer of 2009 and is scheduled to be completed in the summer of 2010.
 - Scheduled to open in February 2010, the **Tempe Historical Museum** is currently undergoing complete renovation of the 8,000 square foot exhibit gallery and addition of 4,000 square feet of artifact storage.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

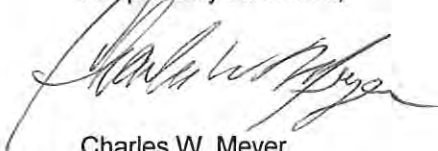
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious 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-three consecutive years (fiscal years 1975-76 through 2007-08). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for award consideration.

In order to maintain its commitment to financial excellence, the City also received the GFOA's **Distinguished Budget Presentation Award** for the fiscal year 2008-09 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2009.

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, 2008

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.



President

Executive Director



For the Fiscal Year
Ended June 30, 2009

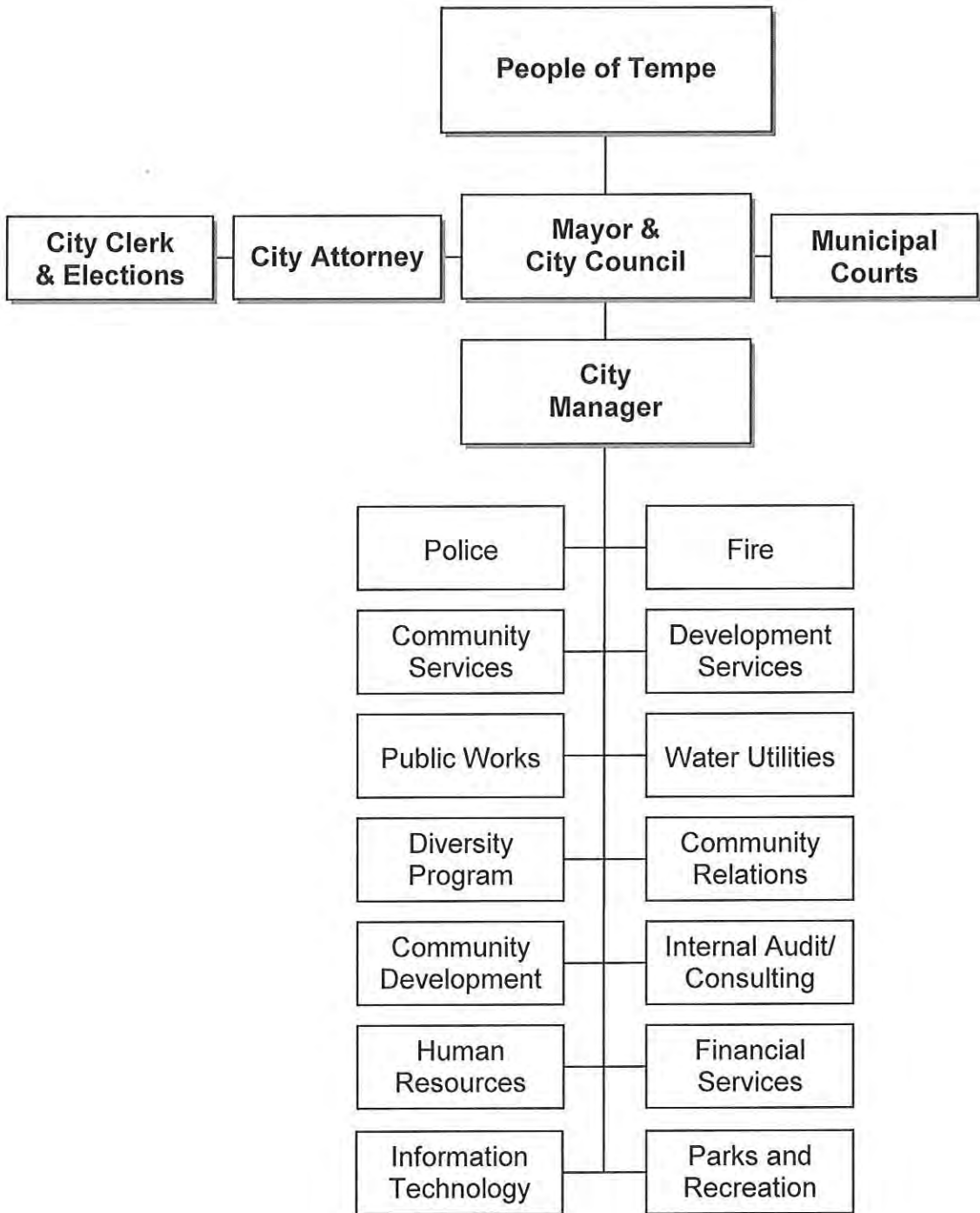
City of Tempe, Arizona List of Principal Officials

City Council

Hugh Hallman, Mayor
Shana Ellis, Vice Mayor
P. Ben Arredondo
Mark Mitchell
Joel Navarro
Onnie Shekerjian
Corey Woods

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
Renie Broderick, 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.

Financial Section



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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, 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 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 25, 2009

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, 2009. 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 \$1.245 billion (net assets). Of this amount, \$337.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$28.0 million during the fiscal year compared to an increase of \$80.6 million in the prior year. The decrease in total net assets is due primarily to capital grants and contributions received in the prior year for the regional light rail project, prior year recognition of gains on the sales of City-owned land coupled with revenue decreases due to the economic downturn experienced in the current fiscal year.
- For the fiscal year ended June 30, 2009, total revenues decreased by \$85.8 million while total expenses increased by \$22.8 million. The revenue decreases are due primarily to reductions in a) capital grants and contributions, b) citywide sales tax revenue, c) unrestricted investment earnings and d) gains on the sale of capital assets recognized in the prior year. The expense increase is due primarily to public works costs related to transportation including the initiation of light rail service.
- Starting with the fiscal year ended June 30, 2008, the City was required to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 related to financial reporting of other postemployment benefits (OPEB). For the year ended June 30, 2009, total OPEB cost for the City was \$10.4 million compared to \$39.4 million for the year ended June 30, 2008. This decrease in the annual cost is due primarily to adopted changes in the City's retiree health plan. The City's net OPEB obligation is \$41.8 million at year end.
- At June 30, 2009, the City's governmental funds reported combined ending fund balances of \$230.9 million. Approximately 73.8% of this total amount (\$170.5 million) is unreserved fund balance available for spending at the government's discretion.
- At June 30, 2009, total unreserved fund balance for the General Fund was \$75.6 million which represents a decrease of \$16.8 million from the prior year due primarily to decreased sales taxes of \$9.5 million. The undesignated portion of unreserved fund balance is \$54.0 million, which is 32.6% of total General Fund revenues of \$165.6 million.
- At June 30, 2009, the City's proprietary funds reported combined total net assets of \$251.3 million, and total unrestricted net assets of \$100.3 million. A total of \$97.3 million of the unrestricted net assets are in the Water and Wastewater Fund.
- At June 30, 2009, the total long-term obligations of the City increased by \$55.5 million due primarily to a) the issuance of \$79.7 million in bonds for water/wastewater system improvements, public safety improvements, parking garage construction, community service/park improvements and street improvements.

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 Non-major Special Revenue, General Obligation Debt Service and Enterprise 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 employee and retiree health insurance programs 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, 2009**

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 696,490,701	\$ 271,915,643	\$ 968,406,344
Capital assets, net	873,531,065	320,718,647	1,194,249,712
Total assets	<u>1,570,021,766</u>	<u>592,634,290</u>	<u>2,162,656,056</u>
Liabilities			
Long-term liabilities	504,708,001	309,446,067	814,154,068
Other liabilities	71,729,474	31,839,892	103,569,366
Total liabilities	<u>576,437,475</u>	<u>341,285,959</u>	<u>917,723,434</u>
Net Assets			
Invested in capital assets, net of related debt	574,872,877	151,096,394	725,969,271
Restricted	181,241,102	-	181,241,102
Unrestricted	237,470,312	100,251,937	337,722,249
Total net assets	<u>\$ 993,584,291</u>	<u>\$ 251,348,331</u>	<u>\$ 1,244,932,622</u>

**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	<u>1,555,064,816</u>	<u>574,547,868</u>	<u>2,129,612,684</u>
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	<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	139,393,928	-	139,393,928
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>

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 \$1.245 billion and \$1.273 billion at June 30, 2009 and 2008, respectively. 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 \$726.0 million and \$752.6 million at June 30, 2009 and 2008, respectively. These totals represent 58.3% and 59.1% of total net assets at June 30, 2009 and 2008, 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 \$181.2 million (14.6% of total net assets) and \$139.4 million (11.0% of total net assets) at June 30, 2009 and 2008, respectively. These restrictions are imposed by laws or regulations set by the City (transit and cultural and recreation), the State of Arizona (highways and streets, court enhancements and debt service) and federal agencies (housing assistance and community development). 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 \$337.7 million (27.1% of total net assets) and \$380.9 million (29.9% of total net assets) at June 30, 2009 and 2008, 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 decreased by \$28.0 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, 2009			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 45,642,402	\$ 72,547,138	\$ 118,189,540
Operating grants and contributions	16,052,299	-	16,052,299
Capital grants and contributions	35,955,254	59,867	36,015,121
General revenues:			
Sales taxes	134,382,181	-	134,382,181
State shared income taxes	24,832,128	-	24,832,128
Property taxes	35,891,803	-	35,891,803
Franchise taxes	3,976,956	-	3,976,956
Auto-lieu taxes	6,024,595	-	6,024,595
Unrestricted investment earnings	7,410,643	1,940,956	9,351,599
Miscellaneous	4,348,126	262,728	4,610,854
Gain on sale of capital assets	1,491,079	231,811	1,722,890
Total revenues	<u>316,007,466</u>	<u>75,042,500</u>	<u>391,049,966</u>

Expenses

Police	86,126,079	-	86,126,079
Fire	30,850,700	-	30,850,700
Community services	30,402,447	-	30,402,447
Parks and recreation	20,431,433	-	20,431,433
Public works	101,674,714	-	101,674,714
Community relations	3,137,349	-	3,137,349
Mayor and council	418,851	-	418,851
City manager	265,531	-	265,531
Diversity program	583,563	-	583,563
Internal audit/consulting	484,460	-	484,460
City clerk and elections	684,875	-	684,875
City attorney	2,933,734	-	2,933,734
Municipal courts	5,496,374	-	5,496,374
Development services	6,338,984	-	6,338,984
Community development	20,445,243	-	20,445,243
Financial services	4,458,557	-	4,458,557
Human resources	3,157,288	-	3,157,288
Information technology	1,817,517	-	1,817,517
Non-departmental	1,297,669	-	1,297,669
Interest on long-term debt	16,247,598	-	16,247,598
Water/Wastewater	-	64,720,725	64,720,725
Solid waste	-	14,499,308	14,499,308
Golf	-	2,324,208	2,324,208
Cemetery	-	218,447	218,447
Total expenses	337,252,966	81,762,688	419,015,654
Increase (decrease) in net assets before transfers	(21,245,500)	(6,720,188)	(27,965,688)
Transfers	615,463	(615,463)	-
Change in net assets	(20,630,037)	(7,335,651)	(27,965,688)
Net assets at beginning of year	1,014,214,328	258,683,982	1,272,898,310
Net assets at end of year	\$ 993,584,291	\$ 251,348,331	\$1,244,932,622

Changes in Net Assets June 30, 2008

Revenues	Governmental Activities	Business-type 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

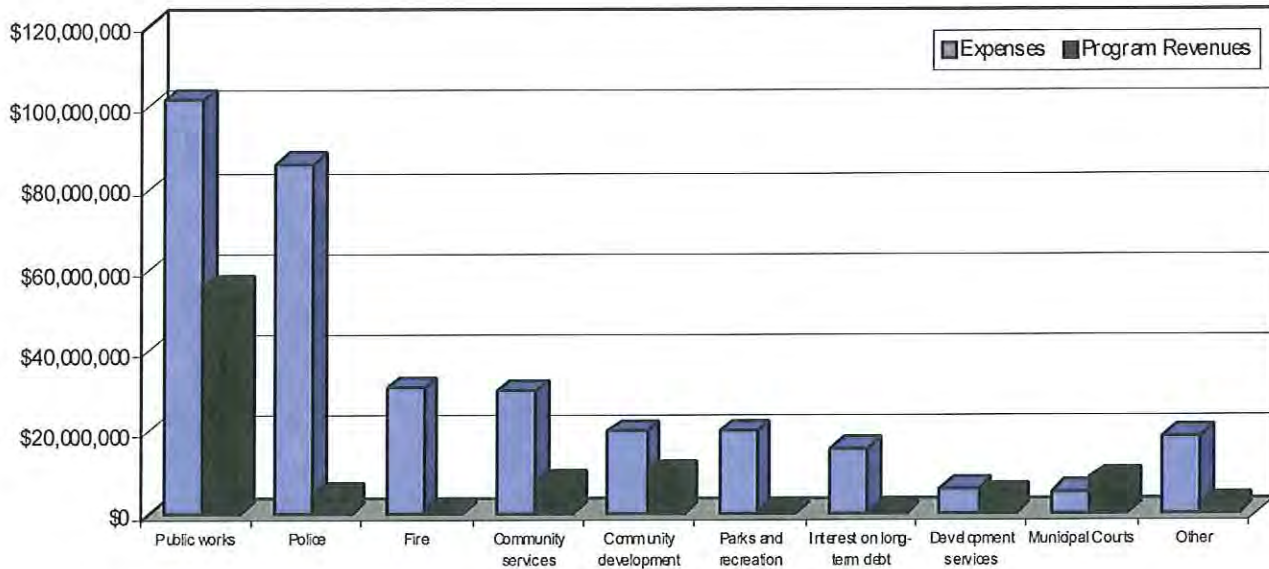
Expenses

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	313,195,035	83,004,950	396,199,985
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	88,184,776	(7,553,679)	80,631,097
Net assets at beginning of year	926,029,552	266,237,661	1,192,267,213
Net assets at end of year	\$1,014,214,328	\$ 258,683,982	\$1,272,898,310

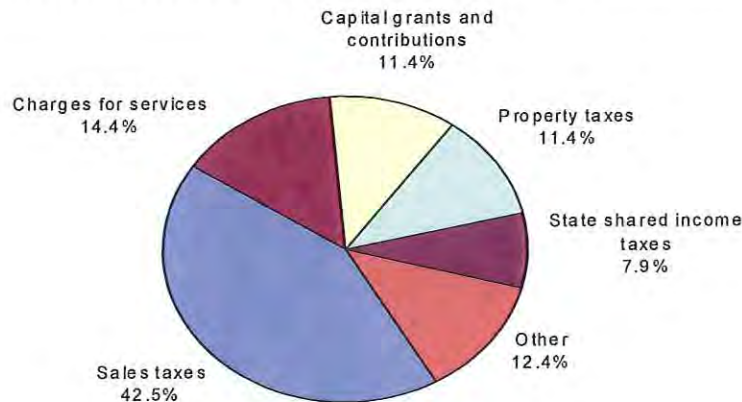
Governmental activities. The decrease in governmental net assets totaled \$20.6 million for the year ended June 30, 2009 compared with an increase of \$88.2 million in the prior year. This is due primarily to decreased revenue of \$85.2 million coupled with increased expenses of \$24.1 million. The key factors for the large decrease in net assets compared to the prior year are as follows:

- During the fiscal year, the City saw a decrease of \$43.7 million in capital grants and contributions due mainly to the completed light rail project in the prior fiscal year and the corresponding decreases in capital grants and contributions revenues recognized relative to the project.
- Overall, citywide sales tax revenue decreased by \$16.3 million or 10.8% over the prior year. This decrease is driven by the economic downturn experienced during the fiscal year.
- Also, as a result of the economic downturn, unrestricted investment earnings saw a \$6.6 million or 47.2% decrease in the current fiscal year.
- Finally, contributing to the revenue decrease over the prior year is the sale of City-owned land adjacent to Tempe Town Lake which resulted in a gain of approximately \$35.0 million in the prior year.

Fiscal Year 2008-09 Expenses and Program Revenues - Governmental Activities



Fiscal Year 2008-09 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. As stated earlier, significant increases in public works expenses are related to a) the first full year of light rail operations occurring during the current fiscal year, b) increased gasoline and natural gas costs and c) increased bus service costs.

	Fiscal Year Ended			
	June 30, 2009		June 30, 2008	
Public works	\$101,674,714	30.1%	\$ 82,727,089	26.4%
Police	86,126,079	25.5	83,613,800	26.7
Fire	30,850,700	9.1	30,133,124	9.6
Community services	30,402,447	9.0	24,070,427	7.7
Community development	20,445,243	6.1	20,037,984	6.4

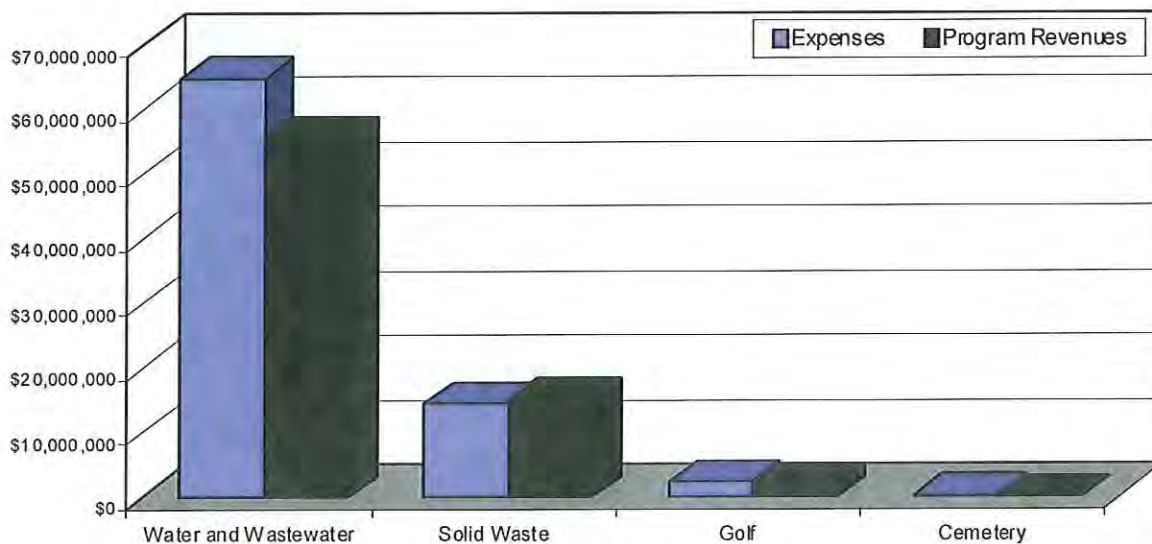
General revenues such as sales taxes, state income taxes, property taxes, and other excise taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, a comparison of the five largest general revenues, and their percentage of total revenues (excluding transfers), is presented below. Again, significant changes in sales taxes and unrestricted investment income are due to the economic downturn experienced in the current fiscal year.

	Fiscal Year Ended			
	June 30, 2009		June 30, 2008	
Sales taxes	\$134,382,181	42.5%	\$150,687,016	37.5%
Property taxes	35,891,803	11.4	32,447,203	8.1
State shared income taxes	24,832,128	7.9	23,332,475	5.8
Unrestricted investment earnings	7,410,643	2.3	14,041,876	3.5
Auto-lieu taxes	6,024,595	1.9	6,655,516	1.7

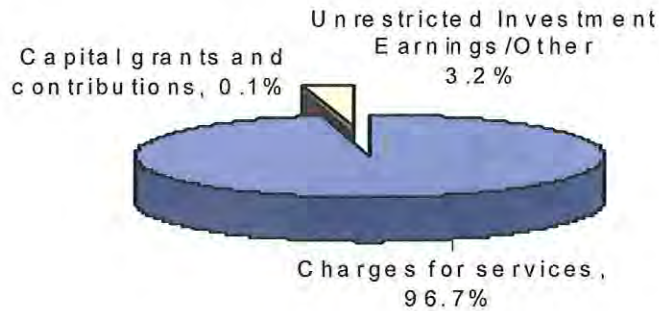
Business-type activities. Business-type activities decreased the City's net assets by \$7.3 million for the year ended June 30, 2009 compared to a decrease of \$7.6 million for the year ended June 30, 2008. Both business-type revenues and expenses remained relatively flat, charges for services increased by \$2.5 million and unrestricted investment earnings decreased by \$2.7 million.

The current year decrease in net assets results primarily from water and wastewater activities. These planned reductions in net assets will be offset by water, wastewater and solid waste rate increases which have been adopted and will be effective in fiscal year 2009-10.

Fiscal Year 2008-09 Expenses and Program Revenues - Business-type Activities



Fiscal Year 2008-09
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, 2009				
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 55,504,216	\$ 15,130,988	\$ 1,813,578	\$ 98,356	\$ 72,547,138
Capital grants and contributions	59,867	-	-	-	59,867
Unrestricted investment earnings/other	2,034,775	392,853	7,867	-	2,435,495
Total	<u>\$ 57,598,858</u>	<u>\$ 15,523,841</u>	<u>\$ 1,821,445</u>	<u>\$ 98,356</u>	<u>\$ 75,042,500</u>

	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	<u>\$ 58,356,175</u>	<u>\$ 14,979,696</u>	<u>\$ 2,013,806</u>	<u>\$ 250,836</u>	<u>\$ 75,600,513</u>

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 \$64.7 million for the fiscal year, followed by Solid Waste with \$14.5 million, Golf with \$2.3 million and Cemetery with \$0.2 million.

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 each fiscal year end. 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 \$230.9 million, a decrease of \$0.9 million from the prior year. Approximately \$170.5 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion which is an increase of \$13.0 million over the prior year. The increase is due primarily to an increase in Transit Capital Projects unreserved fund balance totaling \$28.3 million offset by a decrease in the General Fund fund balance of \$19.9 million during the current fiscal year. 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 (\$26.8 million), (2) to pay debt service (\$31.8 million), and (3) for other restricted purposes (\$1.7 million).

Revenues for governmental functions overall totaled \$355.4 million in the fiscal year ended June 30, 2009, which represents an increase of 10.6% or \$34.1 million from the fiscal year ended June 30, 2008. This increase is primarily due to the Transit Capital Projects revenue increases of \$39.8 million offset by General Fund decreased revenue of \$12.9 million. Expenditures for governmental functions, totaled \$413.2 million compared to \$413.3 million for the prior year. 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 \$75.6 million (the undesignated portion equaled \$54.0 million), while total fund balance was \$77.0 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, 2009		June 30, 2008	
Revenues	\$ 165,580,882		\$ 178,445,742	
Total fund balance	76,969,944	46.5 %	96,882,322	54.3 %
Unreserved fund balance	75,647,216	45.7	92,432,479	51.8
Unreserved, designated fund balance	21,635,013	13.1	47,821,044	26.8

The total fund balance in the City's General Fund decreased by \$19.9 million during the fiscal year due mainly to decreases in total revenues of \$12.9 million coupled with increased expenditures of \$12.7 million. Overall, the General Fund's performance resulted in expenditures in excess of revenues of \$16.7 million in the fiscal year ended June 30, 2009. As explained earlier, sales taxes represented the largest revenue decline and decreased \$9.5 million or 11.4% due to the economic downturn. At the same time, expenditures increased a total of \$16.0 million in the areas of community services, fire, police and parks and recreation.

The **Transit Special Revenue Fund** is used to account for receipts and expenditures of Transit Tax monies and related transit services. As this fund is primarily sales tax funded and subject to economic conditions, the tax revenues declined by \$2.6 million. This was offset by increased charges for services revenue of \$7.8 million for revenues related to regional and local bus services. The unreserved fund balance totaled \$5.4 million at June 30, 2009, compared to a \$13.9 million unreserved fund balance at June 30, 2008. The net decrease in fund balance for the year ended June 30, 2009 was due, a) the first full year of light rail operations occurring during the current fiscal year, b) increased gasoline and natural gas costs and c) increased bus service costs.

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 \$23.9 million at June 30, 2008 to \$31.8 million at June 30, 2009. 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 to which the City acts as a trustee for the established improvement districts. Total fund balance (restricted for special assessment debt service payments) decreased from \$562,174 at June 30, 2008 to a deficit of \$45,374 at June 30, 2009. This deficit will be funded from future special assessment revenues.

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 increased from \$27.9 million at June 30, 2008 to \$56.2 million at June 30, 2009. This is due to prior year expenditures for the light rail system and the related revenue recognized in the current fiscal year.

Proprietary Funds

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

	Fiscal Year Ended	
	June 30, 2009	June 30, 2008
Water and wastewater fund	\$97,257,972	\$101,304,497
Solid waste fund	3,383,272	2,592,465
Golf fund	(290,282)	(39,071)
Cemetery fund	(99,025)	(40,926)
Internal service fund	5,670,002	4,082,855

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 \$7.9 million for the fiscal year ended June 30, 2009 versus a decrease in net assets of \$6.9 million for the fiscal year ended June 30, 2008. This is due primarily to planned increases in charges for services operating revenue as a result of rate increases coupled with a planned draw down of net assets consistent with a rate study calling for phased in rate increases. The next effective rate increase has been authorized and will become effective November 1, 2009 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 for the fiscal year ended June 30, 2009 were \$14.5 million compared to \$15.1 million for the fiscal year ended June 30, 2008. Revenues increased by approximately \$0.5 million (3.6%) as a result of a rate increase effective during the fiscal year. Additionally, the next effective rate increase has been authorized and will become effective 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 \$0.3 million reduction in total net assets due primarily to continued 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. Reduced demand for cemetery services resulted in a reduction in net assets of \$0.1 million during the fiscal year ended June 30, 2009.

The **Internal Service Funds** accounts for the risk and health insurance activities of the City. The \$1.6 million increase in net assets is due primarily to lower than anticipated costs.

Budget Highlights

The City's final General Fund expenditure budget of \$189.1 million differs from the original budget of \$186.3 million due to carry-forward appropriations for encumbrances rolled forward from the prior fiscal year and budget transfers to other funds.

During the year, actual revenues were less than budgetary estimates by \$19.7 million (10.7% of total budgeted revenue) in the General Fund. This is due primarily to the economic downturn and its affect on almost all revenue categories.

Actual expenditures were less than budgetary estimates by \$6.8 million (3.6% of final budgetary estimates) in the General Fund. This positive variance was attributable to initial the reaction to the economic downturn to limit spending.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$1,194.2 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 \$60.0 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2009 and 2008, respectively.

Capital Assets, Net of Depreciation June 30, 2009

	Governmental Activities	Business-type Activities	Total
Land	\$ 62,569,443	\$ 6,693,377	\$ 69,262,820
Buildings	250,282,192	38,842,042	289,124,234
Infrastructure	366,414,002	100,655,948	467,069,950
Improvements	88,154,178	82,999,844	171,154,022
Machinery and equipment	38,852,839	9,095,022	47,947,861
Construction in progress	67,258,411	82,432,414	149,690,825
Total	<u>\$ 873,531,065</u>	<u>\$ 320,718,647</u>	<u>\$ 1,194,249,712</u>

Capital Assets, Net of Depreciation June 30, 2008

	Governmental Activities	Business-type Activities	Total
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>

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

Governmental Activities

- The Tempe Transportation Center is a three story, 40,000 square foot building which houses City of Tempe Transportation Offices, the Transit Operations Center, a community/conference room, a bicycle commuter facility and includes retail space. The exterior of the center has an exterior shaded courtyard and transit plaza serving light rail and local and regional bus riders. Total amount capitalized for the building was \$27.7 million.
- During the year ended June 30, 2009, construction was completed on a public use parking garage in the downtown Tempe area. The total capitalized cost of the structure was \$19.0 million.

Business-type Activities

- Capital expenditures for the expansion of the Johnny G. Martinez Water Treatment Plant continued during the fiscal year. Expenditures totaled \$18.4 million. Additionally, a total of \$14.1 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 \$814.1 million which is an increase of \$55.5 million over the prior fiscal year. The increase is due primarily to the issuance of general obligation bonds and excise tax revenue obligations primarily for water/wastewater capital projects, police and fire capital projects, community service capital projects including park renovations, transportation improvement projects and capital costs related to the downtown public parking garage.

**Outstanding Long-term Obligations
June 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 156,265,000	\$ 285,735,000	\$ 442,000,000
Special assessment bonds	36,095,000	-	36,095,000
Excise tax obligations	239,560,000	18,786,056	258,346,056
HUD Section 108 loan	6,466,000	-	6,466,000
Capital improvement notes	1,023,835	-	1,023,835
Total debt payable	<u>439,409,835</u>	<u>304,521,056</u>	<u>743,930,891</u>
Capital leases	1,888,630	194,416	2,083,046
Compensated absences	21,461,167	-	21,461,167
Claims and judgments	4,879,556	-	4,879,556
Net OPEB obligation	37,068,811	4,730,594	41,799,405
Total long-term obligations	<u>\$ 504,707,999</u>	<u>\$ 309,446,066</u>	<u>\$ 814,154,065</u>

**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>

The City's issued \$56.1 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 \$17.0 million, \$16.3 million, \$10.5 million and \$12.3 million, respectively.

The City also issued \$23.6 million in excise tax revenue obligations to fund costs related to the downtown public parking garage and for various water/wastewater projects. Of the total debt issuance, \$14.3 million were tax-exempt excise tax revenue obligations. The remaining \$9.3 million are "Build America Bonds" which are taxable obligations with interest payments subsidized under Sections 54AA and 6431 of the Internal Revenue Code of 1986. These bonds are part of the American Recovery and Reinvestment Act of 2009.

The City's total general obligation bonded debt outstanding increased by approximately \$34.4 million from the fiscal year ended June 30, 2008 to the fiscal year ended June 30, 2009. 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:

	Fiscal Year Ended	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Net general bonded debt	\$ 124,420,812	\$ 101,216,008
Net general bonded debt per capita	721	604
Ratio of net general bonded debt to net assessed value	4.7%	4.2%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 0.89	\$ 0.89

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, 2009 is \$158.0 million and \$69.1 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 of the Notes 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 beginning starting with the fiscal year ended June 30, 2008, the Tempe Mayor and Council approved changes to the benefit plan which reduced the annual OPEB cost from \$39.4 million to \$10.4 million from the fiscal year ended June 30, 2008 to the fiscal year ended June 30, 2009, respectively.

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, 2009

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 187,368,232	\$ 70,297,697	\$ 257,665,929
Receivables:			
Taxes	12,780,269	-	12,780,269
Accounts, net	4,847,214	9,009,024	13,856,238
Accrued interest	1,785,547	559,428	2,344,975
Due from other governments	53,053,987	-	53,053,987
Inventories	1,143,095	756,138	1,899,233
Prepaid items	158,070	-	158,070
Restricted cash and investments	61,299,284	37,358,281	98,657,565
Special assessment receivables	36,323,347	-	36,323,347
Capital improvement note receivable	40,704,771	1,023,835	41,728,606
Equity in joint venture	297,026,885	152,911,240	449,938,125
Capital assets (net of accumulated depreciation):			
Land	62,569,443	6,693,377	69,262,820
Buildings	250,282,192	38,842,042	289,124,234
Infrastructure	366,414,002	100,655,948	467,069,950
Improvements	88,154,178	82,999,844	171,154,022
Machinery and equipment	38,852,839	9,095,022	47,947,861
Construction in progress	67,258,411	82,432,414	149,690,825
Total assets	<u>1,570,021,766</u>	<u>592,634,290</u>	<u>2,162,656,056</u>
Liabilities			
Accounts payable	25,249,723	7,005,396	32,255,119
Deposits	3,377,696	653,616	4,031,312
Accrued expenses	16,431,891	4,169,636	20,601,527
Deferred charges	2,730,164	-	2,730,164
Liabilities payable from restricted assets	23,940,000	20,011,244	43,951,244
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	3,070,000	-	3,070,000
Due in more than one year	33,025,000	-	33,025,000
Other long-term liabilities:			
Due within one year	33,590,797	15,653,644	49,244,441
Due in more than one year	435,022,204	293,792,423	728,814,627
Total liabilities	<u>576,437,475</u>	<u>341,285,959</u>	<u>917,723,434</u>
Net Assets			
Invested in capital assets, net of related debt	574,872,877	151,096,394	725,969,271
Restricted for:			
Transit	114,666,730	-	114,666,730
Cultural and recreation	24,782,222	-	24,782,222
Highways and streets	9,594,575	-	9,594,575
Community development	15,395	-	15,395
Housing assistance	328,525	-	328,525
Court enhancements	54,841	-	54,841
Debt Service	31,798,814	-	31,798,814
Unrestricted	237,470,312	100,251,937	337,722,249
Total net assets	<u>\$ 993,584,291</u>	<u>\$ 251,348,331</u>	<u>\$ 1,244,932,622</u>

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

Statement of Activities

For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 86,126,079	\$ 1,201,962	\$ 3,683,250	\$ -
Fire	30,850,700	314,969	478,991	-
Community services	30,402,447	7,122,650	965,216	-
Parks and recreation	20,431,433	9,348	19,429	566,898
Public works	101,674,714	20,461,847	709,867	34,986,956
Community relations	3,137,349	24,070	241,521	-
Mayor and council	418,851	-	-	-
City manager	265,531	-	-	-
Diversity program	583,563	-	-	-
Internal audit/consulting	484,460	-	-	-
City clerk and elections	684,875	-	-	-
City attorney	2,933,734	-	152,706	-
Municipal courts	5,496,374	8,912,739	84,893	-
Development services	6,338,984	5,090,280	102,223	-
Community development	20,445,243	592,236	9,614,203	401,400
Financial services	4,458,557	1,781,809	-	-
Human resources	3,157,288	-	-	-
Information technology	1,817,517	-	-	-
Non-departmental	1,297,669	130,492	-	-
Interest on long-term debt	16,247,598	-	-	-
Total governmental activities	337,252,966	45,642,402	16,052,299	35,955,254
Business-type activities:				
Water and wastewater	64,720,725	55,504,216	-	59,867
Solid waste	14,499,308	15,130,988	-	-
Golf course	2,324,208	1,813,578	-	-
Cemetery	218,447	98,356	-	-
Total business-type activities	81,762,688	72,547,138	-	59,867
Total government	\$ 419,015,654	\$ 118,189,540	\$ 16,052,299	\$ 36,015,121

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**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (81,240,867)	\$ -	\$ (81,240,867)
(30,056,740)	-	(30,056,740)
(22,314,581)	-	(22,314,581)
(19,835,758)	-	(19,835,758)
(45,516,044)	-	(45,516,044)
(2,871,758)	-	(2,871,758)
(418,851)	-	(418,851)
(265,531)	-	(265,531)
(583,563)	-	(583,563)
(484,460)	-	(484,460)
(684,875)	-	(684,875)
(2,781,028)	-	(2,781,028)
3,501,258	-	3,501,258
(1,146,481)	-	(1,146,481)
(9,837,404)	-	(9,837,404)
(2,676,748)	-	(2,676,748)
(3,157,288)	-	(3,157,288)
(1,817,517)	-	(1,817,517)
(1,167,177)	-	(1,167,177)
(16,247,598)	-	(16,247,598)
<u>(239,603,011)</u>	<u>-</u>	<u>(239,603,011)</u>
-	(9,156,642)	(9,156,642)
-	631,680	631,680
-	(510,630)	(510,630)
-	(120,091)	(120,091)
-	(9,155,683)	(9,155,683)
<u>(239,603,011)</u>	<u>(9,155,683)</u>	<u>(248,758,694)</u>
134,382,181	-	134,382,181
24,832,128	-	24,832,128
35,891,803	-	35,891,803
3,976,956	-	3,976,956
6,024,595	-	6,024,595
7,410,643	1,940,956	9,351,599
4,348,126	262,728	4,610,854
1,491,079	231,811	1,722,890
615,463	(615,463)	-
<u>218,972,974</u>	<u>1,820,032</u>	<u>220,793,006</u>
(20,630,037)	(7,335,651)	(27,965,688)
<u>1,014,214,328</u>	<u>258,683,982</u>	<u>1,272,898,310</u>
<u>\$ 993,584,291</u>	<u>\$ 251,348,331</u>	<u>\$ 1,244,932,622</u>

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

Balance Sheet

Governmental Funds

June 30, 2009

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Assets				
Pooled cash and investments	\$ 75,193,699	\$ 5,628,744	\$ 31,436,166	\$ -
Receivables:				
Taxes	7,956,189	2,305,267	998,134	-
Accounts	4,541,162	-	-	-
Accrued interest	1,671,056	55,220	-	-
Due from other funds	6,647,826	-	-	-
Due from other governments	552,144	7,151,138	-	-
Inventories	233,987	-	-	-
Prepaid items	-	158,070	-	-
Restricted cash and investments	82,177	3,333,649	12,533,038	901,837
Special assessments	-	-	-	36,323,347
Capital improvement notes receivable	25,285,730	2,057,306	13,361,735	-
Total assets	<u>\$ 122,163,970</u>	<u>\$ 20,689,394</u>	<u>\$ 58,329,073</u>	<u>\$ 37,225,184</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 5,048,702	\$ 9,605,143	\$ 47,366	\$ -
Deposits	3,171,564	-	-	-
Accrued expenditures	4,859,161	92,440	-	-
Claims and judgements	1,477,739	36,537	-	-
Due to other funds	-	-	-	45,614
Deferred revenue	30,636,860	2,097,258	14,001,976	36,323,347
Matured bonds payable	-	2,585,000	9,135,000	-
Matured interest payable	-	704,345	3,300,543	901,597
Total liabilities	<u>45,194,026</u>	<u>15,120,723</u>	<u>26,484,885</u>	<u>37,270,558</u>
Fund Balances				
Fund balances:				
Reserved for:				
Encumbrances	678,741	-	-	-
Inventories and prepaids	233,987	158,070	-	-
Capital improvements notes receivable	410,000	-	-	-
Debt Service	-	-	31,844,188	-
Unreserved, designated (see note 16):				
General fund	21,635,013	-	-	-
Capital projects funds	-	-	-	-
Unreserved, reported in:				
General fund	54,012,203	-	-	-
Debt Service	-	-	-	(45,374)
Special revenue funds	-	5,410,601	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>76,969,944</u>	<u>5,568,671</u>	<u>31,844,188</u>	<u>(45,374)</u>
Total liabilities and fund balances	<u>\$ 122,163,970</u>	<u>\$ 20,689,394</u>	<u>\$ 58,329,073</u>	<u>\$ 37,225,184</u>

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 59,823,842	\$ 172,082,451
-	1,520,679	12,780,269
-	69,948	4,611,110
-	59,271	1,785,547
-	-	6,647,826
43,379,812	1,970,893	53,053,987
-	909,108	1,143,095
-	-	158,070
30,266,530	14,182,053	61,299,284
-	-	36,323,347
-	-	40,704,771
<u>\$ 73,646,342</u>	<u>\$ 78,535,794</u>	<u>\$ 390,589,757</u>

\$ 3,147,532	\$ 6,817,932	\$ 24,666,675
-	206,132	3,377,696
-	673,955	5,625,556
-	95,729	1,610,005
6,570,602	31,610	6,647,826
7,737,477	3,027,516	93,824,434
-	5,260,000	16,980,000
-	2,053,515	6,960,000
<u>17,455,611</u>	<u>18,166,389</u>	<u>159,692,192</u>

7,353,650	18,802,632	26,835,023
-	909,108	1,301,165
-	-	410,000
-	-	31,844,188
-	-	21,635,013
-	1,861,579	1,861,579
-	-	54,012,203
-	-	(45,374)
-	17,809,429	23,220,030
48,837,081	20,986,657	69,823,738
<u>56,190,731</u>	<u>60,369,405</u>	<u>230,897,565</u>
<u>\$ 73,646,342</u>	<u>\$ 78,535,794</u>	<u>\$ 390,589,757</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, 2009

City of Tempe, Arizona

Fund balances- total governmental funds		\$ 230,897,565
<p>Amounts reported for the governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	1,337,625,505	
Accumulated depreciation	<u>(464,094,440)</u>	873,531,065
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		297,026,885
<p>Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unearned revenue.</p>		
Deferred special assessment revenue	36,323,347	
Deferred tax and other deferred revenue	1,129,716	
Deferred notes receivable revenue	41,721,717	
Deferred court revenue	3,844,607	
Capital grant and contribution monies not received within 60 days	<u>10,763,002</u>	93,782,389
<p>Bond premium net of issuance costs are not financial resources and, therefore are not reported in the funds.</p>		
		(2,688,119)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Compensated absences	(21,461,167)	
Claims and judgments	(4,879,556)	
Other post employment benefits (OPEB)	(36,996,307)	
Bonds, capital improvement notes and capital leases	<u>(441,298,466)</u>	(504,635,496)
<p>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.</p>		
		<u>5,670,002</u>
Net assets of governmental activities		<u>\$ 993,584,291</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, 2009

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	\$ 73,656,037	\$ 29,850,942	\$ -	\$ -
Property taxes	11,220,171	-	24,291,978	-
Franchise taxes	3,976,956	-	-	-
Intergovernmental:				
Federal grants	-	-	-	-
State grants	46,635	-	-	-
State sales tax	13,191,255	-	-	-
State income tax	24,832,128	-	-	-
Auto lieu tax	6,024,595	-	-	-
Other	81,833	-	-	-
Investment income	5,511,288	192,262	8,278	-
Charges for services	11,924,529	17,082,679	-	-
Fines and forfeitures	9,200,777	1,400,478	-	-
Other entities' participation	-	-	263,041	-
Special assessments	-	-	-	2,860,571
Licenses and permits	1,546,287	-	-	-
Miscellaneous	4,368,391	62,572	-	-
Total revenues	<u>165,580,882</u>	<u>48,588,933</u>	<u>24,563,297</u>	<u>2,860,571</u>
Expenditures:				
Current:				
Police	73,374,881	-	-	-
Fire	27,997,166	-	-	-
Community services	22,437,460	-	-	-
Parks and recreation	17,013,922	-	-	-
Public works	10,265,223	51,485,426	-	3,595
Community relations	2,891,013	-	-	-
Mayor and council	386,483	-	-	-
City manager	347,556	-	-	-
Diversity program	555,034	-	-	-
Internal audit/consulting	506,621	-	-	-
City clerk and elections	633,640	-	-	-
City attorney	2,891,814	-	-	-
Municipal court	4,495,367	-	-	-
Development services	6,376,874	-	-	-
Community development	4,400,956	-	-	-
Financial services	4,211,080	-	-	-
Human resources	3,127,479	-	-	-
Non-departmental	395,648	-	-	-
Debt service:				
Principal retirement	-	2,585,000	9,323,531	2,215,000
Interest and fiscal fees	-	3,434,311	7,664,564	1,879,274
Capital outlay	-	-	-	-
Total expenditures	<u>182,308,217</u>	<u>57,504,737</u>	<u>16,988,095</u>	<u>4,097,869</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(16,727,335)</u>	<u>(8,915,804)</u>	<u>7,575,202</u>	<u>(1,237,298)</u>
Other financing sources (uses):				
Transfers in	94,481	18,102,679	8,319,117	629,750
Transfers out	(12,320,247)	(17,622,271)	(8,508,595)	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	599,472	-
Proceeds from sale of capital assets	9,040,723	-	-	-
Total other financing sources (uses)	<u>(3,185,043)</u>	<u>480,408</u>	<u>409,994</u>	<u>629,750</u>
Net change in fund balances	(19,912,378)	(8,435,396)	7,985,196	(607,548)
Fund balance at beginning of year	96,882,322	14,004,067	23,858,992	562,174
Fund balance at end of year	<u>\$ 76,969,944</u>	<u>\$ 5,568,671</u>	<u>\$ 31,844,188</u>	<u>\$ (45,374)</u>

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 7,738,637	\$ 111,245,616
-	114,077	35,626,226
-	-	3,976,956
9,230,216	14,220,152	23,450,368
302,159	267,768	616,562
-	9,945,310	23,136,565
-	-	24,832,128
-	-	6,024,595
61,502,974	3,712,513	65,297,320
270,595	411,172	6,393,595
-	2,089,282	31,096,490
-	915,104	11,516,359
1,645	1,335,414	1,600,100
-	-	2,860,571
-	-	1,546,287
14,089	1,723,737	6,168,789
<u>71,321,678</u>	<u>42,473,166</u>	<u>355,388,527</u>
-	3,671,436	77,046,317
-	333,287	28,330,453
-	3,721,383	26,158,843
-	569,939	17,583,861
-	11,905,404	73,659,648
-	204,246	3,095,259
-	-	386,483
-	-	347,556
-	-	555,034
-	-	506,621
-	-	633,640
-	22,200	2,914,014
-	1,030,234	5,525,601
-	-	6,376,874
-	15,114,717	19,515,673
-	-	4,211,080
-	-	3,127,479
-	-	395,648
-	5,533,000	19,656,531
-	4,175,251	17,153,400
43,454,307	62,612,151	106,066,458
<u>43,454,307</u>	<u>108,893,248</u>	<u>413,246,473</u>
27,867,371	(66,420,082)	(57,857,946)
17,947,653	19,136,765	64,230,445
(18,035,354)	(7,128,515)	(63,614,982)
-	45,980,000	45,980,000
-	208,256	807,728
537,091	-	9,577,814
<u>449,390</u>	<u>58,196,506</u>	<u>56,981,005</u>
28,316,761	(8,223,576)	(876,941)
27,873,970	68,592,981	231,774,506
<u>\$ 56,190,731</u>	<u>\$ 60,369,405</u>	<u>\$ 230,897,565</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, 2009

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ (876,941)

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	(2,874,467)	
OPEB	(7,964,883)	
		(10,839,350)

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	254,236	
Court revenue	111,762	
Capital grants and contributions	(40,025,823)	
Sale of Land financed by a note receivable	(7,411,529)	
Special assessments received/recognized	(2,229,363)	
		(49,300,717)

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	106,066,458	
Miscellaneous net capital expenditures	(5,112,776)	
Depreciation expense	(36,486,990)	
		64,466,692

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 264,482

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	668,422	
Amortization of bond issuance costs	237,380	
		905,802

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	(45,980,000)	
Premium on issuance of debt	(807,728)	
Principal payments made	19,950,576	
		(26,837,152)

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.

1,587,147

Changes in net assets of governmental activities \$ (20,630,037)

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, 2009

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 98,870,660	\$ 98,870,660	\$ 88,853,164	\$ (10,017,496)
Intergovernmental	47,959,311	47,959,311	44,176,446	(3,782,865)
Investment income	6,939,071	6,939,071	4,933,724	(2,005,347)
Charges for services	10,990,496	10,990,496	11,924,529	934,033
Fines and forfeitures	9,432,789	9,432,789	9,200,777	(232,012)
Licenses and permits	1,550,000	1,550,000	1,546,287	(3,713)
Miscellaneous	8,991,295	8,991,295	4,368,391	(4,622,904)
Total revenues	<u>184,733,622</u>	<u>184,733,622</u>	<u>165,003,318</u>	<u>(19,730,304)</u>
Expenditures				
Police	74,967,930	74,368,819	75,128,439	(759,620)
Fire	27,717,029	29,541,710	28,242,373	1,299,337
Community services	17,156,332	20,654,944	20,387,306	267,638
Parks and recreation	16,943,216	17,092,039	16,576,356	515,683
Public works	10,679,281	10,712,464	10,650,378	62,086
Community relations	2,987,173	3,057,641	2,887,744	169,897
Mayor and council	392,876	392,876	386,521	6,355
City manager	336,240	345,113	345,113	-
Diversity program	646,967	576,957	554,018	22,939
Internal audit/consulting	510,867	510,837	506,172	4,665
City clerk and elections	824,487	851,058	632,140	218,918
City attorney	3,240,493	2,993,407	2,908,216	85,191
Municipal court	4,516,196	4,490,663	4,489,441	1,222
Development services	6,562,339	6,492,445	6,468,046	24,399
Community development	4,310,066	4,444,289	4,376,495	67,794
Financial services	4,643,787	4,348,303	4,222,944	125,359
Human resources	3,296,547	3,360,274	3,121,200	239,074
Information technology	14,119,043	14,323,215	15,317,338	(994,123)
Interdepartmental charges	(14,119,043)	(14,119,043)	(15,317,338)	1,198,295
Non-departmental	6,596,119	4,620,249	394,054	4,226,195
Total expenditures	<u>186,327,945</u>	<u>189,058,260</u>	<u>182,276,956</u>	<u>6,781,304</u>
Other financing sources (uses)				
Transfers from other funds	-	-	94,481	94,481
Transfers to other funds	-	-	(12,320,247)	(12,320,247)
Proceeds from sale of capital assets	-	-	9,040,723	9,040,723
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,185,043)</u>	<u>(3,185,043)</u>
Net change in fund balance	<u>\$ (1,594,323)</u>	<u>\$ (4,324,638)</u>	<u>(20,458,681)</u>	<u>\$ (16,134,043)</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	577,564
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(685,108)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	678,741
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(24,894)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ (19,912,378)</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, 2009

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 33,888,200	\$ 33,888,200	\$ 29,850,942	\$ (4,037,258)
Charges for services	15,547,953	15,547,953	17,082,679	1,534,726
Investment income	617,000	617,000	179,722	(437,278)
Fines and forfeitures	562,740	562,740	1,400,478	837,738
Miscellaneous	2,209,733	2,209,733	62,572	(2,147,161)
Total revenues	52,825,626	52,825,626	48,576,393	(4,249,233)
Expenditures				
Current:				
Public works	54,735,503	54,824,370	51,472,363	3,352,007
Debt service:				
Principal retirement	2,764,231	2,764,231	2,585,000	179,231
Interest and fiscal fees	6,870,863	6,870,863	3,434,311	3,436,552
Total expenditures	64,370,597	64,459,464	57,491,674	6,967,790
Other financing sources (uses)				
Transfers from other funds	248,100	248,100	18,102,679	17,854,579
Transfers to other funds	(17,621,942)	(17,621,942)	(17,622,271)	(329)
Total other financing sources (uses)	(17,373,842)	(17,373,842)	480,408	17,854,250
Net change in fund balance	<u>\$(28,918,813)</u>	<u>\$(29,007,680)</u>	<u>(8,434,873)</u>	<u>\$ 20,572,807</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	12,540
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(4,612)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(8,451)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ (8,435,396)</u>

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



Statement of Net Assets

Proprietary Funds

June 30, 2009

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	\$ 64,274,481	\$ 5,662,036	\$ 361,180	-	\$ 70,297,697	\$ 15,285,781
Restricted cash and investments	36,936,986	-	-	421,295	37,358,281	-
Accounts receivable	8,027,580	981,444	-	-	9,009,024	236,104
Accrued interest receivable	503,936	37,819	14,843	2,830	559,428	-
Due from other funds	385,484	-	-	-	385,484	-
Inventories	756,138	-	-	-	756,138	-
Total current assets	110,884,605	6,681,299	376,023	424,125	118,366,052	15,521,885
Noncurrent assets:						
Notes receivable	1,023,835	-	-	-	1,023,835	-
Equity in joint venture	152,911,240	-	-	-	152,911,240	-
Capital Assets:						
Land	6,330,829	-	362,548	-	6,693,377	-
Buildings	55,734,289	1,265,783	1,822,663	-	58,822,735	-
Infrastructure	210,793,250	-	-	-	210,793,250	-
Improvements	142,407,916	-	4,247,980	2,198,452	148,854,348	-
Machinery and equipment	26,128,552	18,937,226	1,392,914	19,449	46,478,141	-
Construction in progress	82,265,462	120,000	46,952	-	82,432,414	-
Less accumulated depreciation	(213,974,179)	(14,032,183)	(5,334,750)	(14,506)	(233,355,618)	-
Total capital assets (net of accumulated depreciation)	309,686,119	6,290,826	2,538,307	2,203,395	320,718,647	-
Total noncurrent assets	463,621,194	6,290,826	2,538,307	2,203,395	474,653,722	-
Total assets	\$ 574,505,799	\$ 12,972,125	\$ 2,914,330	\$ 2,627,520	\$ 593,019,774	\$ 15,521,885

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	
Liabilities					
Current liabilities:					
Accounts payable	\$ 5,775,676	\$ 1,190,771	\$ 38,596	\$ 353	\$ 7,005,396
Deposits	653,616	-	-	-	653,616
Accrued expenses	3,107,770	856,058	200,563	5,245	4,169,636
Due to other funds	-	-	-	385,484	385,484
Accrued interest payable	6,124,176	-	-	47,068	6,171,244
General obligation bonds- current	13,755,000	-	-	-	13,755,000
Excise tax revenue obligations- current	-	-	-	85,000	85,000
Capital leases payable- current	-	-	47,328	-	47,328
Total current liabilities	29,416,238	2,046,829	286,487	523,150	32,272,704
Noncurrent liabilities:					
General obligation bonds payable	285,735,000	-	-	-	285,735,000
Excise tax revenue obligations	16,720,000	-	-	1,965,000	18,685,000
Capital leases payable	-	-	147,089	-	147,089
Net OPEB Obligation	3,099,578	1,251,198	379,818	-	4,730,594
Unamortized premium	-	-	-	101,056	101,056
Total noncurrent liabilities	305,554,578	1,251,198	526,907	2,066,056	309,398,739
Total liabilities	334,970,816	3,298,027	813,394	2,589,206	341,671,443
Net Assets					
Invested in capital assets, net of related debt	142,277,011	6,290,826	2,391,218	137,339	151,096,394
Unrestricted	97,257,972	3,383,272	(290,282)	(99,025)	100,251,937
Total net assets	\$ 239,534,983	\$ 9,674,098	\$ 2,100,936	\$ 38,314	\$ 251,348,331

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, 2009

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	
Operating revenues:					
Charges for services	\$ 55,504,216	\$ 15,130,988	\$ 1,813,578	\$ 98,356	\$ 72,547,138
Miscellaneous	201,971	60,757	-	-	262,728
Total operating revenues	<u>55,706,187</u>	<u>15,191,745</u>	<u>1,813,578</u>	<u>98,356</u>	<u>72,809,866</u>
Operating expenses:					
Personal services	15,901,170	5,414,418	1,224,832	89,903	22,630,323
Supplies and materials	4,110,952	456,409	215,020	5,172	4,787,553
Fees and services	17,234,757	7,653,556	675,175	21,861	25,585,349
Depreciation	11,767,265	974,925	196,707	10,107	12,949,004
Total operating expenses	<u>49,014,144</u>	<u>14,499,308</u>	<u>2,311,734</u>	<u>127,043</u>	<u>65,952,229</u>
Operating income (loss)	<u>6,692,043</u>	<u>692,437</u>	<u>(498,156)</u>	<u>(28,687)</u>	<u>6,857,637</u>
Nonoperating revenues (expenses):					
Investment income	1,804,706	129,708	6,542	-	1,940,956
Interest and fiscal fees	(12,111,549)	-	(12,474)	(91,404)	(12,215,427)
Gain on sale of capital asset	28,098	202,388	1,325	-	231,811
Net loss from joint venture	(3,595,032)	-	-	-	(3,595,032)
Income (loss) before operating transfers	<u>(7,181,734)</u>	<u>1,024,533</u>	<u>(502,763)</u>	<u>(120,091)</u>	<u>1,587,147</u>
Capital contributions	59,867	-	-	-	59,867
Transfers in	6,037,498	-	154,597	16,522	6,208,617
Transfers out	(6,817,912)	(6,168)	-	-	(6,824,080)
Change in net assets	<u>(7,902,281)</u>	<u>1,018,365</u>	<u>(348,166)</u>	<u>(103,569)</u>	<u>1,587,147</u>
Total net assets- beginning	<u>247,437,264</u>	<u>8,655,733</u>	<u>2,449,102</u>	<u>141,883</u>	<u>258,683,982</u>
Total net assets- ending	<u>\$ 239,534,983</u>	<u>\$ 9,674,098</u>	<u>\$ 2,100,936</u>	<u>\$ 38,314</u>	<u>\$ 251,348,331</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, 2009

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery			
Cash flows from operating activities:							
Receipts from customers	\$ 53,641,997	\$ 15,189,231	\$ 1,813,578	\$ 98,356	\$ 70,743,162	\$ -	\$ 36,096,594
Receipts from other funds	(15,493,893)	(5,214,785)	(1,124,044)	(113,685)	(21,946,407)	-	-
Payments to employees for services	(19,712,213)	(8,293,651)	(872,640)	(28,436)	(28,906,940)	-	-
Payment for premiums and settlement of claims							
Net cash provided (used) by operating activities	18,435,891	1,680,795	(183,106)	(43,765)	19,889,815	(33,736,837)	2,359,757
Cash flows from noncapital financing activities:							
Advances from/(to) other funds	(88,020)	-	-	88,020	-	-	-
Transfers in	6,037,498	-	154,597	16,522	6,208,617	-	-
Transfers out	(6,817,912)	(6,168)	-	-	(6,824,080)	-	-
Net cash provided (used) by noncapital financing activities	(868,434)	(6,168)	154,597	104,542	(615,463)	-	-
Cash flows from capital and related financing activities:							
Proceeds from sale of bonds	33,690,000	-	-	-	33,690,000	-	-
Principal paid on long-term debt	(11,300,000)	-	(52,424)	(80,000)	(11,432,424)	-	-
Interest and fiscal fees	(11,333,773)	-	(12,474)	(99,176)	(11,445,423)	-	-
Acquisition of capital assets	(29,194,953)	(1,202,483)	-	(75,697)	(30,473,133)	-	-
Capital contributions	59,867	-	-	-	59,867	-	-
Proceeds from the sale of assets	28,098	202,388	1,325	-	231,811	-	-
Investment in joint venture	(14,120,147)	-	-	-	(14,120,147)	-	-
Net cash used by capital and related financing activities	(32,170,908)	(1,000,095)	(63,573)	(254,873)	(33,489,449)	-	-
Cash flows from investing activities:							
Interest received	1,779,888	127,818	6,155	-	1,913,861	-	-
Collection of notes receivable	482,576	-	-	-	482,576	-	-
Net cash provided by investing activities	2,262,464	127,818	6,155	-	2,396,437	-	-
Net increase (decrease) in cash and cash equivalents	(12,340,987)	802,350	(85,927)	(194,096)	(11,818,660)	2,359,757	-
Cash and cash equivalents at beginning of year	113,552,454	4,859,686	447,107	615,391	119,474,638	12,926,024	-
Cash and cash equivalents at end of year	\$ 101,211,467	\$ 5,662,036	\$ 361,180	\$ 421,295	\$ 107,655,978	\$ 15,285,781	-
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 6,692,043	\$ 692,437	\$ (498,156)	\$ (28,687)	\$ 6,857,637	\$ 1,587,147	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	11,767,265	974,925	196,707	10,107	12,949,004	-	-
Change in assets and liabilities:							
(Increase) decrease in receivables	(2,064,190)	(2,514)	-	-	(2,066,704)	(23,989)	-
(Increase) decrease in inventories	2,281	-	-	-	2,281	-	-
Increase (decrease) in deposits	202,962	-	-	-	202,962	-	-
Increase (decrease) in payables	1,428,253	(183,686)	17,555	(1,403)	1,260,719	(566,171)	-
Increase (decrease) in accrued expenses	372,873	244,050	24,949	(1,915)	639,957	1,338,242	-
Increase (decrease) in net OPEB obligation	34,404	(44,417)	75,839	(21,867)	43,959	14,528	-
Net cash provided (used) by operating activities	\$ 18,435,891	\$ 1,680,795	\$ (183,106)	\$ (43,765)	\$ 19,889,815	\$ 2,359,757	-
Noncash investing, capital, and financing activities:							
Net loss from joint venture	\$ (3,595,032)	\$ -	\$ -	\$ -	\$ (3,595,032)	\$ -	\$ -
Total noncash investing, capital, and financing activities:	\$ (3,595,032)	\$ -	\$ -	\$ -	\$ (3,595,032)	\$ -	\$ -

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



Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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 unit's data and data from the City at the government-wide and fund financial statement level. Separately issued financial statements are not available for the City's component unit.

B. Basic Financial Statements

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

The government-wide 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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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 1979-80 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 2008-09 Expenditure Limitation is \$282,302,095.

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 and Prepaid Items

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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 2009 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, 2009

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 <\$4,382,022> and the bank balance was <\$4,911,345>.

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 Pools.

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, 2009 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$360,705,516
Carrying amount of cash deposits	(4,382,022)
Total pooled cash and investments	<u>\$356,323,494</u>
Pooled cash and investments – unrestricted	\$257,665,929
Restricted cash and investments	98,657,565
Total pooled cash and investments	<u>\$356,323,494</u>

The City had a net increase in the fair value of investments during fiscal year 2008-09 of \$ 1,193,062. 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, 2009

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2009, the City maintained the following investments and maturities:

Investment Type	Fair Value	Remaining Maturity in Months	
		12 Months or Less	13 - 24 Months
US government treasuries	\$ 58,048,906	\$ 52,201,947	\$ 5,846,959
US government agencies	144,752,409	61,312,060	83,440,349
Money market	56,820,101	56,820,101	-
State investment pools	101,084,100	101,084,100	-
	<u>\$360,705,516</u>	<u>\$271,418,208</u>	<u>\$ 89,287,308</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 5 is currently rated AAA by Standard & Poor's.

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%. The City is required to disclose if 5% or more of its investments are in securities of a single issuer. As of June 30, 2009, 11.63% of the City's investments are in Federal Home Loan Bank securities, 8.80% of the City's investments are in Fannie Mae, and 12.76% of the City's investments are in Federal Home Loan Mortgage Corporation Securities.

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

Due to/from other funds consisted of the following at June 30, 2009:

	Due to	Due from
General fund	\$ -	\$ 6,647,826
Special assessment debt service	45,614	-
Transit capital projects fund	6,570,602	-
Non-major governmental	31,610	-
Total governmental funds	<u>\$6,647,826</u>	<u>\$6,647,826</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 385,484
Cemetery fund	385,484	-
Total proprietary funds	<u>\$ 385,484</u>	<u>\$ 385,484</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

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

The interfund balances at June 30, 2009 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2009 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	Solid Waste	Total
		Transfers In							
General	\$ -	\$ 329	\$ -	\$ -	\$ 1,625	\$ 86,359	\$ 6,168	\$ 94,481	
Transit Special Revenue	-	-	-	17,824,969	277,710	-	-	18,102,679	
General Obligation Debt Service	-	-	-	-	2,872,527	5,446,590	-	8,319,117	
Special Assessment Debt Service	-	-	-	-	629,750	-	-	629,750	
Transit Capital Projects	-	17,079,677	-	-	867,976	-	-	17,947,653	
Non-major Governmental	11,916,157	542,265	3,062,005	210,385	2,120,990	1,284,963	-	19,136,765	
Water and Wastewater	232,971	-	5,446,590	-	357,937	-	-	6,037,498	
Golf	154,597	-	-	-	-	-	-	154,597	
Cemetery	16,522	-	-	-	-	-	-	16,522	
Total	\$12,320,247	\$ 17,622,271	\$ 8,508,595	\$18,035,354	\$ 7,128,515	\$ 6,817,912	\$ 6,168	\$ 70,439,062	

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 2008-09 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, 2009 the note receivable balance is \$13,361,735.

At June 30, 2009, notes receivable totaled \$1,023,835 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, 2009, the note receivable balance is \$25,285,730 and corresponding revenue has been deferred.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE (Continued)

During the construction of the light rail, the City entered into two development agreements to add a light rail station at Washington and Center Parkway. Each agreement has a total contribution to the City of \$1.3 million, payable at \$130,000 annually over a ten year period with the option of a prepayment equal to the net present value of the unpaid balance calculated using a 4.5% discount rate. At June 30, 2009, the note receivable balance in the Transit Special Revenue fund is \$2,057,306 and the corresponding revenue has been deferred.

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, 2008 (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, excise tax bonds, development fees and grants. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2008 (the latest information available) is as follows (in thousands):

Total assets	\$ 866,596
Total liabilities	(60,939)
Total net assets	<u>\$ 805,657</u>
Total revenues	\$ 168,426
Total expenses	(66,013)
Total non-operating revenues (expenses)	590
Net increase in net assets	<u>\$ 103,003</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, 2009, was \$152,911,240. The City's net loss from joint venture was \$3,595,032 for the fiscal year ended June 30, 2009. 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, 2009

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, 2009, the City has 24.8% (unaudited) equity interest in the joint venture. The light rail project was completed and began operations in 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, 2008 (the latest information available) is as follows:

Total assets	\$ 1,331,345,502
Total liabilities	(247,783,659)
Total net assets	<u>\$ 1,083,561,843</u>
Total revenues	\$ 333,041,732
Total expenses	(23,378,898)
Total non-operating revenues	91,519
Net increase in net assets	<u>\$ 309,754,353</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 \$26,862,450 in the fiscal year ended June 30, 2009 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, \$26,686,299 was included in equity in joint venture and \$176,151 was recorded to land in the government-wide financial statements. The City's equity in joint venture at June 30, 2009 was \$297,026,885. 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, 2009

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, 2009 is as follows:

	Balances June 30, 2008	Additions	Retirements	Transfers in (out)	Balances June 30, 2009
Governmental activities:					
Non-depreciable assets:					
Land	\$ 60,383,271	\$ -	\$ -	\$ 2,186,172	\$ 62,569,443
Construction-in-progress	69,361,816	79,137,599	(3,919,857)	(77,321,147)	67,258,411
Total non-depreciable assets	129,745,087	79,137,599	(3,919,857)	(75,134,975)	129,827,854
Depreciable assets:					
Buildings	250,570,730	-	(1,148,236)	48,824,559	298,247,053
Infrastructure	631,736,381	-	-	14,571,607	646,307,988
Improvements	117,907,670	13,073	-	6,965,283	124,886,026
Machinery and equipment	130,045,854	4,293,059	(755,855)	4,773,526	138,356,584
Total depreciable assets	1,130,260,635	4,306,132	(1,904,091)	75,134,975	1,207,797,651
Accumulated depreciation:					
Buildings	(39,356,032)	(8,915,025)	306,196	-	(47,964,861)
Infrastructure	(265,594,502)	(14,299,484)	-	-	(279,893,986)
Improvements	(32,114,792)	(4,617,056)	-	-	(36,731,848)
Machinery and equipment	(91,589,438)	(8,655,425)	741,118	-	(99,503,745)
Total accumulated depreciation	(428,654,764)	(36,486,990)	1,047,314	-	(464,094,440)
Governmental activities capital assets, net	\$ 831,350,958	\$46,956,741	\$ (4,776,634)	\$ -	\$ 873,531,065

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2008	Additions	Retirements	Transfers in (out)	Balances June 30, 2009
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	69,357,605	29,059,245	-	(15,984,436)	82,432,414
Total non-depreciable assets	76,050,982	29,059,245	-	(15,984,436)	89,125,791
Depreciable assets:					
Buildings	51,286,403	-	-	7,536,332	58,822,735
Infrastructure	205,177,089	-	-	5,616,161	210,793,250
Improvements	146,409,566	-	-	2,444,782	148,854,348
Machinery and equipment	45,727,201	1,660,729	(1,296,950)	387,161	46,478,141
Total depreciable assets	448,600,259	1,660,729	(1,296,950)	15,984,436	464,948,474
Accumulated depreciation:					
Buildings	(18,858,328)	(1,122,365)	-	-	(19,980,693)
Infrastructure	(104,877,587)	(5,259,715)	-	-	(110,137,302)
Improvements	(60,978,900)	(4,875,604)	-	-	(65,854,504)
Machinery and equipment	(36,988,749)	(1,691,320)	1,296,950	-	(37,383,119)
Total accumulated depreciation	(221,703,564)	(12,949,004)	1,296,950	-	(233,355,618)
Business-type activities capital assets, net	\$ 302,947,677	\$17,770,970	\$ -	\$ -	\$ 320,718,647

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

Police	\$ 2,569,011
Fire	1,691,460
Community services	3,243,884
Parks and recreation	2,799,566
Public works	20,859,965
Community relations	18,059
City manager	11,127
Diversity program	997
City clerk and elections	1,211
City attorney	889
Municipal courts	51,437
Development services	147,270
Community development	1,044,983
Financial services	179,515
Information technology	1,154,247
Non-departmental	2,713,369
Total depreciation expense	\$ 36,486,990

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, \$56.1 million was issued to finance improvements for Water and Wastewater, Transportation, Public Safety Police, Public Safety Fire, and Parks. In prior years, 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, 2009, 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%	\$ 2,705,000
\$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%	4,710,000
\$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%	11,755,000
\$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%	10,090,000
\$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%	5,950,000
\$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%	16,425,000
\$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%	35,405,000
\$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%	16,365,000
\$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%	16,560,000
\$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%	44,555,000
\$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%	67,075,000
\$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%	18,350,000
\$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%	71,505,000
\$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%	64,495,000
\$56,055,000 2009A Capital Improvement Serial Bonds due in annual installments of \$1,760,000 to \$4,200,000 beginning July 1, 2010 through July 1, 2029; interest at 3.00% to 4.375%	56,055,000
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	<u>\$442,000,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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
2010	\$ 24,605,000	\$ 18,999,497	\$ 43,604,497
2011	25,820,000	17,815,435	43,635,435
2012	25,475,000	16,740,295	42,215,295
2013	24,945,000	15,638,740	40,583,740
2014	26,060,000	14,580,148	40,640,148
2015-2019	130,255,000	55,807,845	186,062,845
2020-2024	129,590,000	27,045,713	156,635,713
2025-2029	55,250,000	5,445,469	60,695,469
	<u>\$ 442,000,000</u>	<u>\$ 172,073,142</u>	<u>\$ 614,073,142</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 9,640,000	\$ 6,678,073	\$ 16,318,073
2011	10,100,000	6,184,493	16,284,493
2012	9,995,000	5,776,020	15,771,020
2013	9,470,000	5,347,325	14,817,325
2014	9,895,000	4,949,319	14,844,319
2015-2019	45,930,000	18,595,036	64,525,036
2020-2024	40,740,000	9,104,929	49,844,929
2025-2029	20,495,000	2,377,525	22,872,525
	<u>\$ 156,265,000</u>	<u>\$ 59,012,720</u>	<u>\$ 215,277,720</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 14,965,000	\$ 12,321,424	\$ 27,286,424
2011	15,720,000	11,630,943	27,350,943
2012	15,480,000	10,964,275	26,444,275
2013	15,475,000	10,291,415	25,766,415
2014	16,165,000	9,630,829	25,795,829
2015-2019	84,325,000	37,212,809	121,537,809
2020-2024	88,850,000	17,940,785	106,790,785
2025-2029	34,755,000	3,067,944	37,822,944
	<u>\$ 285,735,000</u>	<u>\$ 113,060,424</u>	<u>\$ 398,795,424</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009, the special assessments receivable of \$36,323,347, 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, 2009, 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%	\$ 65,000
\$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%	2,250,000
\$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%	1,880,000
\$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%	2,985,000
\$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%	3,725,000
\$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>\$36,095,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,745,000	1,214,850	2,959,850
2015-2019	7,560,000	4,941,692	12,501,692
2020-2024	7,615,000	3,111,014	10,726,014
2025-2029	<u>8,755,000</u>	<u>1,136,875</u>	<u>9,891,875</u>
	<u>\$36,095,000</u>	<u>\$16,392,130</u>	<u>\$52,487,130</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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%

\$ 700,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 340,000	\$ 35,790	\$ 375,790
2011	360,000	18,450	378,450
	<u>\$ 700,000</u>	<u>\$ 54,240</u>	<u>\$ 754,240</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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 or 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% \$13,710,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 1,610,000	\$ 603,388	\$ 2,213,388
2011	1,675,000	538,988	2,213,988
2012	1,760,000	455,238	2,215,238
2013	1,830,000	384,838	2,214,838
2014	1,905,000	311,638	2,216,638
2015-2019	1,980,000	781,188	2,761,188
2020-2023	<u>2,950,000</u>	<u>545,750</u>	<u>3,495,750</u>
	<u>\$13,710,000</u>	<u>\$ 3,621,028</u>	<u>\$17,331,028</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, 2009

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%	<u>\$ 28,875,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,460,000	1,060,238	3,520,238
2015-2019	14,385,000	3,222,452	17,607,452
2020	<u>3,350,000</u>	<u>175,876</u>	<u>3,525,876</u>
	<u>\$28,875,000</u>	<u>\$ 9,868,430</u>	<u>\$38,743,430</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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%

\$ 19,840,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 385,000	\$ 952,175	\$ 1,337,175
2011	395,000	938,700	1,333,700
2012	410,000	924,875	1,334,875
2013	425,000	909,500	1,334,500
2014	450,000	888,250	1,338,250
2015-2019	6,400,000	3,890,600	10,290,600
2020-2024	9,240,000	1,964,750	11,204,750
2025	2,135,000	106,750	2,241,750
	<u>\$19,840,000</u>	<u>\$10,575,600</u>	<u>\$30,415,600</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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
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	345,000	811,950	1,156,950
2015-2019	5,825,000	3,577,600	9,402,600
2020-2024	8,500,000	1,807,500	10,307,500
2025	1,965,000	98,250	2,063,250
	<u>\$17,875,000</u>	<u>\$ 9,675,213</u>	<u>\$27,550,213</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	105,000	76,300	181,300
2015-2019	575,000	313,000	888,000
2020-2024	740,000	157,250	897,250
2025	170,000	8,500	178,500
	<u>\$1,965,000</u>	<u>\$ 900,389</u>	<u>\$ 2,865,389</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, 2009

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%

\$ 14,765,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,190,000	303,000	2,493,000
2015-2016	4,665,000	317,252	4,982,252
	<u>\$14,765,000</u>	<u>\$2,675,366</u>	<u>\$17,440,366</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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 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 1.0% of the average daily amount of available commitment for principal and interest. As of June 30, 2009 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.

\$57,480,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009 was 1.36%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2009 of 0.25%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 1,220,000	\$ 143,700	\$ 1,363,700
2011	1,270,000	140,650	1,410,650
2012	1,320,000	137,476	1,457,476
2013	1,375,000	134,176	1,509,176
2014	1,430,000	130,738	1,560,738
2015-2019	8,040,000	597,176	8,637,176
2020-2024	9,785,000	488,312	10,273,312
2025-2029	11,910,000	355,776	12,265,776
2030-2034	14,490,000	194,528	14,684,528
2035-2036	6,640,000	25,062	6,665,062
	<u>\$57,480,000</u>	<u>\$ 2,347,594</u>	<u>\$ 59,827,594</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, 2009

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% \$21,260,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	435,000	983,550	1,418,550
2015-2019	11,445,000	3,967,450	15,412,450
2020-2022	8,510,000	766,325	9,276,325
	<u>\$21,260,000</u>	<u>\$ 9,769,725</u>	<u>\$ 31,029,725</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, 2009, 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, 2009

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. \$48,310,000

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2009 was 1.36%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2009 of 0.25%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 965,000	\$ 120,776	\$ 1,085,776
2011	1,005,000	118,362	1,123,362
2012	1,045,000	115,850	1,160,850
2013	1,085,000	113,238	1,198,238
2014	1,130,000	110,526	1,240,526
2015-2019	6,370,000	507,900	6,877,900
2020-2024	7,755,000	421,628	8,176,628
2025-2029	9,430,000	316,638	9,746,638
2030-2034	11,480,000	188,912	11,668,912
2035-2037	8,045,000	40,764	8,085,764
	<u>\$48,310,000</u>	<u>\$ 2,054,594</u>	<u>\$ 50,364,594</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% \$29,690,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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
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	630,000	1,265,419	1,895,419
2015-2019	3,520,000	5,944,869	9,464,869
2020-2024	4,305,000	5,170,488	9,475,488
2025-2029	5,350,000	4,113,406	9,463,406
2030-2034	6,820,000	2,643,000	9,463,000
2035-2038	6,760,000	821,275	7,581,275
	<u>\$29,690,000</u>	<u>\$25,225,058</u>	<u>\$54,915,058</u>

Excise Tax Revenue Obligations. On June 24, 2009, the City issued \$23,615,000 of Excise Tax Revenue Obligations: \$14,300,000 of tax-exempt obligations (Series 2009A) and \$9,315,000 of taxable obligations (Series 2009B) referred to as Build America Bonds. As an issuer of Build America Bonds, the City qualifies, and intends to apply, for the interest subsidy payment directly from the US Treasury. The amount of the interest subsidy payment is thirty-five percent (35%) of the corresponding interest payable on the Series 2009B taxable obligations on any interest payment date.

The proceeds were used to finance the construction of a public parking garage and various projects for the Tempe Water/Wastewater Department and to 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

\$14,300,000 2009A Excise Tax Revenue Obligations due in annual installments of \$770,000 to \$1,340,000 through July 1, 2023; interest at 3.00% to 5.00%	\$ 14,300,000
\$9,315,000 2009B Excise Tax Revenue Obligations due in annual installments of \$1,400,000 to \$1,715,000 through July 1, 2029; interest at 4.23%, net of 35% federal credit	<u>9,315,000</u>
Total	<u>\$ 23,615,000</u>

The following is a summary of total debt service cash requirements to maturity (net of 35% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 770,000	\$ 1,020,435	\$ 1,790,435
2011	815,000	977,871	1,792,871
2012	840,000	953,421	1,793,421
2013	860,000	928,221	1,788,221
2014	905,000	885,221	1,790,221
2015-2019	5,080,000	3,870,806	8,950,806
2020-2024	6,430,000	2,525,194	8,955,194
2025-2029	<u>7,915,000</u>	<u>1,030,477</u>	<u>8,945,477</u>
	<u>\$ 23,615,000</u>	<u>\$ 12,191,646</u>	<u>\$ 35,806,646</u>

The following is a summary of governmental debt service cash requirements to maturity (net of 35% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 225,000	\$ 297,893	\$ 522,893
2011	240,000	285,462	525,462
2012	245,000	278,273	523,273
2013	250,000	270,922	520,922
2014	265,000	258,413	523,413
2015-2019	1,485,000	1,129,651	2,614,651
2020-2024	1,875,000	737,065	2,612,065
2025-2029	<u>2,310,000</u>	<u>300,609</u>	<u>2,610,609</u>
	<u>\$ 6,895,000</u>	<u>\$ 3,558,288</u>	<u>\$ 10,453,288</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

The following is a summary of enterprise debt service cash requirements to maturity (net of 35% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 545,000	\$ 722,542	\$ 1,267,542
2011	575,000	692,409	1,267,409
2012	595,000	675,148	1,270,148
2013	610,000	657,299	1,267,299
2014	640,000	626,809	1,266,809
2015-2019	3,595,000	2,741,155	6,336,155
2020-2024	4,555,000	1,788,129	6,343,129
2025-2029	5,605,000	729,869	6,334,869
	<u>\$ 16,720,000</u>	<u>\$ 8,633,360</u>	<u>\$25,353,360</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%

\$ 6,466,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	340,000	289,708	629,708
2015-2019	1,941,000	1,153,859	3,094,859
2020-2024	2,417,000	534,707	2,951,707
2025	549,000	16,497	565,497
	<u>\$ 6,466,000</u>	<u>\$ 3,308,393</u>	<u>\$ 9,774,393</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, 2009 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>\$ 1,023,835</u>
--	---------------------

The following discloses debt service requirements as of June 30, 2009 segregating principal and interest, to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 501,880	\$ 40,953	\$ 542,833
2011	521,955	20,878	542,833
	<u>\$ 1,023,835</u>	<u>\$ 61,831</u>	<u>\$ 1,085,666</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 governmental assets acquired through capital leases are as follows:

	Amount
Building	\$ 6,434,335
Equipment	244,524
Total	<u>\$ 6,678,859</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2010	\$ 289,777
	2011	287,500
	2012	287,500
	2013	287,500
	2014	287,500
	2015-2018	1,437,500
Total minimum lease payments		2,877,277
Less: interest at 4.72% to 8.50%		(988,646)
Present value of future minimum lease payments		<u>\$ 1,888,631</u>

The proprietary assets acquired through capital leases are as follows:

	Amount
Equipment	<u>\$ 246,841</u>
Total	<u>\$ 246,841</u>

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, 2009. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2010	\$ 55,627
	2011	55,627
	2012	55,627
	2013	46,356
Total minimum lease payments		213,237
Less: interest at 4.48%		(18,821)
Present value of future minimum lease payments		<u>\$ 194,416</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Statutory Debt Limitation. In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, wastewater, open space preserves, artificial lighting, parks, playgrounds and recreational facilities, 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, 2009, the 20 percent debt limitation was \$531,389,638 with \$462,255,000 of outstanding debt. This provided a 20 percent debt margin of \$69,134,638. The 6 percent debt limitation was \$159,416,891 with \$1,395,000 of outstanding debt. This provided a 6 percent debt margin of \$158,021,891. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2009, was \$230,655,000.

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, 2009. However, the City has designated \$500,000 in the General Fund for this purpose.

Debt Service Coverage for Governmental General Obligation Bonds. The governmental general obligations are payable from ad valorem tax revenues to be levied on all taxable property within the City. A total of \$156,265,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 56% of total 2008-09 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$215,277,720. Principal and interest paid for the current year and total ad valorem tax revenues were \$13,402,623 and \$24,291,978, respectively.

Debt Service Coverage for Business-type Activities General Obligation Bonds. The business-type general obligations are paid from the water and wastewater utility system revenues of the City. A total of \$285,735,000 is outstanding in business-type 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, 2029. Annual principal and interest payments on the bonds are expected to require less than 47% of 2008-09 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$398,795,424. Principal and interest paid for the current year and water and wastewater system revenues were \$26,175,498 and \$55,706,187, respectively.

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$60,440,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 5% of total 2008-09 excise taxes. The total principal and interest remaining to be paid on the bonds is \$87,118,494. Principal and interest paid for the current year and total excise taxes were \$5,446,590 and \$132,726,935, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Debt Service Coverage for Business-type Activities Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$18,685,000 in outstanding business-type activities excise tax obligations. Proceeds of the bonds were used for improvements to the Double Butte Cemetery and for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 1% of total 2008-09 excise taxes. The total principal and interest remaining to be paid on the bonds is \$28,218,749. Principal and interest paid for the current year and total excise taxes were \$179,138 and \$132,726,935, 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 \$135,480,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 19% of total 2008-09 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$165,107,246. Principal and interest paid for the current year and transit excise taxes were \$5,521,267 and \$29,850,942, 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 \$43,640,000 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 2008-09 performing excise taxes. The total principal and interest remaining to be paid on the bonds is \$56,183,796. Principal and interest paid for the current year and total available excise taxes were \$6,012,726 and \$133,259,968, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$ 125,075,000	\$ 39,085,000	\$ (7,895,000)	\$156,265,000	\$ 9,640,000
Special assessments	38,310,000	-	(2,215,000)	36,095,000	3,070,000
1999 Excise tax refunding certificates of participation	625,000	-	(625,000)	-	-
2000A Excise tax obligations	1,025,000	-	(325,000)	700,000	340,000
2003 Excise tax refunding obligations	15,250,000	-	(1,540,000)	13,710,000	1,610,000
2004 Excise tax obligations	30,785,000	-	(1,910,000)	28,875,000	2,000,000
2005 Excise tax obligations	18,160,000	-	(285,000)	17,875,000	295,000
2006 Excise tax obligations	16,555,000	-	(1,790,000)	14,765,000	1,860,000
2006 Variable rate demand excise tax obligations	58,655,000	-	(1,175,000)	57,480,000	1,220,000
2007 Excise tax refunding obligations	21,285,000	-	(25,000)	21,260,000	25,000
2007 Variable rate demand excise tax obligations	49,240,000	-	(930,000)	48,310,000	965,000
2008 Excise tax obligations	30,170,000	-	(480,000)	29,690,000	550,000
2009 Excise tax obligations	-	6,895,000	-	6,895,000	225,000
2004 HUD Section 108 loan	6,739,000	-	(273,000)	6,466,000	285,000
Capital improvement notes payable	1,506,411	-	(482,576)	1,023,835	501,880
Total debt payable	413,380,411	45,980,000	(19,950,576)	439,409,835	22,586,880
Capital leases	3,351,733	-	(1,463,102)	1,888,631	104,962
Compensated absences	18,004,532	14,181,158	(10,724,523)	21,461,167	11,541,309
Claims and judgments	5,461,724	3,030,953	(3,613,120)	4,879,557	2,427,646
Net OPEB obligation	29,089,400	9,017,701	(1,038,290)	37,068,811	-
Governmental activities long-term	<u>\$ 469,287,800</u>	<u>\$72,209,812</u>	<u>\$ (36,789,611)</u>	<u>\$ 504,708,001</u>	<u>\$36,660,797</u>
Business-type activities:					
General obligation bonds payable	\$ 282,520,000	\$16,970,000	\$(13,755,000)	\$285,735,000	\$14,965,000
2005 Excise tax obligations	2,050,000	-	(85,000)	1,965,000	90,000
2005 Excise tax obligation premium amortization	107,372	-	(6,316)	101,056	6,316
2009 Excise tax obligations	-	16,720,000	-	16,720,000	545,000
Capital leases	-	246,841	(52,425)	194,416	47,328
Net OPEB obligation	4,686,635	1,425,824	(1,381,865)	4,730,594	-
Total debt payable	<u>\$ 289,364,007</u>	<u>\$ 35,362,665</u>	<u>\$ (15,280,606)</u>	<u>\$309,446,066</u>	<u>\$15,653,644</u>

The long-term liabilities at June 30, 2009 have been reduced by deposits made with the City's fiscal agent for July 1, 2009 maturities.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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, 2009 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, 2009

City of Tempe, Arizona

NOTE 11 - COMMITMENTS

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

At June 30, 2009 the City's construction commitments are as follows:

	<u>Construction in Progress</u>	<u>Commitment</u>
Governmental funds:		
Transit	\$17,487,981	\$ 7,353,650
Streets	23,094,408	3,422,167
Police	10,080,887	455,999
Fire	80,180	263,126
Storm sewers	15,440	523,614
Parks and recreation	2,316,947	1,939,674
Rio Salado	10,778,145	4,174,408
Community development	3,352,859	6,903,934
Signals	51,564	507,869
	<u>\$67,258,411</u>	<u>\$25,544,441</u>
	<u>Construction in Progress</u>	<u>Commitment</u>
Proprietary funds:		
Water/wastewater	\$82,265,462	\$35,511,292
Golf	46,952	-
Solid Waste	120,000	-
	<u>\$82,432,414</u>	<u>\$35,511,292</u>

In addition, there were non-construction related commitments in the General fund of \$678,741; the Highway User Revenue fund of \$526,064; and the Grants and Court Awards fund of \$85,777.

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, 2009 was \$471,353.

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

Fiscal Year Ending June 30,	Amount
2010	\$ 557,268
2011	398,631
2012	148,017
2013	134,412
2014	100,809
Total minimum payments required	<u>\$ 1,339,137</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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 602-255-5575.

B. Funding Policy

The System is funded through a member contribution of 7.65 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's current aggregate contribution rate for fire is 24.44 percent of annual covered payroll, of which 0.47 percent was the health insurance premium portion. The current aggregate contribution rate for police is 23.52 percent of annual covered payroll, of which 0.53 percent was the health insurance premium portion. 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 \$2,156,854 and fire personnel \$937,076 during fiscal year 2008-09. For 2009, the City's annual pension cost was \$6,631,270 for police and \$2,993,743 for fire and was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation determining contribution requirements for fiscal year 2008-09, 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, 2008 was 28 years.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 2,893,578	100%	-
2007	3,154,840	100	-
2008 (Pension)	4,531,992	100	-
2008 (Health)	429,196	100	-

Fire

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 527,484	100%	-
2007	1,600,734	100	-
2008 (Pension)	2,245,903	100	-
2008 (Health)	261,528	100	-

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

Police

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Unfunded AAL</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL as a % of Covered Payroll</u>
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
2008	87,441,985	147,095,432	59.4	59,653,447	28,052,053	212.7

Fire

<u>Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Unfunded AAL</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL as a % of Covered Payroll</u>
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	27,874,741	11,423,138	243.8
2008	66,550,238	92,632,556	71.8	26,082,318	12,573,469	207.4

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

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.

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.

The actuarially determined contribution rates for the year ended June 30, 2009 were 9.45 percent (8.95 percent for retirement and 0.50 percent for long-term disability) for active members and the City was required to contribute 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium and 0.50 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2009, 2008, and 2007 were \$7,247,303, \$6,957,969 and \$6,250,065 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 percent of their annual covered salary. The employer rate for 2008-09 was 28.00 percent of the members' annual covered payroll, of which 0.91 percent was the health insurance premium portion. The City's contributions to EORP for the fiscal years ended June 30, 2009, 2008 and 2007 were \$59,306, \$41,482 and \$36,829 respectively, equal to the annual required contributions for each year. The City's employees contributed \$14,826, \$14,368 and \$13,898 for the same time period.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Other post employment 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 2009.86 of the City Council, to all retired, benefitted employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Due to changes effective July 1, 2009, benefitted employees hired after June 30, 1999 are not eligible to participate in the post employment benefit plan subject to the requirements of GASB Statement No. 45.

As of June 30, 2009, 726 retirees meet those eligibility requirements to receive postemployment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	697
Active employees eligible	<u>1,555</u>
Total	<u>2,252</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

For those retirees who have not reached Medicare eligibility, the City offers two health plans to its retirees; Tempe Preferred Provider Organization (PPO), which are the City's self-insurance plans, and the CIGNA Health Maintenance Organization (HMO) plan. For those beneficiaries who have not reached Medicare eligibility, the benefits provided by the group health insurance plans are the same as those offered to active employees. For coverage to be continued for retirees and dependents reaching Medicare eligibility, beneficiaries are required to enroll in a City sponsored Medicare Supplemental Plan.

C. Funding Policy

The plan premium rates are determined annually by the City's Human Resources Department. Premiums for retirees and active employees are calculated on an "unblended" basis, which means that the retirees and active rates are determined separately, based on their own demographics and historical experience. This eliminates any implicit rate subsidies. 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. Funding Policy (Continued)

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 67% of retiree premiums were subsidized by the City during the fiscal year resulting in expenditures of \$6,706,048 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 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

Annual required contribution	\$ 11,004,725
Adjustment to annual required contribution	(1,912,241)
Interest on net OPEB obligation	1,351,041
Annual OPEB cost	10,443,525
Contributions made	(2,420,155)
Increase in net OPEB obligation	8,023,370
Net OPEB obligation – beginning of year	33,776,035
Net OPEB obligation – end of year	<u>\$ 41,799,405</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the new OPEB obligation for the fiscal years ended June 30, 2008 and 2009 are as follows. Reductions in the fiscal year ended June 30, 2009 annual OPEB cost are due primarily to plan design changes.

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
2009	\$ 10,443,525	\$2,420,155	23.2%	\$41,799,405

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

E. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
7/1/2007	\$ -	\$ 398,306,209	\$398,306,209	0.0%	\$100,141,047	397.7%
7/1/2008	-	159,149,836	159,149,836	0.0%	51,388,438	309.7%

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 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.

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	July 1, 2008
Actuarial cost method	Entry age normal
Remaining amortization period	29 years
Asset valuation method	N/A
Actuarial assumptions:	
Healthcare inflation rate	10.5% initial rate, 5% ultimate rate, 11 year grade in period
Investment rate of return	4%
Projected salary increases	Not applicable
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 plan assets are not included in the City's basic financial statements.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

NOTE 16 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Reservations of Fund Balances

At June 30, 2009, 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; prepaid items - represent certain payments to vendors that are due in a future accounting period; 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.

Designations of Fund Balances

At June 30, 2009, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; 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; arbitrage rebate - amount designated for future arbitrage rebate; Rio Salado capital improvements fund- amount designated for dam replacements.

	Amount
General fund:	
Self-insurance purposes	\$ 8,841,391
Capital projects	8,653,828
Rio Salado	3,639,794
Arbitrage rebate	500,000
Total General fund	<u>21,635,013</u>
 Rio Salado capital improvements fund	 <u>1,861,579</u>
 Total governmental funds	 <u>\$ 23,496,592</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 \$18.4 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, 2009

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, 2009, 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, 2008	Claims Incurred Net of Change in Estimates	Payments	June 30, 2009
General liability	\$ 3,284,756	\$ 3,990,976	\$ (416,862)	\$ 6,858,870
Automobile liability	2,266,896	(201,404)	(1,468,914)	596,578
Property liability	48,050	205,647	(207,809)	45,888
Workers' compensation	2,244,785	955,566	(1,519,535)	1,680,816
Health insurance	1,568,252	19,622,697	(19,289,241)	1,901,708
	<u>\$ 9,412,739</u>	<u>\$24,573,482</u>	<u>\$(22,902,361)</u>	<u>\$ 11,083,860</u>

	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>

At June 30, 2009, the internal service fund accrued expenses totaled \$9,196,330. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$9,182,152 and other accrued expenses of \$14,178. The health insurance claims liability at June 30, 2009 of \$1,901,708 are deemed due and payable at June 30, 2009 and recorded as accrued expenditures/expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2009, the City had \$8,841,391 of General Fund fund balance designated for self-insurance purposes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

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.

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/NET ASSETS

The Special Assessment Debt Service Fund had a deficit fund balance of \$45,374 at June 30, 2009. The deficit will be covered by future Special Assessment payments collected. The Fire Capital Projects Fund had a deficit fund balance of \$11,006 at June 30, 2009. The deficit will be funded by future general obligation bond proceeds. The Performing Arts Capital Projects Fund had a deficit fund balance of \$27. The deficit will be covered by a future transfer from operating funds. The Risk Management Internal Service Fund had a negative net asset balance of \$72,505 at June 30, 2009. 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, 2009

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Assets				
Pooled cash and investments	\$ 7,976,587	\$ 7,399,743	\$ 1,040,275	\$ -
Receivables:				
Taxes	499,163	898,607	-	-
Accounts	-	-	-	-
Accrued interest	17,173	-	-	-
Due from other governments	-	-	-	304,638
Inventories	-	909,108	-	-
Restricted cash and investments	4,856,363	-	-	15,830
Total assets	<u>\$ 13,349,286</u>	<u>\$ 9,207,458</u>	<u>\$ 1,040,275</u>	<u>\$ 320,468</u>
Liabilities				
Accounts payable	\$ 46,812	\$ 218,894	\$ -	\$ 117,351
Deposits	-	-	-	-
Accrued expenditures	102,693	373,768	-	8,074
Claims and judgements	14,435	60,496	-	-
Due to other funds	-	-	-	31,610
Deferred Revenue	-	-	-	-
Matured bonds payable	3,700,000	-	-	-
Matured interest payable	1,156,363	-	-	148,038
Total liabilities	<u>5,020,303</u>	<u>653,158</u>	<u>-</u>	<u>305,073</u>
Fund Balances				
Fund balance (deficit):				
Reserved for:				
Encumbrances	-	526,064	-	-
Inventories and prepaids	-	909,108	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	8,328,983	7,119,128	1,040,275	15,395
Total fund balances (deficit)	<u>8,328,983</u>	<u>8,554,300</u>	<u>1,040,275</u>	<u>15,395</u>
Total liabilities and fund balances	<u>\$ 13,349,286</u>	<u>\$ 9,207,458</u>	<u>\$ 1,040,275</u>	<u>\$ 320,468</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ 351,157	\$ 962,548	\$ 1,935,571	\$ 94,219	\$ 19,760,100
-	122,909	-	-	1,520,679
69,948	-	-	-	69,948
-	42,098	-	-	59,271
56,865	-	1,496,422	-	1,857,925
-	-	-	-	909,108
-	-	-	2,309,131	7,181,324
<u>\$ 477,970</u>	<u>\$ 1,127,555</u>	<u>\$ 3,431,993</u>	<u>\$ 2,403,350</u>	<u>\$ 31,358,355</u>
\$ 9,203	\$ 51,563	\$ 141,830	\$ 93,867	\$ 679,520
-	-	206,132	-	206,132
140,242	47,135	1,674	369	673,955
-	20,798	-	-	95,729
-	-	-	-	31,610
-	-	3,027,516	-	3,027,516
-	-	-	1,560,000	5,260,000
-	-	-	749,114	2,053,515
<u>149,445</u>	<u>119,496</u>	<u>3,377,152</u>	<u>2,403,350</u>	<u>12,027,977</u>
-	-	85,777	-	611,841
-	-	-	-	909,108
-	-	-	-	-
328,525	1,008,059	(30,936)	-	17,809,429
<u>328,525</u>	<u>1,008,059</u>	<u>54,841</u>	<u>-</u>	<u>19,330,378</u>
<u>\$ 477,970</u>	<u>\$ 1,127,555</u>	<u>\$ 3,431,993</u>	<u>\$ 2,403,350</u>	<u>\$ 31,358,355</u>

(continued)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2009

	Capital Projects				
	Streets	Police	Fire	Performing Arts	Storm Sewers
Assets					
Pooled cash and investments	\$ 8,702,791	\$ 8,107,155	\$ 58,753	\$ 23,648	\$ 2,421,343
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 8,702,791</u>	<u>\$ 8,107,155</u>	<u>\$ 58,753</u>	<u>\$ 23,648</u>	<u>\$ 2,421,343</u>
Liabilities					
Accounts payable	\$ 2,906,623	\$ 464,840	\$ 69,759	\$ 23,675	\$ 36,464
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>2,906,623</u>	<u>464,840</u>	<u>69,759</u>	<u>23,675</u>	<u>36,464</u>
Fund Balances					
Fund balance (deficit):					
Reserved for:					
Encumbrances	3,422,167	455,999	263,126	-	523,614
Inventories and prepaids	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	2,374,001	7,186,316	(274,132)	(27)	1,861,265
Total fund balances (deficit)	<u>5,796,168</u>	<u>7,642,315</u>	<u>(11,006)</u>	<u>(27)</u>	<u>2,384,879</u>
Total liabilities and fund balances	<u>\$ 8,702,791</u>	<u>\$ 8,107,155</u>	<u>\$ 58,753</u>	<u>\$ 23,648</u>	<u>\$ 2,421,343</u>

Capital Projects

Parks	Rio Salado	Community Development	Bikeways	Signals	Total	Total Nonmajor Governmental Funds
\$ 7,054,325	\$ 7,409,041	\$ 5,058,477	\$ -	\$ 1,228,209	\$ 40,063,742	\$ 59,823,842
-	-	-	-	-	-	1,520,679
-	-	-	-	-	-	69,948
-	-	-	-	-	-	59,271
-	-	-	-	112,968	112,968	1,970,893
-	-	-	-	-	-	909,108
-	-	7,000,729	-	-	7,000,729	14,182,053
<u>\$ 7,054,325</u>	<u>\$ 7,409,041</u>	<u>\$ 12,059,206</u>	<u>\$ -</u>	<u>\$ 1,341,177</u>	<u>\$ 47,177,439</u>	<u>\$ 78,535,794</u>
\$ 1,097,802	\$ 48,793	\$ 1,194,443	\$ -	\$ 296,013	\$ 6,138,412	\$ 6,817,932
-	-	-	-	-	-	206,132
-	-	-	-	-	-	673,955
-	-	-	-	-	-	95,729
-	-	-	-	-	-	31,610
-	-	-	-	-	-	3,027,516
-	-	-	-	-	-	5,260,000
-	-	-	-	-	-	2,053,515
<u>1,097,802</u>	<u>48,793</u>	<u>1,194,443</u>	<u>-</u>	<u>296,013</u>	<u>6,138,412</u>	<u>18,166,389</u>
1,939,674	4,174,408	6,903,934	-	507,869	18,190,791	18,802,632
-	-	-	-	-	-	909,108
-	1,861,579	-	-	-	1,861,579	1,861,579
4,016,849	1,324,261	3,960,829	-	537,295	20,986,657	38,796,086
5,956,523	7,360,248	10,864,763	-	1,045,164	41,039,027	60,369,405
<u>\$ 7,054,325</u>	<u>\$ 7,409,041</u>	<u>\$ 12,059,206</u>	<u>\$ -</u>	<u>\$ 1,341,177</u>	<u>\$ 47,177,439</u>	<u>\$ 78,535,794</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2009

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales taxes	\$ 6,158,761	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	1,189,291
State grants	-	-	-	-
State sales tax	-	9,945,310	-	-
Other	-	-	709,867	120,145
Investment income	271,403	-	-	-
Charges for services	739,670	-	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	5,437	6,904	-	375,694
Total revenues	7,175,271	9,952,214	709,867	1,685,130
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	2,728,590	-	-	-
Parks and recreation	-	-	-	-
Public works	-	11,905,404	-	-
Community relations	-	-	-	-
City attorney	-	-	-	-
Municipal court	-	-	-	-
Community development	-	-	-	1,359,437
Debt service:				
Principal retirement	3,700,000	-	-	273,000
Interest and fiscal fees	2,317,045	-	-	356,201
Capital outlay	-	-	-	-
Total expenditures	8,745,635	11,905,404	-	1,988,638
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,570,364)	(1,953,190)	709,867	(303,508)
Other financing sources (uses):				
Transfers in:				
General fund	-	-	-	303,518
Special revenue funds	-	785,824	-	-
Debt service funds	-	-	-	-
Capital projects funds	247,794	-	-	15,885
Enterprise funds	-	-	-	-
Transfers out:				
General fund	(550)	(800)	-	-
Special revenue funds	-	-	(277,710)	-
Debt service funds	-	(2,770,000)	-	-
Special assessment debt service	-	-	-	-
Capital projects funds	-	-	(1,000,000)	(500)
Enterprise funds	-	(309,862)	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Total other financing sources (uses)	247,244	(2,294,838)	(1,277,710)	318,903
Net change in fund balances	(1,323,120)	(4,248,028)	(567,843)	15,395
Fund balance at beginning of year	9,652,103	12,802,328	1,608,118	-
Fund balance (deficit) at end of year	\$ 8,328,983	\$ 8,554,300	\$ 1,040,275	\$ 15,395

City of Tempe, Arizona

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 1,579,876	\$ -	\$ -	\$ 7,738,637
-	114,077	-	-	114,077
10,041,342	-	2,535,509	-	13,766,142
-	-	267,768	-	267,768
-	-	-	-	9,945,310
-	-	1,384,412	-	2,214,424
14,086	117,320	8,236	127	411,172
-	2,950	371,522	589,286	1,703,428
-	-	915,104	-	915,104
-	-	-	-	-
1,303	144,194	871,973	292,782	1,698,287
10,056,731	1,958,417	6,354,524	882,195	38,774,349
-	237,608	3,433,828	-	3,671,436
-	-	333,287	-	333,287
-	-	992,793	-	3,721,383
-	482,614	87,325	-	569,939
-	-	-	-	11,905,404
-	-	204,246	-	204,246
-	-	22,200	-	22,200
-	-	1,030,234	-	1,030,234
9,728,206	1,162,885	126,857	2,737,332	15,114,717
-	-	-	1,560,000	5,533,000
-	-	-	1,502,005	4,175,251
-	-	-	-	-
9,728,206	1,883,107	6,230,770	5,799,337	46,281,097
328,525	75,310	123,754	(4,917,142)	(7,506,748)
-	-	-	1,869,327	2,172,845
-	-	-	-	785,824
-	-	-	3,062,005	3,062,005
-	-	-	-	263,679
-	-	-	-	-
-	-	-	-	(1,350)
-	-	-	-	(277,710)
-	-	-	-	(2,770,000)
-	-	-	-	-
-	-	(230,883)	(14,190)	(1,245,573)
-	-	-	-	(309,862)
-	-	-	-	-
-	-	(230,883)	4,917,142	1,679,858
328,525	75,310	(107,129)	-	(5,826,890)
-	932,749	161,970	-	25,157,268
\$ 328,525	\$ 1,008,059	\$ 54,841	\$ -	\$ 19,330,378

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2009

	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	-	-	-	-	-
Charges for services	335,654	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	20,982	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>356,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Community relations	-	-	-	-	-
City attorney	-	-	-	-	-
Municipal courts	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	25,985,620	5,505,447	4,048,586	76,290	71,198
Total expenditures	<u>25,985,620</u>	<u>5,505,447</u>	<u>4,048,586</u>	<u>76,290</u>	<u>71,198</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(25,628,984)</u>	<u>(5,505,447)</u>	<u>(4,048,586)</u>	<u>(76,290)</u>	<u>(71,198)</u>
Other financing sources (uses):					
Transfers in:					
General fund	115,000	2,412,600	-	-	-
Special revenue funds	1,085,000	45,883	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	279,672	-	-	-	-
Enterprise funds	5,145	-	-	-	-
Transfers out:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	(247,794)	-
Debt service fund	-	-	-	-	-
Special assessment debt service	(629,750)	-	-	-	-
Capital projects funds	(325,590)	(7,000)	(37,506)	-	(131,880)
Enterprise funds	(26,974)	-	-	-	-
Issuance of debt	11,120,000	13,000,000	3,275,000	-	-
Premium on issuance of debt	-	-	-	-	-
Total other financing sources (uses)	<u>11,622,503</u>	<u>15,451,483</u>	<u>3,237,494</u>	<u>(247,794)</u>	<u>(131,880)</u>
Net change in fund balances	(14,006,481)	9,946,036	(811,092)	(324,084)	(203,078)
Fund balance at beginning of year	19,802,649	(2,303,721)	800,086	324,057	2,587,957
Fund balance (deficit) at end of year	<u>\$ 5,796,168</u>	<u>\$ 7,642,315</u>	<u>\$ (11,006)</u>	<u>\$ (27)</u>	<u>\$ 2,384,879</u>

Capital Projects

Capital Projects						Total Nonmajor Governmental Funds
Parks	Rio Salado	Community Development	Bikeways	Signals	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,738,637
-	-	-	-	-	-	114,077
-	-	-	118,644	335,366	454,010	14,220,152
-	-	-	-	-	-	267,768
-	-	-	-	-	-	9,945,310
509,950	50,000	938,139	-	-	1,498,089	3,712,513
-	-	-	-	-	-	411,172
-	-	17,500	-	32,700	385,854	2,089,282
-	-	-	-	-	-	915,104
417,587	593,960	222,135	-	80,750	1,335,414	1,335,414
-	-	20,499	-	4,951	25,450	1,723,737
<u>927,537</u>	<u>643,960</u>	<u>1,198,273</u>	<u>118,644</u>	<u>453,767</u>	<u>3,698,817</u>	<u>42,473,166</u>
-	-	-	-	-	-	3,671,436
-	-	-	-	-	-	333,287
-	-	-	-	-	-	3,721,383
-	-	-	-	-	-	569,939
-	-	-	-	-	-	11,905,404
-	-	-	-	-	-	204,246
-	-	-	-	-	-	22,200
-	-	-	-	-	-	1,030,234
-	-	-	-	-	-	15,114,717
-	-	-	-	-	-	5,533,000
-	-	-	-	-	-	4,175,251
4,514,154	1,220,913	19,358,919	-	1,831,024	62,612,151	62,612,151
<u>4,514,154</u>	<u>1,220,913</u>	<u>19,358,919</u>	<u>-</u>	<u>1,831,024</u>	<u>62,612,151</u>	<u>108,893,248</u>
<u>(3,586,617)</u>	<u>(576,953)</u>	<u>(18,160,646)</u>	<u>118,644</u>	<u>(1,377,257)</u>	<u>(58,913,334)</u>	<u>(66,420,082)</u>
-	-	2,608,527	-	100,000	5,236,127	7,408,972
100,000	14,190	542,765	-	-	1,787,838	2,573,662
-	-	-	-	-	-	3,062,005
88,391	3,721,361	91,391	130,113	232,556	4,543,484	4,807,163
-	-	1,264,818	-	15,000	1,284,963	1,284,963
-	-	(275)	-	-	(275)	(1,625)
-	-	(15,885)	-	-	(263,679)	(541,389)
-	-	(102,527)	-	-	(102,527)	(2,872,527)
-	-	-	-	-	(629,750)	(629,750)
(72,014)	(304,432)	(599,292)	-	(2,000)	(1,479,714)	(2,725,287)
-	-	(21,101)	-	-	(48,075)	(357,937)
6,875,000	-	10,510,000	-	1,200,000	45,980,000	45,980,000
-	-	208,256	-	-	208,256	208,256
<u>6,991,377</u>	<u>3,431,119</u>	<u>14,486,677</u>	<u>130,113</u>	<u>1,545,556</u>	<u>56,516,648</u>	<u>58,196,506</u>
3,404,760	2,854,166	(3,673,969)	248,757	168,299	(2,396,686)	(8,223,576)
2,551,763	4,506,082	14,538,732	(248,757)	876,865	43,435,713	68,592,981
<u>\$ 5,956,523</u>	<u>\$ 7,360,248</u>	<u>\$ 10,864,763</u>	<u>\$ -</u>	<u>\$ 1,045,164</u>	<u>\$ 41,039,027</u>	<u>\$ 60,369,405</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, 2009

City of Tempe, Arizona

	Risk Management	Health	Total
<u>Assets</u>			
Current assets:			
Pooled cash and investments	\$ 9,265,243	\$ 6,020,538	\$ 15,285,781
Accounts receivable	-	236,104	236,104
Total assets	<u>9,265,243</u>	<u>6,256,642</u>	<u>15,521,885</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	68,913	514,135	583,048
Accrued expenses and claims payable	9,196,330	-	9,196,330
Total current liabilities	<u>9,265,243</u>	<u>514,135</u>	<u>9,779,378</u>
Noncurrent liabilities:			
Net OPEB Obligation	72,505	-	72,505
Total noncurrent liabilities	<u>72,505</u>	<u>-</u>	<u>72,505</u>
Total liabilities	<u>9,337,748</u>	<u>514,135</u>	<u>9,851,883</u>
<u>Net Assets</u>			
Unrestricted	<u>(72,505)</u>	<u>5,742,507</u>	<u>5,670,002</u>
Total net assets	<u>\$ (72,505)</u>	<u>\$ 5,742,507</u>	<u>\$ 5,670,002</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 6,980,027	\$ 29,140,556	\$ 36,120,583
Total operating revenues	<u>6,980,027</u>	<u>29,140,556</u>	<u>36,120,583</u>
Operating expenses:			
Claims incurred	6,994,555	27,538,881	34,533,436
Total operating expenses	<u>6,994,555</u>	<u>27,538,881</u>	<u>34,533,436</u>
Changes in net assets	(14,528)	1,601,675	1,587,147
Total net assets- beginning	(57,977)	4,140,832	4,082,855
Total net assets- ending	<u>\$ (72,505)</u>	<u>\$ 5,742,507</u>	<u>\$ 5,670,002</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2009

City of Tempe, Arizona

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 6,980,027	\$ 29,116,567	\$ 36,096,594
Payments for settlement of claims	(5,677,775)	(28,059,062)	(33,736,837)
Net cash provided by operating activities	<u>1,302,252</u>	<u>1,057,505</u>	<u>2,359,757</u>
Net increase in cash and cash equivalents	1,302,252	1,057,505	2,359,757
Cash and cash equivalents, beginning of year	<u>7,962,991</u>	<u>4,963,033</u>	<u>12,926,024</u>
Cash and cash equivalents, end of year	<u>\$ 9,265,243</u>	<u>\$ 6,020,538</u>	<u>\$ 15,285,781</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income (loss)	\$ (14,528)	\$ 1,601,675	\$ 1,587,147
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(23,989)	(23,989)
Increase (decrease) in accounts payable	(35,990)	(520,181)	(556,171)
Increase (decrease) in accrued expenses	1,338,242	-	1,338,242
Increase (decrease) in net OPEB obligation	<u>14,528</u>	<u>-</u>	<u>14,528</u>
Net cash provided by operating activities	<u>\$ 1,302,252</u>	<u>\$ 1,057,505</u>	<u>\$ 2,359,757</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, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 165,513,183	\$ 150,848,798	\$ (14,664,385)
Intergovernmental	87,906,231	83,326,577	(4,579,654)
Investment income	11,041,802	7,191,320	(3,850,482)
Charges for services	77,705,317	85,705,217	7,999,900
Fines and forfeitures	10,237,485	10,601,255	363,770
Licenses and permits	1,550,000	1,546,287	(3,713)
Miscellaneous	13,788,792	6,263,992	(7,524,800)
Total revenues	<u>367,742,810</u>	<u>345,483,446</u>	<u>(22,259,364)</u>
Expenditures			
Current:			
Police	74,368,819	75,128,439	(759,620)
Fire	29,541,710	28,242,373	1,299,337
Community services	23,580,706	23,113,174	467,532
Parks and recreation	19,498,948	18,835,970	662,978
Public works	91,894,797	87,596,482	4,298,315
Community relations	3,057,641	2,887,744	169,897
Mayor and council	392,876	386,521	6,355
City manager	345,113	345,113	-
Diversity program	576,957	554,018	22,939
Internal audit/consulting	510,837	506,172	4,665
City clerk and elections	851,058	632,140	218,918
City attorney	2,993,407	2,908,216	85,191
Municipal courts	4,490,663	4,489,441	1,222
Development services	6,492,445	6,468,046	24,399
Community development	22,761,162	20,078,396	2,682,766
Financial Services	4,348,303	4,222,944	125,359
Human resources	3,360,274	3,121,200	239,074
Information technology	14,323,215	15,317,338	(994,123)
Information technology interdept charges	(14,119,043)	(15,317,338)	1,198,295
Water utilities	38,373,887	38,148,259	225,628
Non-departmental	4,620,249	394,054	4,226,195
Debt Service:			
Principal	39,785,364	31,281,531	8,503,833
Interest and fiscal fees	35,377,722	27,480,805	7,896,917
Total expenditures	<u>407,427,110</u>	<u>376,821,038</u>	<u>30,606,072</u>
Other financing sources (uses)			
Transfers from other funds	1,825,933	38,992,725	37,166,792
Transfers to other funds	(18,859,444)	(49,648,305)	(30,788,861)
Premium on issuance of debt	-	599,472	599,472
Proceeds from sale of capital assets	-	9,271,209	9,271,209
Total other financing sources (uses)	<u>(17,033,511)</u>	<u>(784,899)</u>	<u>16,248,612</u>
Net change in fund balance	<u>\$ (56,717,811)</u>	<u>\$ (32,122,491)</u>	<u>\$ 24,595,320</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, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 24,613,823	\$ 24,291,978	\$ (321,845)
Investment income	-	8,278	8,278
Other entities' participation	-	263,041	263,041
Total revenues	24,613,823	24,563,297	(50,526)
Expenditures:			
Debt service:			
Principal retirement	13,788,580	9,323,531	4,465,049
Interest and fiscal fees	9,391,989	7,664,564	1,727,425
Total expenditures	23,180,569	16,988,095	6,192,474
Excess of revenues over expenditures	1,433,254	7,575,202	6,141,948
Other financing sources (uses):			
Transfers in	-	8,319,117	8,319,117
Transfers out	-	(8,508,595)	(8,508,595)
Premium on issuance of debt	-	599,472	599,472
Total other financing sources	-	409,994	409,994
Excess of revenues over expenditures and other financing sources	\$ 1,433,254	\$ 7,985,196	\$ 6,551,942

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 6,933,500	\$ 6,158,761	\$ (774,739)
Investment income	241,956	223,863	(18,093)
Charges for services	421,500	739,670	318,170
Miscellaneous	-	5,437	5,437
Total revenues	<u>7,596,956</u>	<u>7,127,731</u>	<u>(469,225)</u>
Expenditures:			
Current:			
Community services	2,925,762	2,725,868	199,894
Debt service:			
Principal retirement	3,700,000	3,700,000	-
Interest and fiscal fees	2,352,726	2,317,045	35,681
Total expenditures	<u>8,978,488</u>	<u>8,742,913</u>	<u>235,575</u>
Deficiency of revenues over expenditures	(1,381,532)	(1,615,182)	(233,650)
Other financing sources:			
Transfers in	-	247,794	247,794
Transfers out	-	(550)	(550)
Total other financing sources	<u>-</u>	<u>247,244</u>	<u>247,244</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (1,381,532)</u>	<u>\$ (1,367,938)</u>	<u>\$ 13,594</u>

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

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State sales tax	\$ 11,818,077	\$ 9,945,310	\$ (1,872,767)
Miscellaneous	691,970	6,904	(685,066)
Total revenues	<u>12,510,047</u>	<u>9,952,214</u>	<u>(2,557,833)</u>
Expenditures:			
Current:			
Public works	11,178,622	11,067,558	111,064
Total expenditures	<u>11,178,622</u>	<u>11,067,558</u>	<u>111,064</u>
Excess (deficiency) of revenues over expenditures	1,331,425	(1,115,344)	(2,446,769)
Other financing sources (uses):			
Transfers in	1,035,000	785,824	(249,176)
Transfers out	(309,862)	(3,080,662)	(2,770,800)
Total other financing sources	<u>725,138</u>	<u>(2,294,838)</u>	<u>(3,019,976)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 2,056,563</u>	<u>\$ (3,410,182)</u>	<u>\$ (5,466,745)</u>

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

Local Transportation Assistance Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Other	\$ 751,800	\$ 709,867	\$ (41,933)
Total revenues	<u>751,800</u>	<u>709,867</u>	<u>(41,933)</u>
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	751,800	709,867	(41,933)
Other financing uses:			
Transfers out	(248,100)	(1,277,710)	(1,029,610)
Total other financing uses	<u>(248,100)</u>	<u>(1,277,710)</u>	<u>(1,029,610)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ 503,700</u>	<u>\$ (567,843)</u>	<u>\$(1,071,543)</u>

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

Community Development Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 2,069,428	\$ 1,189,291	\$ (880,137)
Other	100,000	120,145	20,145
Miscellaneous	-	375,694	375,694
Total revenues	<u>2,169,428</u>	<u>1,685,130</u>	<u>(484,298)</u>
Expenditures:			
Current:			
Community development	2,971,184	1,359,344	1,611,840
Debt service:			
Principal retirement	-	273,000	(273,000)
Interest and fiscal fees	-	356,201	(356,201)
Total expenditures	<u>2,971,184</u>	<u>1,988,545</u>	<u>982,639</u>
Deficiency of revenues over expenditures	(801,756)	(303,415)	498,341
Other financing sources:			
Transfers in	-	319,403	319,403
Transfers out	-	(500)	(500)
Total other financing sources	<u>-</u>	<u>318,903</u>	<u>318,903</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ (801,756)</u>	<u>\$ 15,488</u>	<u>\$ 817,244</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 9,659,662	\$ 10,041,342	\$ 381,680
Investment income	68,227	14,086	(54,141)
Miscellaneous	-	1,303	1,303
Total revenues	<u>9,727,889</u>	<u>10,056,731</u>	<u>328,842</u>
Expenditures:			
Current:			
Community development	9,727,889	9,727,889	-
Total expenditures	<u>9,727,889</u>	<u>9,727,889</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 328,842</u>	<u>\$ 328,842</u>

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

Rio Salado Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 1,042,000	\$ 1,579,876	\$ 537,876
Property taxes	165,000	114,077	(50,923)
Investment income	190,000	101,404	(88,596)
Charges for services	-	2,950	2,950
Miscellaneous	153,804	144,194	(9,610)
Total revenues	1,550,804	1,942,501	391,697
Expenditures:			
Current:			
Community development	2,474,078	1,877,336	596,742
Total expenditures	2,474,078	1,877,336	596,742
Excess (deficiency) of revenues over expenditures	\$ (923,274)	\$ 65,165	\$ 988,439

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

Community Facilities District Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 127	\$ 127
Charges for services	48,512	589,286	540,774
Miscellaneous	1,201,490	292,782	(908,708)
Total revenues	<u>1,250,002</u>	<u>882,195</u>	<u>(367,807)</u>
Expenditures:			
Current:			
Community development	3,143,722	2,737,332	406,390
Debt service:			
Principal	1,560,000	1,560,000	-
Interest and fiscal fees	1,502,754	1,502,005	749
Total expenditures	<u>6,206,476</u>	<u>5,799,337</u>	<u>407,139</u>
Deficiency of revenues over expenditures	(4,956,474)	(4,917,142)	39,332
Other financing sources (uses):			
Transfers in	-	4,931,332	4,931,332
Transfers out	-	(14,190)	(14,190)
Total other financing sources	<u>-</u>	<u>4,917,142</u>	<u>4,917,142</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (4,956,474)</u>	<u>\$ -</u>	<u>\$ 4,956,474</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2009

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	\$ -	\$ 1,697	\$ 1,697
Investment income	2,222,229	1,522,538	(699,691)
Charges for services	49,735,878	55,504,216	5,768,338
Miscellaneous	540,500	742,717	202,217
Total revenues	<u>52,498,607</u>	<u>57,771,168</u>	<u>5,272,561</u>
Expenditures:			
Current:			
Water utilities	38,373,887	38,148,259	225,628
Debt service:			
Principal	17,881,377	13,755,000	4,126,377
Interest and fiscal fees	15,157,116	12,111,549	3,045,567
Total expenditures	<u>71,412,380</u>	<u>64,014,808</u>	<u>7,397,572</u>
Deficiency of revenues over expenditures	(18,913,773)	(6,243,640)	12,670,133
Other financing sources (uses):			
Transfers in	542,833	6,037,498	5,494,665
Transfers out	(679,540)	(6,817,912)	(6,138,372)
Proceeds from sale of capital assets	-	28,098	28,098
Total other financing sources	<u>(136,707)</u>	<u>(752,316)</u>	<u>(615,609)</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$(19,050,480)</u>	<u>\$(6,995,956)</u>	<u>\$12,054,524</u>

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

Solid Waste Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 59,800	\$ 59,800
Investment income	126,348	105,514	(20,834)
Charges for services	14,863,757	15,130,988	267,231
Miscellaneous	-	957	957
Total revenues	<u>14,990,105</u>	<u>15,297,259</u>	<u>307,154</u>
Expenditures:			
Current:			
Public works	<u>15,179,341</u>	<u>14,406,183</u>	<u>773,158</u>
Total expenditures	<u>15,179,341</u>	<u>14,406,183</u>	<u>773,158</u>
Excess (deficiency) of revenues over expenditures	(189,236)	891,076	1,080,312
Other financing sources:			
Transfers out	-	(6,168)	(6,168)
Proceeds from sale of capital assets	<u>-</u>	<u>202,388</u>	<u>202,388</u>
Total other financing sources	<u>-</u>	<u>196,220</u>	<u>196,220</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (189,236)</u>	<u>\$ 1,087,296</u>	<u>\$ 1,276,532</u>

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

Golf Fund

For the Fiscal Year Ended June 30, 2009

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 5,705	\$ 5,222	\$ (483)
Charges for services	2,066,674	1,813,578	(253,096)
Miscellaneous	-	0	-
Total revenues	<u>2,072,379</u>	<u>1,818,800</u>	<u>(253,579)</u>
Expenditures:			
Current:			
Parks and recreation	2,184,222	2,118,523	65,699
Debt service:			
Principal	6,176	-	6,176
Interest and fiscal fees	8,136	-	8,136
Total expenditures	<u>2,198,534</u>	<u>2,118,523</u>	<u>80,011</u>
Deficiency of revenues over expenditures	(126,155)	(299,723)	(173,568)
Other financing sources:			
Transfers in	-	154,597	154,597
Total other financing sources	<u>-</u>	<u>154,597</u>	<u>154,597</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (126,155)</u>	<u>\$ (145,126)</u>	<u>\$ (18,971)</u>

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

Cemetery Fund

For the Fiscal Year Ended June 30, 2009

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	\$ 451,722	\$ 96,842	\$ (354,880)
Total revenues	<u>451,722</u>	<u>96,842</u>	<u>(354,880)</u>
Expenditures:			
Current:			
Parks and recreation	222,687	141,091	81,596
Debt service:			
Principal	85,000	85,000	-
Interest and fiscal fees	94,138	95,130	(992)
Total expenditures	<u>401,825</u>	<u>321,221</u>	<u>80,604</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 49,897</u>	 <u>\$ (224,379)</u>	 <u>\$ (274,276)</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, 2009

City of Tempe, Arizona

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Assets</u>		
111	Cash - unrestricted	\$ 201,712
115	Cash - restricted	149,445
124	Accounts receivable - other governments	15,043
124	Accounts receivable - federal government	41,822
128	Accounts receivable - fraud recovery	69,948
	Total assets	<u>\$ 477,970</u>
<u>Liabilities</u>		
312	Accounts payable <= 90 days	\$ 8,387
321	Accrued wage/payroll taxes payable	14,887
331	Accounts payable - HUD PHA programs	125,355
345	Other current liabilities	816
	Total liabilities	<u>149,445</u>
<u>Equity</u>		
512	Undesignated fund balance	<u>328,525</u>
513	Total equity	<u>328,525</u>
600	Total liabilities and equity	<u>\$ 477,970</u>

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

Housing Assistance Fund
For the Fiscal Year ended June 30, 2009

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	\$ 10,041,342
714	Fraud Recovery	1,303
715	Other revenue	-
720	Investment income - restricted	14,086
	Total revenues	<u>10,056,731</u>
<u>Expenses</u>		
911	Administrative salaries	432,614
912	Auditing fees	5,144
914	Compensated absences	-
915	Employee benefit contributions - administrative	239,016
916	Other operating - administrative	169,696
973	Housing assistance payments	8,881,736
	Total expenses	<u>9,728,206</u>
	Excess of revenues over expenses	<u>\$ 328,525</u>
<u>Memo Account Information</u>		
1120	Unit months available	12,984
1121	Number of unit months leased	12,818
1117	Administrative Fee Equity	\$ 328,525
1118	Housing Assistance Payments Equity	\$ -



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 Eight 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	Fiscal Year 2008-09
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	\$ 574,872,877
Restricted	122,572,053	135,314,124	143,723,739	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102
Unrestricted	102,002,207	73,239,199	91,829,853	153,918,478	226,533,760	414,023,370	277,055,145	237,470,312
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	\$ 993,594,291
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	\$ 151,096,394
Unrestricted	82,578,913	89,985,585	89,162,318	74,678,567	88,802,930	88,554,746	103,816,965	100,251,937
Total business-type activities net assets	\$ 255,803,560	\$ 251,867,563	\$ 264,003,992	\$ 266,348,962	\$ 262,913,007	\$ 266,237,661	\$ 258,683,982	\$ 251,348,331
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	\$ 725,969,271
Restricted	132,637,849	143,444,919	152,737,563	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102
Unrestricted	174,515,324	155,093,989	171,978,347	228,597,045	315,336,690	502,578,116	380,872,110	337,722,249
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	\$ 1,244,932,622

Note: Information prior to fiscal year 2001-02 was not available in this format.

Changes in Net Assets (Exhibit S-2a)

Last Eight 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	Fiscal Year 2008-09
Expenses								
Governmental activities:								
Police	\$ 45,265,995	\$ 47,729,305	\$ 49,973,991	\$ 51,928,073	\$ 59,957,698	\$ 60,929,075	\$ 83,613,800	\$ 86,126,079
Fire	15,988,363	15,103,049	16,990,382	17,679,667	20,098,598	22,563,083	30,133,124	30,850,700
Community services	20,874,630	20,307,801	20,629,836	21,116,067	22,205,153	16,072,936	24,070,427	30,402,447
Parks and recreation	-	-	-	-	-	20,015,034	20,521,457	20,431,433
Public works	57,047,822	57,917,031	61,814,870	61,853,194	67,537,876	56,869,440	82,727,089	101,674,714
Community relations	2,212,271	2,845,176	2,472,966	2,312,548	2,499,978	2,816,030	3,179,145	3,137,349
Mayor and council	516,899	579,089	407,818	400,548	362,810	362,281	547,453	418,851
City manager	1,414,543	918,556	209,830	312,882	412,936	445,531	488,323	265,531
Diversity program	-	-	505,865	544,872	534,950	548,552	687,926	583,563
Internal audit/consulting	-	-	440,660	446,333	460,824	476,089	558,706	484,460
City clerk and elections	784,089	433,922	652,442	443,255	752,336	528,493	870,815	684,875
City attorney	2,420,285	2,027,045	2,087,009	2,262,903	2,348,553	2,903,028	3,641,333	2,933,734
Municipal courts	3,325,642	3,230,817	4,053,127	3,655,280	4,342,297	4,708,606	6,066,038	5,496,374
Development services	16,808,229	18,760,209	19,111,722	21,449,181	4,492,161	8,611,601	8,596,785	6,338,984
Community development	2,485,774	3,245,906	4,021,965	3,187,992	30,358,768	21,444,736	20,037,984	20,445,243
Financial services	4,906,157	5,404,942	3,946,238	4,102,556	4,256,427	4,597,029	5,969,557	4,458,557
Human resources	4,058,772	3,762,782	2,418,605	2,561,746	2,727,058	2,877,320	3,648,975	3,157,288
Information technology	804,751	4,185,163	2,280,717	1,854,603	1,462,595	889,443	2,677,340	1,817,517
Non-departmental	7,594,725	14,852,873	9,637,203	6,895,583	6,122,335	8,127,073	3,067,647	1,297,669
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	16,247,598
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	337,252,966
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	64,720,725
Solid waste	10,294,641	10,205,570	10,912,307	11,413,402	11,836,691	12,403,387	15,130,899	14,499,308
Golf course	2,441,907	2,435,783	2,353,586	2,442,925	2,375,802	2,225,214	2,667,539	2,324,208
Cemetery	-	-	-	-	152,717	171,817	251,743	218,447
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	81,762,688
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	\$ 419,015,654

Changes in Net Assets (Exhibit S-2b)

Last Eight Fiscal Years
Accrual Basis of Accounting

	City of Tempe, Arizona							
	Fiscal Year	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	2008-09
Program Revenues								
Governmental activities:								
Charges for services:								
Police	\$ 28,181	\$ 833,378	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973	\$ 1,110,714	\$ 1,201,962
Fire	43,782	334,773	305,964	41,561	566,505	1,116,101	303,824	314,969
Community services	4,586,011	4,996,644	5,213,032	5,045,852	5,098,319	5,353,815	6,924,685	7,122,650
Parks and recreation	-	-	-	-	-	30,053	27,844	9,348
Public works	3,343,519	4,112,610	5,261,301	9,904,057	6,594,229	7,940,104	11,305,217	20,461,847
Community relations	-	-	-	-	-	-	-	24,070
Municipal court	6,382,786	2,711,225	5,857,804	6,497,384	7,179,554	7,687,007	8,211,574	8,912,739
Development services	1,859,012	2,808,889	2,881,155	3,523,443	5,566,289	5,891,971	6,175,963	5,090,280
Economic development	179,726	238,226	238,417	325,191	-	-	-	-
Community development	-	-	-	-	637,445	526,893	451,535	592,236
Financial services	2,007,179	1,469,142	1,378,148	1,744,163	1,932,684	1,900,016	1,728,472	1,781,809
Non-departmental	115,498	83,938	59,598	78,767	92,827	284,084	79,536	130,492
Operating grants and contributions	11,782,757	13,490,697	14,346,903	16,245,880	19,903,398	18,812,530	15,625,633	16,052,299
Capital grants and contributions	9,376,155	5,098,677	12,589,817	33,688,443	54,935,929	103,412,667	79,670,490	35,955,254
Total governmental activities program revenues	39,704,606	36,178,199	48,968,220	77,972,071	103,384,883	159,787,214	131,615,487	97,649,955
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	55,504,216
Solid waste	9,979,359	10,496,774	11,014,949	12,054,563	12,989,827	13,820,128	14,669,542	15,130,988
Golf course	2,124,037	1,920,699	2,020,132	1,954,278	1,971,031	1,912,286	1,984,429	1,813,578
Cemetery	-	-	-	-	18,943	18,339	231,960	98,356
Capital grants and contributions	2,033,578	179,754	751,525	2,835,223	506,593	4,782,425	472,928	59,867
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	72,607,005
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	\$ 170,256,960
Net (Expense)/Revenue								
Governmental activities	\$ (153,392,521)	\$ (172,081,574)	\$ (161,661,853)	\$ (134,068,248)	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)	\$ (239,603,011)
Business-type activities	3,398,971	4,854,159	386,009	274,898	(5,454,342)	2,966,556	(12,437,764)	(9,155,683)
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)	\$ (248,758,694)

Changes in Net Assets (Exhibit S-2c)

Last Eight Fiscal Years Accrual Basis of Accounting

	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	Fiscal Year 2008-09
City of Tempe, Arizona								
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	\$ 134,382,181
Slate 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	24,832,128
Property taxes	20,375,185	21,269,140	22,580,678	24,872,388	27,532,893	26,826,227	32,447,203	35,891,803
Franchise taxes	1,810,590	1,476,718	1,457,085	1,678,437	1,858,851	2,693,256	3,424,561	3,976,956
Auto-lieu taxes	5,233,512	6,247,543	6,427,396	6,791,043	7,527,675	6,870,739	6,655,516	6,024,595
Unrestricted investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	7,410,643
Miscellaneous	1,444,812	1,469,345	1,681,895	2,126,029	1,864,289	2,780,229	2,879,878	4,348,126
Gain on sale of capital assets	-	-	6,362,790	2,004,326	1,813,311	-	36,146,557	1,491,079
Transfers	(68,770)	171,977	(199,750)	168,734	1,149,970	3,711,910	149,242	615,463
Total governmental activities	168,101,784	163,140,126	175,025,186	188,017,015	211,502,689	232,531,954	269,764,324	218,972,974
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	1,940,956
Miscellaneous	325,906	481,297	567,189	438,447	993,233	716,338	344,449	262,728
Gain on sale of capital assets	408,156	-	24,400	392,108	265,397	48,264	70,495	231,811
Transfers	68,770	(171,977)	199,750	(168,734)	(1,149,970)	(3,711,910)	(149,242)	(615,463)
Total business-type activities	4,548,104	1,209,844	1,750,420	2,070,072	2,018,387	358,098	4,884,085	1,820,032
Total primary government	\$ 172,649,888	\$ 164,349,970	\$ 176,775,606	\$ 190,087,087	\$ 213,521,076	\$ 232,890,052	\$ 274,648,409	\$ 220,793,006
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	\$ (20,630,037)
Business-type activities	7,947,075	6,064,003	2,136,429	2,344,970	(3,435,955)	3,324,654	(7,553,679)	(7,335,651)
Total primary government	\$ 22,656,338	\$ (2,877,445)	\$ 15,499,762	\$ 56,293,737	\$ 69,696,844	\$ 139,861,761	\$ 80,631,097	\$ (27,965,688)

Note: Information prior to fiscal year 2001-02 was not available in this format.

Fund Balances, Governmental Funds (Exhibit S-3)

Last Eight 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	Fiscal Year
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
General fund								
Reserved	\$ 2,201,123	\$ 2,949,516	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060	\$ 4,449,843	\$ 1,322,728
Unreserved	75,249,138	63,670,728	72,823,641	78,064,176	94,648,961	96,883,636	92,432,479	75,647,216
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>	<u>\$ 76,969,944</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	\$ 59,067,648
Unreserved, reported in:								
Debt service funds (A)	-	-	-	-	-	(66,826)	-	(45,374)
Special revenues funds	59,551,110	67,312,797	64,835,343	55,470,121	66,938,765	65,022,802	36,228,348	23,220,030
Capital projects funds	39,530,059	29,984,703	36,375,643	21,153,248	53,752,477	17,044,525	28,848,898	71,685,317
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>	<u>\$ 153,927,621</u>

(A) In fiscal years 2006-07 and 2008-09, 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 2001-02 was not available in this format.

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

Last Eight 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	Fiscal Year
		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Revenues:									
Taxes	\$ 111,252,263	\$ 112,859,765	\$ 119,673,043	\$ 130,779,821	\$ 146,084,925	\$ 159,569,926	\$ 159,798,418	\$ 159,798,418	\$ 150,848,798
Intergovernmental	65,143,039	66,221,384	68,292,581	94,349,370	109,213,832	127,738,319	102,320,894	102,320,894	143,357,538
Investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	14,041,876	6,393,595
Charges for services	6,550,017	7,660,472	14,027,946	14,896,580	18,304,846	20,242,897	23,674,598	23,674,598	31,096,490
Fines and forfeitures	4,930,777	6,058,944	7,230,067	7,742,929	8,261,486	8,407,254	10,148,376	10,148,376	11,516,359
Other entities' participation	817,041	394,803	-	78,433	2,382,056	2,074,553	1,412,155	1,412,155	1,600,100
Special assessments	2,845,691	2,835,480	2,781,314	2,706,951	2,705,348	2,610,195	2,842,153	2,842,153	2,860,571
Licenses and permits	1,105,145	1,263,163	1,131,517	1,250,205	1,389,130	1,524,891	1,592,521	1,592,521	1,546,287
Miscellaneous	3,676,606	2,806,330	3,669,815	4,748,157	3,973,800	5,061,404	5,486,178	5,486,178	6,168,789
Total revenues	207,584,171	202,998,697	219,142,412	261,089,868	300,353,988	340,566,686	321,317,169	321,317,169	355,388,527
Expenditures:									
Police	44,524,665	45,287,397	48,576,160	50,148,794	59,977,366	60,200,957	71,813,995	71,813,995	77,046,317
Fire	14,903,901	14,944,261	15,622,805	17,235,231	19,599,806	21,054,670	24,413,707	24,413,707	28,330,453
Community services	19,353,717	18,578,299	18,809,726	18,653,915	20,743,534	15,289,688	20,844,315	20,844,315	26,158,843
Parks and recreation	-	-	-	-	-	15,166,076	15,826,217	15,826,217	17,583,861
Public works	41,042,674	40,904,425	43,811,239	45,853,027	48,822,208	49,026,864	56,316,376	56,316,376	73,659,648
Community relations	2,126,245	2,904,697	2,414,527	2,380,562	2,470,215	2,773,675	2,843,668	2,843,668	3,095,259
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281	367,250	367,250	386,483
City manager	1,464,931	944,568	254,578	293,964	383,025	440,915	294,042	294,042	347,556
Diversity program	-	-	472,233	544,032	520,748	542,292	641,719	641,719	555,034
Internal audit/consulting	774,756	442,615	408,862	420,449	450,650	462,751	491,057	491,057	506,621
City clerk and elections	-	-	641,753	440,041	747,588	484,894	748,371	748,371	633,640
City attorney	2,437,072	2,121,212	2,079,092	2,206,857	2,345,165	2,844,636	3,224,007	3,224,007	2,914,014
Municipal court	3,261,268	3,142,488	4,039,664	3,588,317	4,454,473	4,662,214	5,563,038	5,563,038	5,525,601
Development services	15,815,204	17,919,144	17,285,467	19,435,003	5,768,444	17,278,332	7,394,179	7,394,179	6,376,874
Community development	2,445,475	2,956,263	4,002,794	3,296,692	19,795,483	20,566,776	18,246,591	18,246,591	19,515,673
Financial services	4,747,540	5,151,110	3,743,137	3,867,513	3,978,571	4,342,723	4,390,171	4,390,171	4,211,080
Human resources	4,049,591	3,797,137	2,388,877	2,567,259	2,730,740	2,842,328	3,282,022	3,282,022	3,127,479
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	3,407,427	395,648
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	18,121,865	19,656,531
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	16,636,211	17,153,400
Capital outlay	36,318,048	58,052,049	52,669,125	84,525,728	153,881,610	193,312,819	138,410,945	138,410,945	106,066,458
Total expenditures	213,140,324	243,313,888	240,516,693	280,771,411	377,547,027	448,690,748	413,277,173	413,277,173	413,246,473
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)	(91,960,004)	(57,857,946)

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

Last Eight 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	Fiscal Year 2008-09
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	64,230,445
Transfers out	(54,879,759)	(32,275,644)	(35,461,361)	(40,795,523)	(22,689,395)	(34,250,777)	(71,213,357)	(63,614,982)
Issuance of debt	8,000,000	35,220,000	30,560,000	17,680,000	125,845,000	55,640,000	71,170,000	45,980,000
Premium on issuance of debt	-	-	1,861,088	-	1,847,396	1,746,522	1,242,369	807,728
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	9,577,814
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>	<u>56,981,005</u>
Net change in fund balances	\$ 3,092,756	\$ (3,500,945)	\$ 20,773,455	\$ 7,708,523	\$ 54,960,971	\$ (47,622,439)	\$ (9,968,353)	\$ (876,941)
Debt service as a percentage of noncapital expenditures	9.8%	8.3%	10.0%	10.2%	11.9%	12.1%	12.6%	12.0%

Note: Information prior to fiscal year 2001-02 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

Fiscal Year	Taxable Sales										City Direct Sales Tax Rate
	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total		
1999-00	\$ 2,813,130,176	\$ 907,692,235	\$ 483,026,118	\$ 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	92,733,667	5,049,635,001	1.80	
2003-04	2,859,897,505	899,687,556	487,207,351	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	132,888,889	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	
2008-09	3,050,222,222	1,203,888,889	590,555,556	504,611,111	631,555,556	123,611,111	87,777,778	88,166,667	6,280,388,890	1.80	

Percentage of Taxable Sales

Fiscal Year	Percentage of Taxable Sales									
	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	
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	
2008-09	48.57	19.17	9.40	8.03	10.06	1.97	1.40	1.40	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
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
2008-09	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 Eight 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
2008-09	Primary	1,416,640,407	326,359,399	674,491,736	218,810,180	3,043,548
	Secondary	1,605,563,621	439,585,924	901,618,735	291,324,398	3,447,472

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 2001-02 was not available in this format.

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

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	\$ N/A	\$ 1,370,020,840	\$ 0.53	\$ 9,756,507,857	14.04 %
4,700,975	N/A	1,456,361,617	0.82	9,197,839,943	15.83
9,336,275	N/A	1,473,530,320	0.52	10,505,677,932	14.03
9,346,662	N/A	1,556,492,294	0.83	9,669,307,443	16.10
9,128,538	N/A	1,575,575,814	0.55	11,424,612,316	13.79
9,348,956	N/A	1,688,452,415	0.80	10,779,997,040	15.66
7,538,097	N/A	1,661,192,388	0.53	12,379,112,416	13.42
7,809,451	N/A	1,768,877,385	0.82	11,034,323,885	16.03
1,229,232	350,861,051	1,801,020,550	0.52	13,289,932,548	13.55
1,426,854	390,074,308	1,904,426,188	0.88	14,207,441,131	13.40
1,341,770	356,496,779	1,895,204,470	0.52	13,995,714,438	13.54
1,448,936	432,295,381	2,006,703,332	0.88	15,035,677,275	13.35
5,569,454	413,757,218	2,031,580,942	0.51	15,428,450,636	13.17
6,404,967	505,151,029	2,401,898,466	0.89	18,964,996,979	12.66
5,628,185	480,062,120	2,164,911,335	0.51	17,268,165,844	12.54
7,346,018	591,937,974	2,656,948,194	0.89	21,784,820,579	12.20

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 (A)	Schools			Maricopa County	Community College
			Tempe Union	Tempe Elementary (B)	East Valley Institute of Technology		
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	<u>1.40</u>	<u>3.90</u>	<u>4.37</u>	<u>0.07</u>	<u>1.30</u>	<u>1.12</u>
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	<u>1.35</u>	<u>3.31</u>	<u>4.41</u>	<u>0.07</u>	<u>1.29</u>	<u>1.12</u>
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	<u>1.35</u>	<u>3.19</u>	<u>4.41</u>	<u>0.06</u>	<u>1.27</u>	<u>1.11</u>
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	<u>1.35</u>	<u>3.32</u>	<u>4.27</u>	<u>0.06</u>	<u>1.29</u>	<u>1.11</u>
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	<u>1.35</u>	<u>3.29</u>	<u>4.20</u>	<u>0.05</u>	<u>1.28</u>	<u>1.08</u>
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	<u>1.35</u>	<u>3.04</u>	<u>3.99</u>	<u>0.05</u>	<u>1.21</u>	<u>1.04</u>
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	<u>1.40</u>	<u>2.65</u>	<u>3.98</u>	<u>0.06</u>	<u>1.20</u>	<u>1.03</u>
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	<u>1.40</u>	<u>2.63</u>	<u>3.99</u>	<u>0.05</u>	<u>1.18</u>	<u>1.06</u>
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	<u>1.40</u>	<u>2.51</u>	<u>3.82</u>	<u>0.05</u>	<u>1.10</u>	<u>0.97</u>
2008-09	Primary	0.51	1.76	2.43	-	1.03	0.78
	Secondary	0.89	0.52	1.08	0.05	-	0.16
	Total	<u>1.40</u>	<u>2.28</u>	<u>3.51</u>	<u>0.05</u>	<u>1.03</u>	<u>0.94</u>

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

- (A) Primary levies are limited to a 2% increase annually plus levies attributable to assessed valuation added as a result of growth and annexation. Secondary tax levies do not have a limitation.
- (B) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$8.97, \$9.97 or \$11.18, 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
0.52	-	-	-	-	-	9.05
-	0.29	0.14	0.01	0.04	-	4.11
<u>0.52</u>	<u>0.29</u>	<u>0.14</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>13.16</u>
0.51	-	-	-	-	-	8.65
-	0.25	0.13	0.01	0.04	-	3.84
<u>0.51</u>	<u>0.25</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>12.49</u>
0.50	-	-	-	-	-	8.66
-	0.23	0.13	0.01	0.04	-	3.64
<u>0.50</u>	<u>0.23</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>12.30</u>
0.49	-	-	-	-	-	8.69
-	0.21	0.13	0.01	0.04	-	3.59
<u>0.49</u>	<u>0.21</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>12.28</u>
0.47	-	-	-	-	-	8.51
-	0.21	0.12	0.01	0.05	-	3.60
<u>0.47</u>	<u>0.21</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>-</u>	<u>12.11</u>
0.46	-	-	-	-	-	8.07
-	0.21	0.12	0.01	0.05	-	3.46
<u>0.46</u>	<u>0.21</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>-</u>	<u>11.53</u>
0.44	-	-	-	-	-	7.68
-	0.21	0.12	0.01	0.05	0.12	3.59
<u>0.44</u>	<u>0.21</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>0.12</u>	<u>11.27</u>
-	-	-	-	-	-	6.93
-	0.20	0.12	0.01	0.05	0.12	3.88
<u>-</u>	<u>0.20</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>0.12</u>	<u>10.81</u>
-	-	-	-	-	-	6.77
-	0.15	0.10	0.01	0.04	0.09	3.47
<u>-</u>	<u>0.15</u>	<u>0.10</u>	<u>0.01</u>	<u>0.04</u>	<u>0.09</u>	<u>10.24</u>
-	-	-	-	-	-	6.51
-	0.14	0.10	0.01	0.04	0.09	3.08
<u>-</u>	<u>0.14</u>	<u>0.10</u>	<u>0.01</u>	<u>0.04</u>	<u>0.09</u>	<u>9.59</u>

t

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

Last Ten Fiscal Years

Fiscal Year		City of Tempe	Schools			Maricopa County	Community College
			Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology		
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
2008-09	Primary	10,976,100	71,503,299	42,985,150	-	463,492,311	347,905,170
	Secondary	23,726,547	26,355,087	23,151,705	12,032,028	-	95,293,956
	Total	34,702,647	97,858,386	66,136,855	12,032,028	463,492,311	443,199,126

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.

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
-	91,109,039	-	-	-	-	\$ 555,555,786
44,310,754	-	26,147,563	1,873,777	7,862,946	-	187,239,240
<u>44,310,754</u>	<u>91,109,039</u>	<u>26,147,563</u>	<u>1,873,777</u>	<u>7,862,946</u>	<u>-</u>	<u>742,795,026</u>
-	99,193,054	-	-	-	-	600,200,186
44,309,245	-	27,141,030	1,997,318	8,789,518	-	196,341,676
<u>44,309,245</u>	<u>99,193,054</u>	<u>27,141,030</u>	<u>1,997,318</u>	<u>8,789,518</u>	<u>-</u>	<u>796,541,862</u>
-	106,221,394	-	-	-	-	659,871,243
45,322,696	-	29,787,075	2,086,084	9,646,430	-	200,619,051
<u>45,322,696</u>	<u>106,221,394</u>	<u>29,787,075</u>	<u>2,086,084</u>	<u>9,646,430</u>	<u>-</u>	<u>860,490,294</u>
-	112,231,223	-	-	-	-	716,335,145
44,868,063	-	31,805,013	1,859,466	10,296,417	-	207,429,399
<u>44,868,063</u>	<u>112,231,223</u>	<u>31,805,013</u>	<u>1,859,466</u>	<u>10,296,417</u>	<u>-</u>	<u>923,764,544</u>
-	120,037,513	-	-	-	-	780,436,884
51,153,993	-	33,010,980	1,931,237	14,316,032	-	224,994,104
<u>51,153,993</u>	<u>120,037,513</u>	<u>33,010,980</u>	<u>1,931,237</u>	<u>14,316,032</u>	<u>-</u>	<u>1,005,430,988</u>
-	128,003,169	-	-	-	-	836,916,875
56,334,141	-	36,112,556	2,084,229	15,664,900	-	214,076,800
<u>56,334,141</u>	<u>128,003,169</u>	<u>36,112,556</u>	<u>2,084,229</u>	<u>15,664,900</u>	<u>-</u>	<u>1,050,993,675</u>
-	135,142,821	-	-	-	-	892,680,462
62,733,411	-	39,800,085	2,276,200	17,295,751	40,000,000	282,049,004
<u>62,733,411</u>	<u>135,142,821</u>	<u>39,800,085</u>	<u>2,276,200</u>	<u>17,295,751</u>	<u>40,000,000</u>	<u>1,174,729,466</u>
-	-	-	-	-	-	807,124,106
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	318,518,743
<u>67,096,622</u>	<u>-</u>	<u>43,585,607</u>	<u>2,466,637</u>	<u>18,401,410</u>	<u>40,000,000</u>	<u>1,125,642,849</u>
-	-	-	-	-	-	870,014,022
70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	354,382,660
<u>70,422,870</u>	<u>-</u>	<u>49,730,785</u>	<u>2,631,597</u>	<u>19,368,018</u>	<u>46,310,880</u>	<u>1,224,396,682</u>
-	-	-	-	-	-	936,862,030
74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	387,159,068
<u>74,674,333</u>	<u>-</u>	<u>58,315,605</u>	<u>3,105,495</u>	<u>20,581,183</u>	<u>49,923,129</u>	<u>1,324,021,098</u>

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

<i>City of Tempe, Arizona</i>											
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	Levy	Amount	Subsequent Years	Amount	Amount	Levy	%	
1999-00	\$ 16,828,094	\$ 14,946,148	88.8	%	\$ 258,257	258,257	\$ 15,204,405	15,204,405	90.4	%	
2000-01	17,769,082	15,795,257	88.9		303,290	303,290	16,098,547	16,098,547	90.6		
2001-02	19,201,549	18,543,839	96.6		319,446	319,446	18,863,285	18,863,285	98.2		
2002-03	20,580,082	19,789,415	96.2		253,847	253,847	20,043,262	20,043,262	97.4		
2003-04	22,176,447	21,283,933	96.0		274,988	274,988	21,558,921	21,558,921	97.2		
2004-05	23,309,868	22,921,016	98.3		262,939	262,939	23,183,955	23,183,955	99.5		
2005-06	26,121,465	25,519,585	97.7		(54,610)	(54,610)	25,464,975	25,464,975	97.5		
2006-07	27,515,948	26,185,044	95.2		328,446	328,446	26,513,491	26,513,491	96.4		
2007-08	31,736,108	30,686,950	96.7		486,934	486,934	31,173,884	31,173,884	98.2		
2008-09	34,702,647	33,987,393	97.9		-	-	33,987,393	33,987,393	97.9		

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 2008-09			Fiscal Year 1999-00		
	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	\$ 41,359,277	1	1.56 %	\$ 24,871,066	3	2.00 %
Qwest Corporation (formerly US West)	26,433,482	2	0.99	29,001,322	2	2.34
Arizona Public Service Company	21,694,174	3	0.82	18,969,145	4	1.53
Tempe Fountainhead Corporate LLC	17,401,173	4	0.65	-	-	-
Allied Signal	14,649,443	5	0.55	-	-	-
State Farm Mutual Auto Insurance	14,556,474	6	0.55	-	-	-
Freescale Semiconductor Inc	13,813,044	7	0.52	-	-	-
Breof BNK 2 Southwest LLC	13,115,990	8	0.49	-	-	-
St. Paul Properties Incorporated	11,250,833	9	0.42	-	-	-
Fly (CD) LLC / AWHQ LLC	11,042,331	10	0.42	-	-	-
Motorola, Incorporated	-	-	-	37,310,550	1	3.01
Amberjack (Commercial Property)	-	-	-	10,144,459	5	0.82
Honeywell	-	-	-	8,832,019	6	0.71
Safeway Stores	-	-	-	7,788,948	7	0.63
Kimco Realty Corporation	-	-	-	7,763,474	8	0.63
Phoenix Coca-Cola	-	-	-	6,860,129	9	0.55
Micro-Rel	-	-	-	6,338,937	10	0.51
Total	\$ 185,316,221		6.97 %	\$ 157,880,049		12.73 %

Source 2008-09: RBC Capital Markets
Source 1999-00: 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 2008-09			Fiscal Year 1999-00		
		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	\$ 4,340,462	1	3.23 %	\$ 2,961,899	1	3.34 %
Taxpayer B	Grocery Store	2,798,620	2	2.08	1,634,700	4	1.84
Taxpayer C	Retail	1,858,309	3	1.38	1,763,846	3	1.99
Taxpayer D	Retail	1,689,840	4	1.26	1,514,531	5	1.71
Taxpayer E	Retail	1,655,858	5	1.23	-	-	-
Taxpayer F	Retail	1,424,983	6	1.06	-	-	-
Taxpayer G	AutoDealer	1,407,514	7	1.05	2,036,785	2	2.30
Taxpayer H	Construction Contracting	1,067,471	8	0.79	-	-	-
Taxpayer I	Utility	982,267	9	0.73	-	-	-
Taxpayer J	Computer Equipment/Software	957,908	10	0.71	1,091,895	9	1.23
Taxpayer K	Auto Dealer				1,446,538	6	1.63
Taxpayer L	Telecommunications				1,168,623	8	1.32
Taxpayer M	Auto Dealer				1,234,688	7	1.39
Taxpayer N	Auto Dealer				999,361	10	1.13
Total		\$ 18,183,232		13.52 %	\$ 15,852,866		17.88 %

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	Excise Tax Revenue Bonds	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases				
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	
2008-09	156,265,000	36,095,000	-	239,560,000	6,466,000	1,023,835	1,888,630			441,298,465	

Business-Type Activities

Fiscal Year	Business-Type Activities										Total Business Type Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Municipal Property Corporation Bonds	Excise Tax Revenue Bonds	Capital Improvement Notes	Capital Leases			Total Primary Government					
1999-00	\$ 62,600,000	\$ 835,000	\$ -	\$ 365,796	\$ -	\$ 63,800,796	\$ 231,694,062			\$ 1,460.64	6.78 %		
2000-01	70,860,000	735,000	-	251,176	-	71,846,176	236,893,458			1,477.00	6.65		
2001-02	78,595,000	630,000	-	129,393	-	79,354,393	238,170,685			1,493.84	6.65		
2002-03	97,580,000	520,000	-	-	-	98,100,000	282,091,034			1,769.43	7.78		
2003-04	103,735,000	400,000	-	-	-	104,135,000	307,694,824			1,927.73	8.38		
2004-05	137,390,000	275,000	-	-	-	137,665,000	355,045,000			2,207.72	9.48		
2005-06	180,935,000	140,000	2,330,004	-	-	183,405,004	511,143,771			3,082.97	13.09		
2006-07	243,265,000	-	2,130,000	-	-	245,395,000	610,834,191			3,665.92	14.91		
2007-08	282,520,000	-	2,050,000	-	-	284,570,000	701,302,144			4,187.93	15.98		
2008-09	285,735,000	-	18,685,000	-	147,089	304,567,089	745,865,554			4,320.33	18.05		

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

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
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
2008-09	156,265,000	31,844,188	124,420,812	2,656,948,194	4.7	172,641	720.69

Source: (A) Assessed valuation from Maricopa County Assessor's Office
 (B) Estimate from City of Tempe, Arizona Budget Division

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

City of Tempe, Arizona

Jurisdiction	2008-09 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2008-09 Secondary Tax Rate Per \$100 Assessed
			Percent	Amount	
Net Direct					
City of Tempe - General (net)	\$ 2,656,948,194	\$ 124,420,812 (A)	100.00 %	\$ 124,420,812	\$ 0.89
Overlapping					
State of Arizona	86,090,579,647	None	N/A	None	N/A
Maricopa County	58,303,635,287	None	N/A	None	N/A
Maricopa County Community College	58,303,635,287	727,390,000	4.56	33,147,805	0.94
Tempe Union High School District No. 213	5,041,535,985	128,000,000	53.84	68,918,138	2.28
Tempe Elementary School District No. 3	2,148,512,172	110,975,000	86.70	96,212,086	3.50
Kyrene Elementary School District No. 28	2,893,023,813	101,010,000	29.44	29,739,967	2.89
Scottsdale Unified School District No. 48	7,156,544,125	343,505,000	0.27	939,395	3.89
Mesa Unified School District No. 4	4,734,815,764	316,770,000	0.71	2,236,029	5.11
East Valley Institute of Technology	25,257,622,947	None	N/A	None	N/A
Total overlapping debt		<u>1,727,650,000</u>		<u>231,193,420</u>	
Total net direct and overlapping debt		<u>\$ 1,852,070,812</u>		<u>\$ 355,614,232 (B)</u>	

Source: RBC Capital Markets 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 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	Fiscal Year 2008-09
Assessed Valuation	\$ 1,240,471,800	\$ 1,356,429,397	\$ 1,456,361,617	\$ 1,556,492,294	\$ 1,688,452,415	\$ 1,768,877,385	\$ 1,904,426,188	\$ 2,006,703,332	\$ 2,401,898,466	\$ 2,656,948,194
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 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	\$ 531,389,638
Total net debt applicable to 20% limit	87,295,000	97,360,000	113,225,000	129,580,000	142,185,000	174,265,000	219,465,000	371,985,000	424,675,000	462,255,000
Legal 20% debt margin (available borrowing capacity)	\$ 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	\$ 69,134,638
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	35.19%	35.89%	38.87%	41.63%	42.11%	49.26%	57.62%	92.68%	88.40%	86.99%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 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	\$ 159,416,891
Total net debt applicable to 6% limit	51,235,000	55,645,000	52,315,000	69,370,000	65,690,000	73,535,000	92,300,000	3,085,000	1,455,000	1,395,000
Legal 6% debt margin (available borrowing capacity)	\$ 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	\$ 158,021,891
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	68.84%	68.37%	59.87%	74.28%	64.84%	69.29%	80.78%	2.55%	1.01%	0.88%

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	21,745,000	9,755,000	-
Police Protection	31,500,000	31,000,000	500,000	-
Fire Protection	6,000,000	3,455,000	2,545,000	-
Community Services/Park Improvements	12,000,000	12,000,000	-	-
Subtotal	158,000,000	145,200,000	12,800,000	-
2006 Program				
Water / Wastewater	172,000,000	172,000,000	-	-
Streets / Transportation	8,000,000	-	2,565,000	5,435,000
Police Protection	14,000,000	-	12,500,000	1,500,000
Fire Protection	2,500,000	-	730,000	1,770,000
Community Services/Park Improvements	14,000,000	5,900,000	8,100,000	-
Subtotal	210,500,000	177,900,000	23,895,000	8,705,000
2008 Program				
Water / Wastewater	113,300,000	-	16,970,000	96,330,000
Streets / Transportation/Storm Drains	44,200,000	-	-	44,200,000
Public Safety - Police/Fire	32,010,000	-	-	32,010,000
Community Services/Park Improvements	51,800,000	-	2,390,000	49,410,000
	241,310,000	-	19,360,000	221,950,000
	\$ 609,810,000	\$ 323,100,000	\$ 56,055,000	\$ 230,655,000

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
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
2008-09	2,860,571	4,094,274	0.70	132,726,935	5,625,728	23.59

Fiscal Year	Performing Arts Excise Tax Obligations			Transit Variable Rate Excise Tax Obligations		
	0.1% Privilege and Use Tax Collections (B)	Debt Service (D)	Coverage	0.5% Privilege and Use Tax Collections (C)	Debt Service	Coverage
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
2008-09	6,158,761	6,012,725	1.02	29,850,942	6,019,311	4.96

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.
- (D) The debt service amount does not include fiscal agent fees.

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		
	2009 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)
2008-09	\$ 132,726,935	5,625,728	23.59	\$ 133,259,968	6,012,725	22.16
2009-10		4,969,702	26.71		6,005,626	22.19
2010-11		4,968,487	26.71		6,016,226	22.15
2011-12		4,966,462	26.72		6,017,788	22.14
2012-13		4,969,687	26.71		6,015,338	22.15
2013-14		4,973,437	26.69		6,013,238	22.16
2014-15		4,966,837	26.72		6,011,013	22.17
2015-16		5,876,238	22.59		6,012,438	22.16
2016-17		5,873,138	22.60		3,522,050	37.84
2017-18		5,872,138	22.60		3,521,375	37.84
2018-19		5,875,888	22.59		3,522,825	37.83
2019-20		5,878,638	22.58		3,525,875	37.79
2020-21		5,264,888	25.21		-	
2021-22		5,263,113	25.22			
2022-23		5,326,688	24.92			
2023-24		2,243,500	59.16			
2024-25		2,241,750	59.21			

Source:

- (A) Excise Tax Revenues received by the City in fiscal year 2008-09. 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 \$13,710,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2000A, currently outstanding in the principal amount of \$700,000, the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2005, currently outstanding in the principal amount of \$19,840,000 and the City of Tempe Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$21,260,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009A, currently outstanding in the principal amount of \$14,300,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009B, currently outstanding in the principal amount of \$9,315,000.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2008-09 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 2008-09.
- (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 \$28,875,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2006, currently outstanding in the principal amount of \$14,765,000.
- (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	2009 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B) (C)	Outstanding Senior Excise Tax Obligations Coverage (D)
2008-09	29,850,942	5,449,867	5.48
2009-10		5,519,838	5.41
2010-11		5,575,872	5.35
2011-12		5,635,157	5.30
2012-13		5,697,518	5.24
2013-14		5,767,887	5.18
2014-15		5,829,446	5.12
2015-16		5,903,895	5.06
2016-17		5,974,223	5.00
2017-18		6,051,923	4.93
2018-19		6,126,991	4.87
2019-20		6,209,295	4.81
2020-21		6,303,699	4.74
2021-22		6,393,217	4.67
2022-23		6,478,999	4.61
2023-24		6,580,339	4.54
2024-25		6,677,888	4.47
2025-26		6,776,648	4.40
2026-27		6,890,206	4.33
2027-28		7,003,952	4.26
2028-29		7,112,636	4.20
2029-30		7,241,258	4.12
2030-31		7,364,296	4.05
2031-32		7,496,750	3.98
2032-33		7,638,234	3.91
2033-34		7,778,362	3.84
2034-35		7,925,816	3.77
2035-36		8,081,716	3.69
2036-37		4,720,857	6.32
2037-38		1,895,975	15.74

Source: RBC Capital Markets

- (A) Excise Tax Revenues received by the City in Fiscal Year 2008-09.
- (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 \$57,480,000 and \$48,310,000 respectively. Interest is assumed at a rate of 0.25% per annum through maturity. Also includes annual debt service requirements for the Series 2008 City of Tempe Transit Excise Tax Revenue Obligations in the principal amount of \$29,690,000.
- (C) The debt service amount does not include fiscal agent fees.
- (D) The estimated coverage figures shown reflect the ratio of actual fiscal year 2008-09 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

Excise Tax Collections (Exhibit S-21)

Last Ten 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	Fiscal Year 2008-09
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	\$ 74,295,074
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	13,191,255
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	24,832,128
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	3,980,674
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	7,227,027
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	9,200,777
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	\$ 132,726,935

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

(A) Amounts exclude the 0.5% Excise Tax approved by voters on September 10, 1996 as a dedicated "transit tax", the 0.1% Performing Arts Center Tax approved by voters in September 2000, 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)
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
2008-09	172,641	4,131,989,694	23,934	63,866	31.6	25,780	67,082	4.20

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

(B) Estimate from Sites USA for 2009

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

(D) ASU Enrollment History

(E) Employment Trends, Arizona Department of Commerce

Principal Employers (Exhibit S-23)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

<u>Employers</u>	Fiscal Year 2008-09			Fiscal Year 1999-00		
	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
Freescle 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, 1999-00

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

Last Six 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	Fiscal Year 2008-09
Police	522	522	535	530	577	580
Fire	157	157	171	160	187	187
Community services	305	308	340	234	230	232
Parks and recreation	-	-	-	208	208	210
Public works	377	377	380	307	323	330
Community relations	20	18	18	20	20	20
Mayor and council	7	7	7	7	7	7
City manager	3	3	4	4	4	4
Diversity program	3	4	4	4	5	5
Internal audit/consulting	4	4	4	4	4	4
City clerk and elections	5	5	5	5	5	5
City attorney	25	25	26	29	29	29
Municipal court	37	38	41	41	46	46
Development services	87	89	52	63	63	62
Community development	-	-	53	60	62	62
Economic development	12	13	-	-	-	-
Financial services	70	69	69	72	72	73
Human resources	19	19	19	21	23	24
Information technology	73	72	72	73	76	76
Water/wastewater	131	131	135	136	138	143
Total	1,857	1,861	1,935	1,978	2,079	2,097

Source: City of Tempe, Arizona 2008-09 Annual Budget

Note: Information prior to fiscal year 2003-04 was not available in this format.

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

Last Four Fiscal Years

City of Tempe, Arizona

Function /Program	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
Police				
Crime rate (per 100,000 population)	8,269	8,000	6,700 (A)	6,100 (B)
Traffic accidents	5,562	6,729	5,895	4,920
Emergency service average response time (minimum)	4:43	5:01	5:07 (A)	5:08 (B)
Citizen calls for police service	124,923	123,847	112,409 (A)	106,317 (B)
Operating expenditures per citizen calls	\$391.87	\$353.37	\$415.22 (A)	\$443.34 (B)
Fire				
Firefighters per capita (10,000)	8.52	8.24	9.43 (A)	9.37 (B)
No. of fire calls	2,097	2,148	1,964	2,414
No. of medical calls	13,059	13,469	13,255	15,199
No. of other assistance calls	1,722	2,429	2,708	1,260
Emergency service average response time (minimum)	4:25	4:17	4:22 (A)	4:20 (B)
% of emergency responses taking 5.0 minutes or less	70%	72%	71%	72% (B)
Transportation				
On-time performance (bus)	94%	92%	89%	90%
Annual boardings (bus)	6,805,383	8,156,782	7,387,024	9,157,912
Number of square yards repaired	1,884,102	1,136,956	1,391,711	2,090,504
Library				
Registered borrowers	141,509	142,323	142,524 (A)	142,500 (B)
Circulation	1,404,318	1,246,650	1,257,336 (A)	1,250,000 (B)
Development services				
# of permits issued for commercial /industrial	69	69	46	21
Valuation of commercial/industrial permits	\$83,599,700	\$170,983,900	\$ 88,143,100	\$ 109,851,600
# of permits issued for residential	1,061	700	675	508
Valuation of residential permits	\$250,869,200	\$ 152,320,600	\$ 96,512,400	\$ 161,914,600
# of permits issued other	715	673	653	577
Valuation of other permits	\$119,168,700	\$89,884,365	\$188,916,700	\$105,413,500
Water/wastewater				
Number of customer accounts	42,059	42,261	42,494	42,686
Total water gallons treated (million gallons - mg)	15,152	17,900	17,638	16,593 (B)
O&M per customer account	\$221	\$317	\$251	\$256 (B)
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%	100% (B)
Total wastewater gallons treated (million gallons per day)	22	25	22	19.6 (B)
Solid waste collection				
Residential container/recycling cost per ton	\$73	\$70	\$102 (A)	\$71 (B)
# of residential accounts	33,021	33,056	32,964	32,916
Residential recycling diversion rate	34%	29%	28% (A)	28% (B)
# of commercial accounts	1,976	1,861	1,942	1,875
Commercial collection cost per ton	\$57	\$52	\$59 (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 2008-09

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

Last Four Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
Police				
Stations	2	2	3	3
Patrol Units (Squads)	22	22	22	22
Fire Stations	6	6	6	6
Transportation				
Streets (miles)	1,241	1,241	1,241	1,241
Streetlights	11,754	11,774	11,810	12,021
Traffic Signals	193	199	217	219
Buses	123	115	148	198
Parks and recreation				
Acreage	1,684	1,684	1,872	1,872
Playgrounds	44	44	45	45
Sports Fields	195	195	200	200
Community centers	4	4	4	4
Golf Courses	2	2	2	2
Water/Wastewater				
Water mains (miles)	852	852	823	825
Water production capacity (million gallons per day)	120	120	120	120
Water storage capacity (million gallons)	53	53	53	53
Sanitary sewers (miles)	502	502	500	497
Storm sewers (miles)	174	174	193	193
Wastewater treatment capacity (million gallons per day)	32	32	32	38
Solid waste collection				
Collection trucks	68	56	60	58

Source: The 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.