



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012



City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2012



City Council:

Hugh Hallman, Mayor
Joel Navarro, Vice Mayor
Robin Arredondo-Savage
Shana Ellis
Mark Mitchell
Onnie Shekerjian
Corey Woods

Administrative Staff:

Charles W. Meyer, City Manager

Presented by:

Kenneth Jones, Finance and Technology Director
Jerry Hart, CPA, Deputy Finance and Technology Director
Karen Huffman, CPA, Controller



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

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Introductory Section

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



November 21, 2012

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, 2012 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 162,000 residents as of the 2010 census. 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 that are designed to ensure compliance with budgetary and legal provisions embodied in the annually appropriated operating and capital project budgets approved by the City Council. Activities of the General Fund, Special Revenue Funds (except for the Grant and Court Awards), General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are also prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the city-wide level consisting of the total operating budget and the total capital projects 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

The City, like most of the State of Arizona and nation, continued its gradual recovery from the economic recession during the fiscal year. Improvement was experienced in all major categories of revenue including sales taxes and property taxes. The lingering effects of the recession continued to be reflected in state-shared revenue collections.

Sales Tax

Growth occurred in the local sales tax base across many categories including retail, rentals, utilities/communication, contracting, hotel/motel and restaurants. Total taxable sales increased by 3.1%. Retail taxable sales (comprising 51.0% of total taxable sales) grew by 2.0%. As a result, General Fund sales tax revenues increased by \$3.4 million to \$86 million; \$10.6 million of this sales tax revenue is from the 0.2% (two-tenths of one percent) temporary (four-year) sales tax that became effective July 1, 2010. Sales tax revenue represented 50% of total General Fund revenues for the year. Sales tax revenue in the Transit and Performing Arts Special Revenue Funds grew by \$1.2 million (4.3%) and \$0.26 million (4.4%), respectively.

State-Shared Revenue

State-shared sales tax revenue (\$16.6 million) remained relatively flat compared to the prior year, largely reflecting the effect of the U.S. Census. The 2010 Census counts are used in the distribution formula for state-shared revenues. As the City's proportionate share of total state population continues to decline over time due to its landlocked status, the percentage of state-shared revenues allocated to the City also declines. The City experienced an anticipated decline in state shared income tax of \$2.5 million (15.0%). However, state shared income tax received during the fiscal year (\$13.6 million) is from actual collections by the State for fiscal year 2009-10, a period during which the "official" end of the recession occurred. Auto lieu tax (\$5.4) million also remained relatively flat compared to the prior year. These state-shared revenues combined represented about 20% of General Fund revenue for the year.

Property Tax

Property tax revenues grew by \$1.3 million (to \$14.6 million) and \$0.2 million (to \$21.9 million) over the prior year in the General Fund and General Obligation Debt Service Fund, respectively. The modest increases are reflective of the property tax revenue stabilization policy implemented by the City during the year to mitigate the impact of the decline in property valuation due to the recession. This stabilization has ensured the City's ability to service currently outstanding debt and maintain basic infrastructure. Property tax comprised approximately 9% of General Fund revenues for the year.

LONG-TERM FINANCIAL PLANNING

The economic downturn and the subsequent gradual recovery are challenging the City's ability to continue the provision of current service levels into the future. The voter-approved, temporary sales tax increase implemented on July 1, 2010, which provided the City with the additional time to strategically make budget decisions based upon more well defined community service priorities, is set to expire on June 30, 2014. The impact will be an estimated \$12 million annual reduction in revenue to the General Fund beginning in fiscal year 2014/15. With these challenges in mind, during the year management and the City Council began a process of redefining the long term strategic priorities of the City. One of the first things accomplished was the reaffirmation of the City's purpose statement as follows:

***Tempe creates outstanding value for those we serve through shared vision,
superior service and sustainable practices.***

This purpose statement is to provide direction to the City throughout the entire strategic planning process. After a number of facilitated planning sessions, the following eleven **strategic priorities** were identified:

1. **LONG-TERM FINANCIAL STABILITY**: That we put the processes in place to create a truly sustainable financial/budget model for our City that can weather the storm and still support our needed growth
2. **NEIGHBORHOOD ENHANCEMENT**: A recognition that the quality of our neighborhoods (including all neighborhood amenities) are a critical component of our community and are safe and desirable
3. **EFFECTIVE INFRASTRUCTURE**: Systematic planning and update of our core infrastructure to support City services and growth for the future
4. **SUSTAINABLE ECONOMIC DEVELOPMENT**: Focus on attracting and retaining the right businesses, developing a skilled workforce, and having the right diversity of businesses for Tempe
5. **TOWN LAKE DEVELOPMENT AND DOWNTOWN CONNECTIVITY**: Full development of the town lake potential with great connectivity to downtown Tempe and regional parks
6. **OPERATIONAL SUSTAINABILITY AND ACCOUNTABILITY**: Accountability measurement in place to measure operational efficiencies, effectiveness and sustainability for all programs and operations

7. ADVANCED TRANSPORTATION INFRASTRUCTURE: A truly regional and multi-modal system for Tempe
8. IMPLEMENTATION ALIGNMENT: That our defined and communicated strategies are clearly aligned with the ability of our staffs and operations to implement those strategies
9. REGIONAL LEVERAGE: That we act as a leader and a strong team player on issues that affect our regional cities and communities
10. EDUCATION AS A PRIORITY: Tempe fosters an environment for maximizing outstanding educational outcomes and lifelong learning
11. LEVERAGE TECHNOLOGY: As a City we are not only deploying new technologies and systems but we are making advanced technology a priority for our citizens and businesses

These strategic priorities have been assigned to various council committees for their follow up. The overarching intention is to delineate long-range goals, formulate a cohesive strategy for each of the defined areas, and develop departmental action plans to advance the City toward the achievement of those strategic priorities.

Given the economic environment both nationally and locally, the central focus of all of the City's current planning efforts is the achievement of long-term financial sustainability in order to continue the delivery of services. The gradual recovery of the major revenue categories identified earlier and the pending expiration of the temporary sales tax in June 2014 are prompting the City to find ways to control the growth in costs. As is the case in most local governments, personnel costs represent the largest component of the operating budget of the City; they represent approximately 80% of the costs in the General Fund. Over the past decade, these costs have grown at a faster rate than revenues, with primary drivers being health care and pension costs; clearly, this is not sustainable. The City will be working with all stakeholders including employees, bargaining units and citizens over the next several months to find opportunities to structurally balance the budget for the long term in a way that will allow the continued delivery of quality services.

MAJOR INITIATIVES

Despite the economic challenges that the City has endured over the past few years, the business community continues to see investment opportunities within Tempe as reflected by a number of development projects recently completed or underway. These projects include The Hub (a 19-story, 269 units student housing project), San Marquis (a multifamily project comprising 227 units), the 11-story Marriott Residence Inn (173 rooms, 3,500 square feet conference space, 5,700 square feet of retail), West 6th apartments (formerly Centerpoint Towers) and Discovery Business Campus (formerly Freescale, a 136 acre office park in which the developer is investing \$12 million dollars in the redevelopment).

Tempe also recruited the following companies providing new job creation in the community as follows:

- **Silicon Valley Financial Services** - 400 jobs;
- **Clear Energy Systems** - 200 jobs,
- **Verifications** - 200 jobs,
- **Transperfect** - 150 jobs.

Additionally, the City has experienced an increase of high tech companies looking to relocate to the City following the announcement of Silicon Valley Financial Services' relocation of its I.T. Engineering and Global Operations Center. Downtown Tempe office space absorption has created a need for new development. As office space in Tempe has begun to fill up within the past six months, eleven build to suit office development opportunities have come on line with private developers including four build to suit office buildings in ASU Research Park, one build to suit office building in Fountainhead Corporate Park, one build to suit office building in Hayden Ferry Lakeside II and three in Discovery Business Campus.

Capital investment and job creation increased substantially over last year. City staff helped to facilitate the expansion and relocation of 18 businesses that will employ over 2,400 people and are a vital part to the local economy. These projects generated more than \$59 million in direct capital investment for the local economy.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

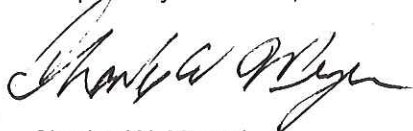
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious 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-six consecutive years (fiscal years 1975-76 through 2010-11). 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 2011-12 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2012.

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



Kenneth Jones
Finance and Technology Director

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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director



For the Fiscal Year
Ended June 30, 2012

City of Tempe, Arizona List of Principal Officials

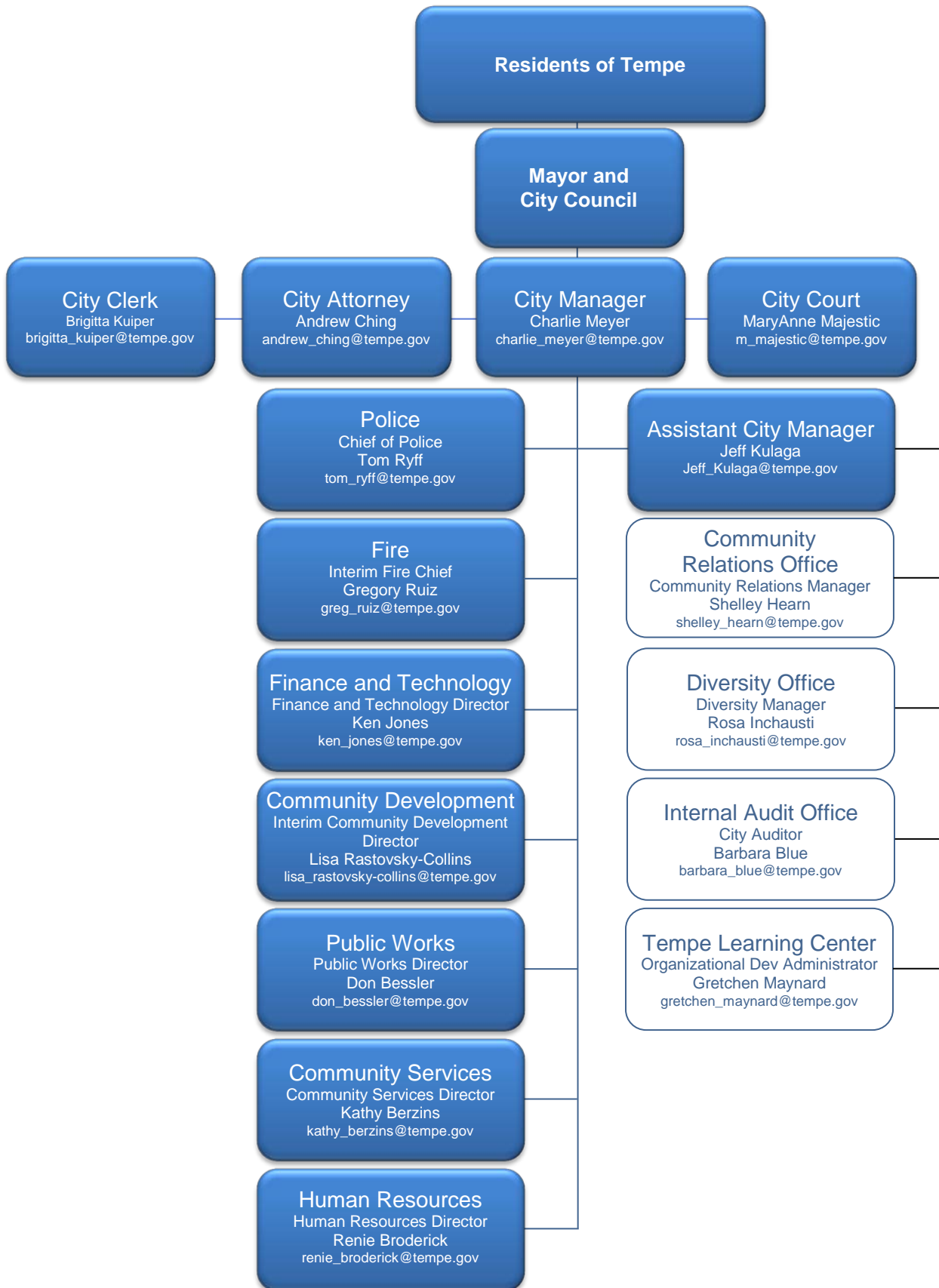
City Council

Hugh Hallman, Mayor
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Shana Ellis
Mark Mitchell
Onnie Shekerjian
Corey Woods

Administrative Staff

Charles W. Meyer, City Manager
Jeff Kulaga, Assistant City Manager
Tom Ryff, Police
Gregory Ruiz, Fire
Kathy Berzins, Community Services
Don Bessler, Public Works
Lisa Rastovsky-Collins, Community Development
Shelley Hearn, Community Relations
Rosa Inchausti, Diversity Program
Barbara Blue, Internal Audit/Consulting
Gretchen Maynard, Tempe Learning Center
Brigitta Kuiper, City Clerk and Elections
Andrew Ching, City Attorney
MaryAnne Majestic, Municipal Court
Kenneth Jones, Finance and Technology
Renie Broderick, Human Resources

City Organizational Chart



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 City of Tempe, Arizona (the City), as of and for the year ended June 30, 2012, 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 the 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 21, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information such as the introductory section, combining statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 21, 2012

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, 2012. 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 \$1.190 billion (net assets). Of this amount, \$341.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$4.6 million during the fiscal year compared to a slight increase of \$0.4 million in the prior year. The governmental funds experienced a decrease in net assets of \$11.7 million which was offset with an increase in net assets of the enterprise funds of \$7.1 million. The reason for the decrease in current year net assets for the governmental funds was a decrease in revenues.
- For the fiscal year ended June 30, 2012, the City's governmental revenues decreased by \$8.9 million. Predominately it was due to a decrease in *capital grants and contributions* of \$8.7 million. Other variances in governmental revenues included an increase of \$1.1 million in *sales tax* revenue offset by a decrease of \$2.5 million of *State shared income taxes*. Expenses remained fairly constant between the current year and prior year.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$216.6 million. Approximately 63.7% of this total amount (\$138.1 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2012, total fund balance for the General Fund was \$61.6 million which represents an increase of \$7.5 million over the prior year's fund balance. Revenues continued to exceed expenditures by \$7.9 million; however it was less than prior year's amount of \$14.1 million. Although revenues increased by \$3.2 million, General Fund expenditures increased by \$9.5 million.
- At June 30, 2012, the City's proprietary funds reported combined total net assets of \$255.7 million, and total unrestricted net assets of \$93.0 million. \$88.3 million of the unrestricted net assets were in the Water and Wastewater Fund.
- At June 30, 2012, the total long-term obligations of the City decreased by \$19.5 million due primarily to the scheduled debt service payments on existing debt being greater than the limited amount of new money bond issues which was \$7.0 million in general obligation bonds for public safety, community service and street improvements and \$8.4 million in excise tax revenue obligations for water/wastewater projects. In addition, the general obligation issuance included a refunding component of \$12.8 million and the excise tax issuance refunded \$22.1 million of general governmental and enterprise debt. The City also refunded \$18.3 million in Performing Arts Center excise tax obligations.

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 are comprised of 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, public works, community development, community relations, mayor and council, city manager, diversity program, internal audit/consulting, Tempe learning center, city clerk and elections, city attorney, municipal court, finance and technology, and human resources. 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 funds balance sheet and the governmental funds 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 funds balance sheet and in the governmental funds 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 along with a Capital Improvement Program Budget for the Capital Projects Funds. The legal level of budgetary control is at the citywide level (incorporating both the operating and capital budgets). 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, Capital Projects, 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 fund statements 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, golf course 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, 2012			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 621,890,987	\$ 254,186,363	\$ 876,077,350
Capital assets, net	879,865,525	368,915,555	1,248,781,080
Total assets	1,501,756,512	623,101,918	2,124,858,430
Liabilities			
Long-term liabilities	494,350,690	332,645,131	826,995,821
Other liabilities	73,241,585	34,730,635	107,972,220
Total liabilities	567,592,275	367,375,766	934,968,041
Net Assets			
Invested in capital assets, net of related debt	560,427,507	162,774,388	723,201,895
Restricted	124,800,333	-	124,800,333
Unrestricted	248,936,397	92,951,764	341,888,161
Total net assets	\$ 934,164,237	\$ 255,726,152	\$ 1,189,890,389

Net Assets- June 30, 2011			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 623,225,269	\$ 261,613,606	\$ 884,838,875
Capital assets, net	892,786,857	366,693,931	1,259,480,788
Total assets	1,516,012,126	628,307,537	2,144,319,663
Liabilities			
Long-term liabilities	504,532,040	341,988,946	846,520,986
Other liabilities	65,660,445	37,674,614	103,335,059
Total liabilities	570,192,485	379,663,560	949,856,045
Net Assets			
Invested in capital assets, net of related debt	571,925,061	175,625,967	747,551,028
Restricted	114,643,888	-	114,643,888
Unrestricted	259,250,692	73,018,010	332,268,702
Total net assets	\$ 945,819,641	\$ 248,643,977	\$ 1,194,463,618

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 \$1.190 billion and \$1.194 billion as of June 30, 2012 and 2011, 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 \$723.2 million and \$747.6 million at June 30, 2012 and 2011, respectively. These totals represent 60.8% and 62.6% of total net assets at June 30, 2012 and 2011, 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 their usage. The net assets subject to external restrictions were \$124.8 million (10.5% of total net assets) at June 30, 2012. At June 30, 2011 restricted net assets were \$114.6 million (9.6% of total net assets). With the implementation of Governmental Accounting Standards Board (GASB) No. 54, new categories were established and existing ones redefined. One new category represents non-spendable items which are inventories, prepaid items, and notes receivable. This category is considered unrestricted. The remaining balance of net assets is also unrestricted (committed, assigned, and unassigned), and may be used to meet the government's ongoing obligations to citizens and creditors. The total balance of unrestricted net assets was \$341.9 million (28.7% of total net assets) and \$332.3 million (27.8% of total net assets) at June 30, 2012 and 2011, 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 governmental as well as for the business-type activities as a whole.

ANALYSIS OF CHANGE IN NET ASSETS

The City's net assets decreased by \$4.6 million during the current fiscal year. These changes in net assets are explained in the governmental and business-type activities discussion below. It should be noted that the City implemented organizational changes in fiscal year 2010-11 involving several departments in an effort to consolidate operations. The parks and recreation department was divided and the parks component was merged into public works and the recreation component was merged into community services. Development services was merged into community development. Financial services and information technology were merged into one department and titled "finance and technology". Tempe learning center was disaggregated from human resources. The final change was that water and wastewater was merged into public works.

Changes in Net Assets- June 30, 2012

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 46,068,709	\$ 90,747,206	\$ 136,815,915
Operating grants and contributions	22,450,002	-	22,450,002
Capital grants and contributions	15,961,785	1,988,550	17,950,335
General revenues:			
Sales taxes	142,985,910	-	142,985,910
State shared income taxes, unrestricted	13,649,203	-	13,649,203
Property taxes	35,899,010	-	35,899,010
Franchise taxes	3,428,125	-	3,428,125
Auto-lieu taxes	5,437,201	-	5,437,201
Unrestricted investment earnings	822,900	335,297	1,158,197
Miscellaneous	3,199,954	3,032,990	6,232,944
Gain on sale of capital assets	496,911	40,582	537,493
Total revenues	<u>290,399,710</u>	<u>96,144,625</u>	<u>386,544,335</u>
Expenses			
Police	76,799,591	-	76,799,591
Fire	28,156,863	-	28,156,863
Community services	31,069,618	-	31,069,618
Public works	98,915,390	-	98,915,390
Community development	25,113,273	-	25,113,273
Community relations	7,456,756	-	7,456,756
Mayor and council	356,468	-	356,468
City manager	78,458	-	78,458
Diversity program	476,011	-	476,011
Internal audit/consulting	338,059	-	338,059
Tempe learning center	462,817	-	462,817
City clerk and elections	910,616	-	910,616
City attorney	2,854,168	-	2,854,168
Municipal court	3,934,716	-	3,934,716
Finance and technology	5,325,401	-	5,325,401
Human resources	2,102,617	-	2,102,617
Unallocated depreciation	2,301,194	-	2,301,194
Interest on long-term debt	14,894,293	-	14,894,293
Water/wastewater	-	72,156,412	72,156,412
Solid waste	-	14,626,578	14,626,578
Golf	-	2,658,416	2,658,416
Cemetery	-	129,849	129,849
Total expenses	<u>301,546,309</u>	<u>89,571,255</u>	<u>391,117,564</u>
Increase(decrease) in net assets before transfers	(11,146,599)	6,573,370	(4,573,229)
Transfers	(508,805)	508,805	-
Change in net assets	<u>(11,655,404)</u>	<u>7,082,175</u>	<u>(4,573,229)</u>
Net assets at beginning of year	945,819,641	248,643,977	1,194,463,618
Net assets at end of year	<u>\$ 934,164,237</u>	<u>\$ 255,726,152</u>	<u>\$1,189,890,389</u>

Changes in Net Assets- June 30, 2011

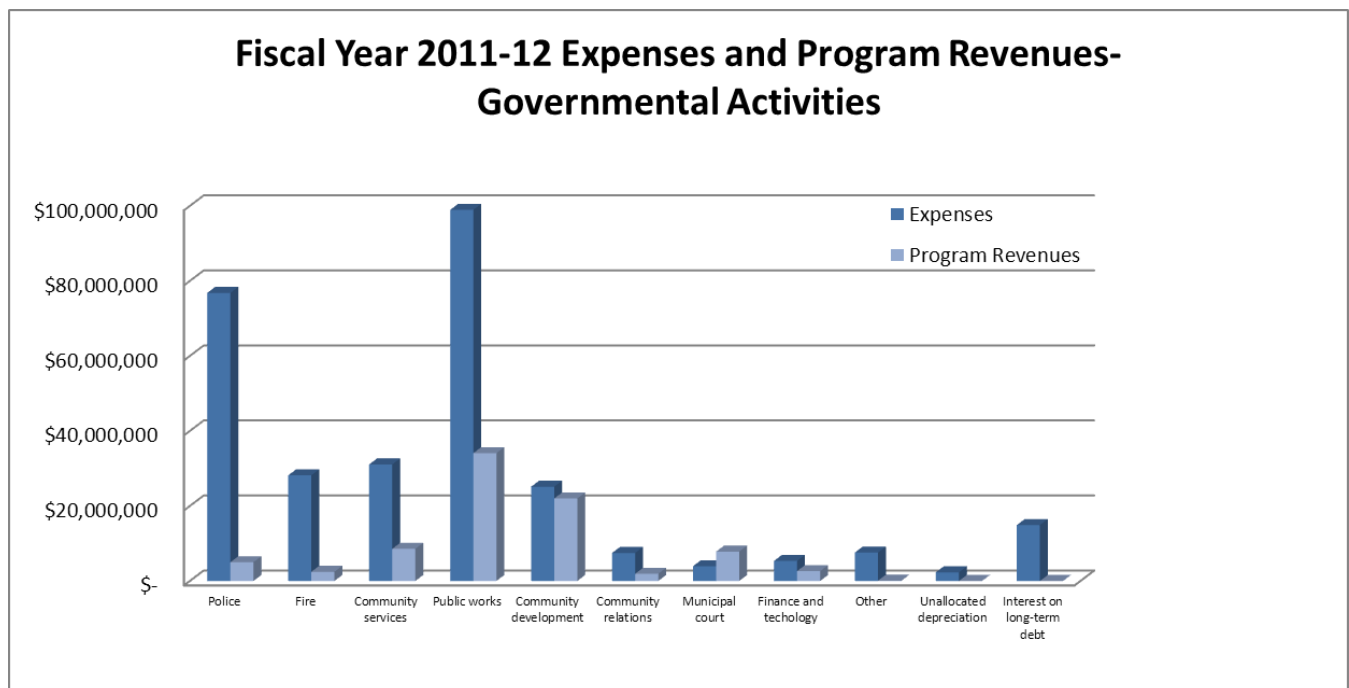
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 45,331,333	\$ 87,093,499	\$ 132,424,832
Operating grants and contributions	22,131,520	-	22,131,520
Capital grants and contributions	24,708,317	1,691,429	26,399,746
General revenues:			
Sales taxes	141,844,739	-	141,844,739
State shared income taxes	16,137,383	-	16,137,383
Property taxes	35,501,233	-	35,501,233
Franchise taxes	3,821,436	-	3,821,436
Auto-lieu taxes	5,424,902	-	5,424,902
Unrestricted investment earnings	1,229,447	459,759	1,689,206
Miscellaneous	2,991,971	1,976,132	4,968,103
Gain (loss) on sale of capital assets	133,677	(5,563,191)	(5,429,514)
Total revenues	<u>299,255,958</u>	<u>85,657,628</u>	<u>384,913,586</u>
Expenses			
Police	72,492,475	-	72,492,475
Fire	27,499,884	-	27,499,884
Community services	27,031,973	-	27,031,973
Public works	94,687,386	-	94,687,386
Community development	30,778,689	-	30,778,689
Community relations	4,463,790	-	4,463,790
Mayor and council	316,531	-	316,531
City manager	556,354	-	556,354
Diversity program	447,287	-	447,287
Internal audit/consulting	477,080	-	477,080
Tempe learning center	467,763	-	467,763
City clerk and elections	403,792	-	403,792
City attorney	2,659,312	-	2,659,312
Municipal court	4,179,694	-	4,179,694
Finance and technology	8,321,853	-	8,321,853
Human resources	2,037,261	-	2,037,261
Unallocated depreciation	5,733,128	-	5,733,128
Interest on long-term debt	18,453,487	-	18,453,487
Water/wastewater	-	67,505,481	67,505,481
Solid waste	-	13,784,106	13,784,106
Golf	-	2,011,316	2,011,316
Cemetery	-	176,553	176,553
Total expenses	<u>301,007,739</u>	<u>83,477,456</u>	<u>384,485,195</u>
Increase (decrease) in net assets before transfers	(1,751,781)	2,180,172	428,391
Transfers	293,418	(293,418)	-
Change in net assets	<u>(1,458,363)</u>	<u>1,886,754</u>	<u>428,391</u>
Net assets at beginning of year	947,278,004	246,757,223	1,194,035,227
Net assets at end of year	<u>\$ 945,819,641</u>	<u>\$ 248,643,977</u>	<u>\$1,194,463,618</u>

Governmental activities. The decrease in governmental net assets totaled \$11.7 million and \$1.5 million for the fiscal years ended June 30, 2012 and 2011, respectively. The increase in the deficit was due to the City receiving \$8.7 million less in *capital grants and contributions* and \$2.5 million less in *State shared income taxes* while maintaining predominately the same level of expenditures.

The key factors contributing to the change in net assets compared to the prior year are as follows:

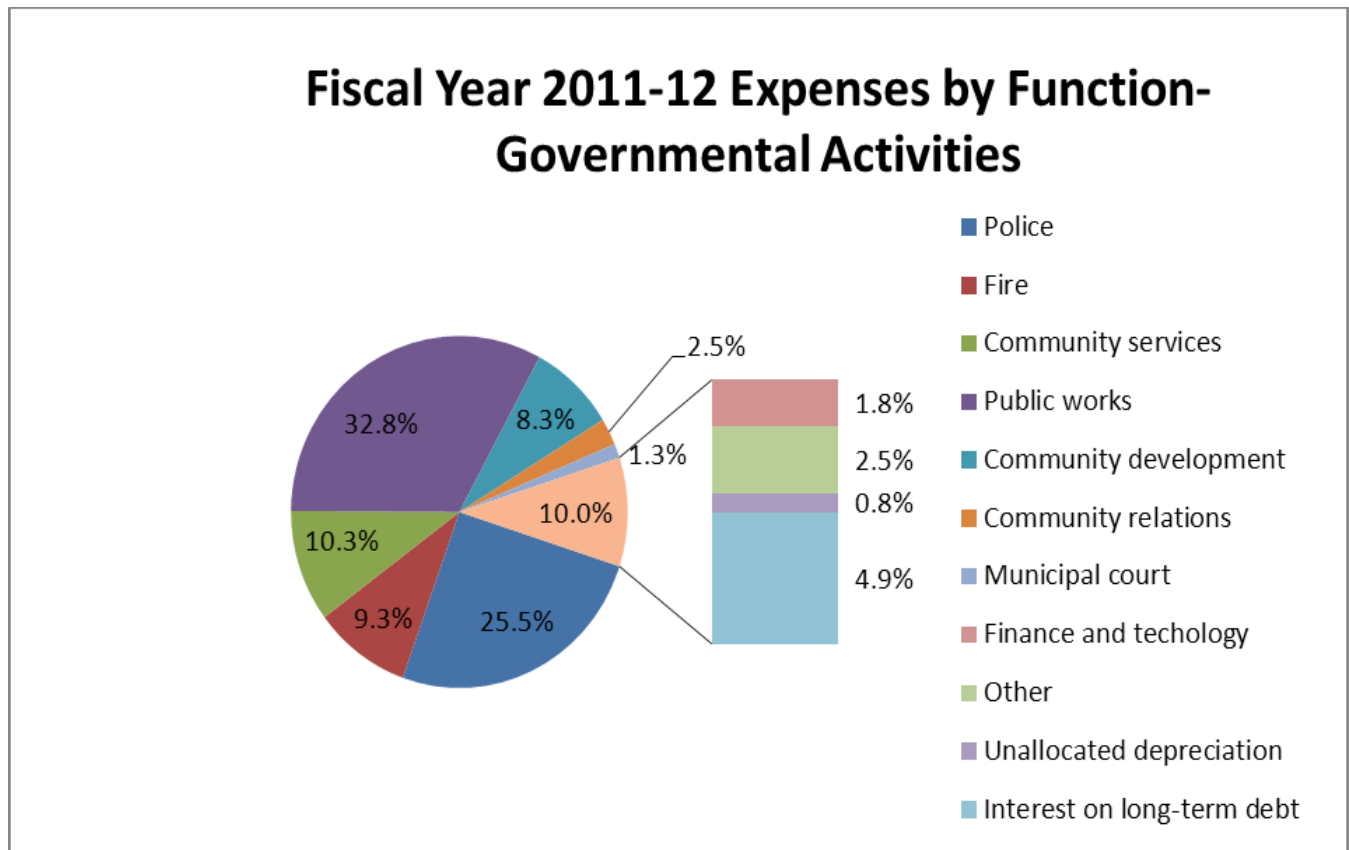
- The largest component contributing to the decrease in net assets was a decrease in *capital grants and contributions* of \$8.7 million (35.4%). In prior year, the City received the remaining reimbursements of \$8.9 million from the Federal government relating to the light rail system. As the system has been operational since December 2008, no additional capital grants relating to the light rail system were received in the current year.
- Overall, citywide *sales tax* revenue increased by \$1.1 million (0.8%) from the prior year. This was a modest increase in a slow recovering economy.
- Unfortunately, the increase in sales tax was offset by a further decrease in *State shared income taxes* in the amount of \$2.5 million (15.4%) from the prior year.
- Another component which increased the deficit in the current year was *unrestricted investment earnings* which were down \$0.4 million (33.1%). This is due to the continual commitment from the Federal Reserve to maintain interest rates at historically low levels.
- Due to refunding certain existing debt issuances discussed later, the City obtained savings of \$3.6 million in *interest on long-term debt*. The savings were offset by additional increases in functional expenses which resulted in only a slight overall increase in expenses.

The following charts illustrate the City's governmental expenses and program revenues by function and its revenues by source for the current fiscal year:



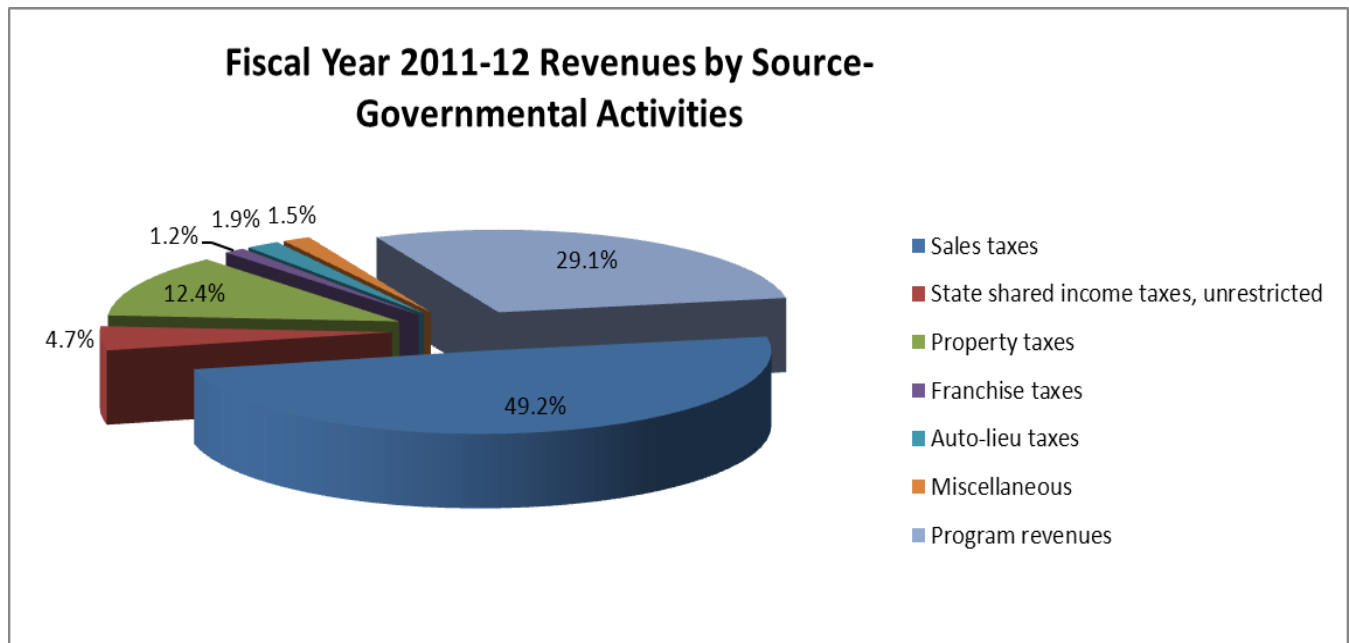
A comparison of expenses by function and the percentage of total expenses for the largest functions is presented below. In general, total expenses for the City were consistent with prior year (increasing only by \$0.5 million or 0.18%). Within the functions however, there was an increase in expenditures for Public Works, Police, Community Services and Fire which was offset with a decrease in expenditures for Community Development, *interest on long-term debt* and *unallocated depreciation*.

	Fiscal Year Ended			
	June 30, 2012		June 30, 2011	
Public works	\$98,915,390	32.8%	\$94,687,386	31.5%
Police	76,799,591	25.5	72,492,475	24.1
Community services	31,069,618	10.3	27,031,973	9.0
Fire	28,156,863	9.3	27,499,884	9.1
Community development	25,113,273	8.3	30,778,689	10.2



General revenues such as *sales taxes*, *property taxes*, *State shared income 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 largest general revenues and their percentage of total revenues (excluding transfers) is presented below. As stated previously, *sales taxes* and *property tax* only increased modestly by \$1.1 million and \$0.4 million, respectively. Meanwhile, the slow economic recovery continues to impact *State shared income taxes* resulting in a decrease of \$2.5 million (15.4%).

	Fiscal Year Ended			
	June 30, 2012		June 30, 2011	
Sales taxes	\$142,985,910	49.2%	\$141,844,739	47.4%
Property taxes	35,899,010	12.4	35,501,233	11.9
State shared income taxes, unrestricted	13,649,203	4.7	16,137,383	5.4
Auto-lieu taxes	5,437,201	1.9	5,424,902	1.8
Franchise taxes	3,428,125	1.2	3,821,436	1.3
Unrestricted investment earnings	822,900	0.3	1,229,447	0.4



Business-type activities. Business-type activities increased the City's net assets by \$7.1 million for the year ended June 30, 2012 compared to an increase of \$1.9 million for the year ended June 30, 2011. The recovery has been primarily from water and wastewater rate increases which resulted in *charges for services* increasing by \$3.3 million (4.7%) in the Water and Wastewater Fund for the current year. In addition, the Water and Wastewater Fund had a net *loss on sale of capital assets* of \$5.6 million in prior year that was not experienced in the current year.

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

For the Year Ended June 30, 2012					
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 73,392,328	\$ 14,866,281	\$2,344,355	\$ 144,242	\$ 90,747,206
Capital grants and contributions	1,988,550	-	-	-	1,988,550
Unrestricted investment earnings/other	3,343,872	67,823	-	-	3,411,695
Total	<u>\$ 78,724,750</u>	<u>\$ 14,934,104</u>	<u>\$2,344,355</u>	<u>\$ 144,242</u>	<u>\$ 96,147,451</u>

For the Year Ended June 30, 2011					
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 70,094,034	\$ 15,326,780	\$1,562,489	\$ 110,196	\$ 87,093,499
Capital grants and contributions	1,691,429	-	-	-	1,691,429
Unrestricted investment earnings/other	2,393,484	84,904	-	-	2,478,388
Total	<u>\$ 74,178,947</u>	<u>\$ 15,411,684</u>	<u>\$1,562,489</u>	<u>\$ 110,196</u>	<u>\$ 91,263,316</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 \$72.2 million for the fiscal year, followed by Solid Waste with \$14.6 million, Golf with \$2.7 million and Cemetery with \$0.1 million. Water and Wastewater expenses decreased by \$0.1 million (1.3%), Solid Waste increased \$0.8 million (6.1%) and Golf increased by \$0.6 million (32.2%). The Cemetery Fund was able to reduce its expenses in the area of interest and fiscal fees.

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. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

Fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are *Non-spendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. The amount that represents available resources for spending is the total of *Committed*, *Assigned*, and *Unassigned*. The unrestricted fund balance, less the non-spendable portion, may serve as a useful measure of a government's net resources available for spending at each fiscal year end.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$216.6 million, an increase of \$0.5 million from the prior year. Approximately \$138.1 million of this total amount pertained to the categories of *committed*, *assigned* or *unassigned*, all of which is available for spending at the City's discretion. The combination of these categories nets a decrease of \$0.3 million over the prior year's combined balance of \$138.4 million.

The remainder of fund balance contains two components: *Non-spendable* and *Restricted*. *Non-spendable* fund balance includes amounts that cannot be spent as they are not in a spendable form. At June 30, 2012 fiscal year end, the fund balance included amounts for *inventories* (\$1.4 million), *prepaid items* (\$0.7 million) and *capital improvement notes receivable* (\$0.3 million). *Restricted* fund balances are amounts that have externally (outside the City) enforceable limitations or enabling legislation (changes in City Charter). The restricted portion of fund balance consists of amounts for debt service (\$32.1 million), community services (\$1.6 million), public works (\$38.6 million) and community development (\$3.8 million).

Revenues for governmental functions overall totaled \$290.2 million in the fiscal year ended June 30, 2012, which represents a decrease of 2.9% or \$8.8 million from the fiscal year ended June 30, 2011. This decrease is primarily due to the Transit Capital Projects revenue decrease of \$11.3 million which was offset by the General Fund increased revenue of \$3.2 million and the Transit Special Revenue increase of \$1.5 million. 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 total fund balance was \$61.6 million; the fund did not have any *restricted* fund balance. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

The total fund balance in the City's General Fund increased by \$7.5 million during the current fiscal year. The increase is primarily due to revenues exceeding expenditures by \$7.9 million.

	Fiscal Year Ended			
	June 30, 2012		June 30, 2011	
Revenues	\$ 163,034,772		\$ 159,827,943	
Total fund balance	61,556,364	37.8 %	54,038,399	33.8 %
Unassigned fund balance	50,954,570	31.3	39,604,103	24.8

Total revenues increased by \$3.2 million (2.0%) from the prior year. *Sales tax* increased by \$3.4 (4.1%) million over prior year due to the slight recovery in the economy. *Property tax* also increased by \$1.3 million which was due to maximizing the increase in the levy as allowed by State statute, and the addition of new property to the tax rolls. The final major increase was an additional \$1.9 million for *charges for services*. These increases were offset with a decrease of \$2.5 million in *State shared income tax*.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. Revenues continued to recover in the current year by \$1.5 million. As this fund is primarily *sales tax* funded, the increase in sales tax collections contributed to the increase in revenues by \$1.2 million. As part of the final year of the three year budget reduction plan, bus services were reduced resulting in a \$2.5 million decrease in *charges for services*. This decrease however, was offset by an increase of \$2.3 million in *Federal grants* due to the FTA 5307 grant funding being reallocated from capital expenditures to operating preventative maintenance.

The fund balance totaled \$23.0 million at June 30, 2012, compared to a \$21.4 million fund balance at June 30, 2011. As the result of the three year budget balancing plan, for the year ended June 30, 2012, revenues exceeded expenditures by \$1.9 million. This was a turnaround from the prior year expenditures over revenues of \$2.8 million.

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 \$34.7 million at June 30, 2011 to \$35.4 million at June 30, 2012. The change in fund balance is due primarily to \$0.7 million received from other entities for their portion of an excise debt issuance. The total debt service fund balance will be used for future debt service payments 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) increased from a deficit of \$0.7 million at June 30, 2011 to a deficit of \$1.7 million at June 30, 2012. The deficit was the result of certain delinquent receivables which will be covered by future anticipated special assessment payments (refer to Note 9 of the *Notes to the Financial Statements*).

The **Transit Capital Projects Fund** accounts for the acquisition of buses, streetscapes, the East Valley Bus Maintenance Facility upgrades and other traffic flow improvements. Total fund balance had a slight decrease from \$64.9 million at June 30, 2011 to \$64.5 million at June 30, 2012, a \$0.4 million change. In prior year there were reimbursements received for previous expenditures relating to construction of the light rail system. As the project is complete and the revenues received, the current year showed a decrease of \$11.3 million in revenues. As expenditures stayed consistent with prior year's, the reduction in revenue resulted in the net decrease in fund balance.

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 total net assets for the proprietary funds were as follows:

	Fiscal Year Ended	
	June 30, 2012	June 30, 2011
Water and wastewater fund	\$242,420,029	\$235,060,325
Solid waste fund	12,440,335	12,489,370
Golf fund	1,076,749	1,318,207
Cemetery fund	(210,961)	(223,925)
Internal service funds	(970,747)	2,665,431

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. In accordance with the rate study report, the fund experienced an increase in total net assets of \$7.4 million for the fiscal year ended June 30, 2012 versus only a slight increase in net assets of \$0.8 million for the fiscal year ended June 30, 2011. This is due primarily to planned increases in *charges for services* as a result of rate adjustments which increased revenue by another \$3.3 million. The rate study calls for phased in rate increases. The rate increase was implemented November 1, 2011 for this operation. In the prior year, the fund also incurred a \$5.6 million loss due to the retirement of certain assets associated with the decommissioning of the Kyrene Water Reclamation Plant which impacted that year's net assets.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Revenues decreased in the current year while expenditures increased resulting in a decrease in net assets of \$0.05 million versus an increase of \$1.3 million in net assets in prior year.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The Golf Fund recognized a \$0.2 million reduction in total net assets for fiscal year ending June 30, 2012 which was similar to prior year's reduction. However, the City has changed the golf course operations and the *loss before transfers* reduced from \$0.5 million for the fiscal year ended June 30, 2011 to \$0.3 million for the fiscal year ended June 30, 2012.

The **Cemetery Fund** was established to account for the improvements, expansion and operations of the Double Butte Cemetery. Due to reduced demand for cemetery services, the fund was unable to cover the costs of operations. As such, all operational costs were moved to the general fund. The expenses in the fund currently relate to *depreciation* and *interest expense*. As a result of the restructuring of the fund, it produced an increase in net assets of \$0.01 million in the current year versus a decrease in net assets of \$0.07 million in prior year.

The **Internal Service Funds** account for the risk management and health insurance activities of the City. The \$3.6 million decrease in net assets is due primarily to higher than anticipated claims cost.

BUDGET HIGHLIGHTS

The City's final General Fund expenditure budget of \$159.5 million differs from the original budget of \$159.4 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 greater than budgetary estimates by \$3.0 million (1.9% of total budgeted revenue) in the General Fund. This is due primarily to the increase in *charges for services*.

Actual expenditures were less than budgetary estimates by \$4.3 million (2.7% of final budgetary estimates) in the General Fund. This positive variance was attributable to continual cost reduction efforts in response to the economic downturn.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities as of June 30, 2012 amount to \$1.249 billion (net of accumulated depreciation). Capital assets include *land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress*. The total decrease in the City's capital assets for the current fiscal year was \$10.7 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2012 and 2011, respectively.

Capital Assets, Net of Depreciation- June 30, 2012			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	224,043,994	34,664,872	258,708,866
Infrastructure	390,370,114	165,532,252	555,902,366
Improvements	116,511,676	145,674,832	262,186,508
Machinery and equipment	45,008,581	14,040,681	59,049,262
Construction in progress	14,325,987	2,309,541	16,635,528
Total	\$ 879,865,525	\$ 368,915,555	\$ 1,248,781,080

Capital Assets, Net of Depreciation- June 30, 2011			
	Governmental Activities	Business-type Activities	Total
Land	\$ 89,605,173	\$ 6,693,377	\$ 96,298,550
Buildings	234,910,565	36,054,109	270,964,674
Infrastructure	393,779,428	124,156,242	517,935,670
Improvements	114,668,070	153,156,745	267,824,815
Machinery and equipment	46,615,307	11,399,169	58,014,476
Construction in progress	13,208,314	35,234,289	48,442,603
Total	\$ 892,786,857	\$ 366,693,931	\$ 1,259,480,788

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

Governmental Activities

- The City completed several improvement projects including \$7.2 million in bike paths, \$2.4 million in arterial roadways, \$5.3 million in energy retrofits and \$2.4 million in police equipment acquisitions. There were also various other infrastructure and improvement projects for parks and street lights.

Business-type Activities

- The Water and wastewater fund incurred \$39.5 million in capital infrastructure improvements for the South Tempe Water Treatment Plant during the fiscal year. In addition, there were \$3.9 million in capital infrastructure improvements for the Johnny G. Martinez water treatment plant. The final major project was \$3.3 million for a new utility billing system.

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 \$827.0 million which is a decrease of \$19.5 million over the prior fiscal year. The decrease is due in large part to the annual principal payment being more than the new money debt issued in the current year.

Outstanding Long-term Obligations - June 30, 2012			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 162,200,000	\$ 256,770,000	\$ 418,970,000
Special assessment bonds	27,815,000	-	27,815,000
Excise tax obligations	218,522,900	55,505,432	274,028,332
HUD Section 108 loan	5,572,000	-	5,572,000
WIFA loan	-	13,945,646	13,945,646
Total debt payable	<u>414,109,900</u>	<u>326,221,078</u>	<u>740,330,978</u>
Capital leases	57,921	45,352	103,273
Compensated absences	25,327,942	-	25,327,942
Claims and judgments	4,597,033	-	4,597,033
Net OPEB obligation	50,257,893	6,378,701	56,636,594
Total long-term obligations	<u>\$ 494,350,689</u>	<u>\$ 332,645,131</u>	<u>\$ 826,995,820</u>

Outstanding Long-term Obligations- June 30, 2011

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 166,680,000	\$ 273,000,000	\$ 439,680,000
Special assessment bonds	29,875,000	-	29,875,000
Excise tax obligations	228,746,000	48,827,424	277,573,424
HUD Section 108 loan	5,883,000	-	5,883,000
WIFA loan	-	14,621,092	14,621,092
Total debt payable	431,184,000	336,448,516	767,632,516
Capital leases	96,735	97,439	194,174
Compensated absences	23,731,713	-	23,731,713
Claims and judgments	4,992,030	-	4,992,030
Net OPEB obligation	44,527,562	5,442,991	49,970,553
Total long-term obligations	\$ 504,532,040	\$ 341,988,946	\$ 846,520,986

The City's issued \$19.8 million in general obligation debt during the current fiscal year which consisted of \$7.0 million of new money and \$12.8 million to refund existing general obligation debt. The new money was for public safety, community service and street improvements in the amounts of \$2.2 million, \$1.9 million, and \$2.9 million, respectively. The primary purpose of the \$12.8 million to refund existing debt was to take advantage of lower interest rates thereby reducing future debt service payments which resulted in an economic gain (the difference between the present values of the debt service payment on the old and new debt) of \$0.7 million in the City's General Obligation Debt Service and Water/Wastewater funds. Furthermore, the City issued \$30.5 million in excise tax obligations; \$22.1 million was for refunding existing excise debt and \$8.4 million was new money for water projects. The economic gain from this excise refunding was \$1.5 million. The final refunding the City issued was for \$18.3 million of excise tax revenue obligations relating to the Performing Arts Center. The economic gain resulting from this refunding was \$0.7 million.

The City's total general obligation bonded debt outstanding decreased by approximately \$20.7 million from the fiscal year ended June 30, 2011 to the fiscal year ended June 30, 2012. 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	
	June 30, 2012	June 30, 2011
Net general bonded debt	\$ 126,839,530	\$ 131,961,748
Net general bonded debt per capita	773	816
Ratio of net general bonded debt to net assessed value	6.5%	5.3%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 1.13	\$ 0.88

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2012 is \$102.4 million under the 6% limitation. Due to the fall in property values, the City currently does not have any available borrowing capacity under the 20% limitation. Additional information on the statutory debt limitations may be found in Note 9 of the *Notes 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 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.

In October 2011, the City again implemented significant plan design changes for retiree healthcare benefits. The primary change included moving the retirees from the City's self-insurance program to a City funded "healthcare reimbursement account". City contribution changes are dependent upon premium increases or decreases in the Arizona State Retirement System Health Benefits Program. An actuarial analysis was performed in order to determine the financial impact for the fiscal year ending June 30, 2012. Please refer to Note 15 of the *Notes to the Financial Statements*.

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
Finance and Technology Department
Accounting Division
20 E. Sixth Street
Tempe, AZ 85281
480.350.8350

Statement of Net Assets

June 30, 2012

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 218,288,284	\$ 56,636,084	\$ 274,924,368
Receivables:			
Taxes	14,259,633	-	14,259,633
Accounts, net	8,828,314	12,332,102	21,160,416
Accrued interest	1,399,037	364,236	1,763,273
Due from other governments	17,500,670	-	17,500,670
Inventories	1,399,477	698,298	2,097,775
Prepaid items	710,789	-	710,789
Restricted cash and investments	34,823,972	33,933,583	68,757,555
Special assessment receivables	27,803,832	-	27,803,832
Capital improvement notes receivable	16,699,407	1,723,149	18,422,556
Equity in joint venture	280,177,572	148,498,911	428,676,483
Capital assets not being depreciated:			
Land	89,605,173	6,693,377	96,298,550
Construction in progress	14,325,987	2,309,541	16,635,528
Capital assets (net of accumulated depreciation):			
Buildings	224,043,994	34,664,872	258,708,866
Infrastructure	390,370,114	165,532,252	555,902,366
Improvements	116,511,676	145,674,832	262,186,508
Machinery and equipment	45,008,581	14,040,681	59,049,262
Total assets	<u>1,501,756,512</u>	<u>623,101,918</u>	<u>2,124,858,430</u>
Liabilities			
Accounts payable	18,614,053	4,358,067	22,972,120
Deposits	9,928,898	505,415	10,434,313
Accrued expenses	12,014,376	4,856,407	16,870,783
Deferred charges	3,848,247	146,365	3,994,612
Liabilities payable from restricted assets	28,836,011	24,864,381	53,700,392
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	2,140,000	-	2,140,000
Due in more than one year	25,675,000	-	25,675,000
Other long-term liabilities:			
Due within one year	39,551,715	19,617,710	59,169,425
Due in more than one year	426,983,975	313,027,421	740,011,396
Total liabilities	<u>567,592,275</u>	<u>367,375,766</u>	<u>934,968,041</u>
Net Assets			
Invested in capital assets, net of related debt	560,427,507	162,774,388	723,201,895
Restricted for:			
Transit	32,975,942	-	32,975,942
Cultural and recreational	1,635,026	-	1,635,026
Highways and streets	6,747,385	-	6,747,385
Community development	375,692	-	375,692
Housing assistance	513,122	-	513,122
Court enhancements	145,040	-	145,040
Capital projects	6,903,100	-	6,903,100
Debt service	75,505,026	-	75,505,026
Unrestricted	248,936,397	92,951,764	341,888,161
Total net assets	<u>\$ 934,164,237</u>	<u>\$ 255,726,152</u>	<u>\$ 1,189,890,389</u>

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

Statement of Activities

For the fiscal year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 76,799,591	\$ 1,649,775	\$ 3,339,812	\$ -
Fire	28,156,863	1,642,702	355,483	438,119
Community services	31,069,618	7,101,043	1,467,679	-
Public works	98,915,390	18,136,860	3,793,292	12,130,376
Community development	25,113,273	7,088,168	11,503,760	3,393,290
Community relations	7,456,756	-	1,911,318	-
Mayor and council	356,468	-	-	-
City manager	78,458	-	-	-
Diversity program	476,011	-	-	-
Internal audit/consulting	338,059	-	-	-
Tempe learning center	462,817	-	-	-
City clerk and elections	910,616	-	-	-
City attorney	2,854,168	-	78,658	-
Municipal court	3,934,716	7,826,823	-	-
Finance and technology	5,325,401	2,623,338	-	-
Human resources	2,102,617	-	-	-
Unallocated depreciation	2,301,194	-	-	-
Interest on long-term debt	14,894,293	-	-	-
Total governmental activities	<u>301,546,309</u>	<u>46,068,709</u>	<u>22,450,002</u>	<u>15,961,785</u>
Business-type activities:				
Water and wastewater	72,156,412	73,392,328	-	1,988,550
Solid waste	14,626,578	14,866,281	-	-
Golf course	2,658,416	2,344,355	-	-
Cemetery	129,849	144,242	-	-
Total business-type activities	<u>89,571,255</u>	<u>90,747,206</u>	<u>-</u>	<u>1,988,550</u>
Total government	<u>\$ 391,117,564</u>	<u>\$ 136,815,915</u>	<u>\$ 22,450,002</u>	<u>\$ 17,950,335</u>

General revenues:

- Sales taxes
- State shared income taxes, unrestricted
- Property taxes
- Franchise taxes
- Auto-lieu taxes
- Unrestricted investment earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers

- Total general revenues and transfers
- Change in net assets

Net assets- beginning

Net assets- ending

City of Tempe, Arizona

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

Governmental Activities	Business-type Activities	Total
\$ (71,810,004)	\$ -	\$ (71,810,004)
(25,720,559)	-	(25,720,559)
(22,500,896)	-	(22,500,896)
(64,854,862)	-	(64,854,862)
(3,128,055)	-	(3,128,055)
(5,545,438)	-	(5,545,438)
(356,468)	-	(356,468)
(78,458)	-	(78,458)
(476,011)	-	(476,011)
(338,059)	-	(338,059)
(462,817)	-	(462,817)
(910,616)	-	(910,616)
(2,775,510)	-	(2,775,510)
3,892,107	-	3,892,107
(2,702,063)	-	(2,702,063)
(2,102,617)	-	(2,102,617)
(2,301,194)	-	(2,301,194)
(14,894,293)	-	(14,894,293)
<u>(217,065,813)</u>	<u>-</u>	<u>(217,065,813)</u>
-	3,224,466	3,224,466
-	239,703	239,703
-	(314,061)	(314,061)
-	14,393	14,393
<u>-</u>	<u>3,164,501</u>	<u>3,164,501</u>
<u>(217,065,813)</u>	<u>3,164,501</u>	<u>(213,901,312)</u>
142,985,910	-	142,985,910
13,649,203	-	13,649,203
35,899,010	-	35,899,010
3,428,125	-	3,428,125
5,437,201	-	5,437,201
822,900	335,297	1,158,197
3,199,954	3,032,990	6,232,944
496,911	40,582	537,493
(508,805)	508,805	-
<u>205,410,409</u>	<u>3,917,674</u>	<u>209,328,083</u>
(11,655,404)	7,082,175	(4,573,229)
945,819,641	248,643,977	1,194,463,618
<u>\$ 934,164,237</u>	<u>\$ 255,726,152</u>	<u>\$ 1,189,890,389</u>

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

Balance Sheet

Governmental Funds

June 30, 2012

	<u>General</u>	<u>Transit Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Special Assessment Debt Service</u>
<u>Assets</u>				
Pooled cash and investments	\$ 66,531,297	\$ 13,534,696	\$ 33,569,085	\$ -
Receivables:				
Taxes	9,456,448	2,624,733	850,939	-
Accounts	6,760,069	-	1,056,673	876,273
Accrued interest	253,294	12,011	-	1,129,097
Due from other funds	1,674,515	-	-	-
Due from other governments	-	15,080,815	-	-
Inventories	344,527	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	1,989,305	3,618,584	17,256,445	679,898
Special assessments	-	-	-	27,803,832
Capital improvement notes receivable	290,000	1,974,675	14,434,732	-
Total assets	<u>\$ 87,299,455</u>	<u>\$ 36,845,514</u>	<u>\$ 67,167,874</u>	<u>\$ 30,489,100</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 3,822,056	\$ 8,176,840	\$ 102,790	\$ 602
Deposits	9,893,346	-	-	-
Accrued expenditures	4,526,527	96,815	-	-
Claims and judgements	1,106,317	22,195	-	-
Due to other funds	-	-	-	1,358,295
Deferred revenue	6,394,845	1,974,675	14,991,780	30,183,725
Matured bonds payable	-	2,950,000	12,445,000	-
Matured interest payable	-	668,584	4,267,834	679,897
Total liabilities	<u>25,743,091</u>	<u>13,889,109</u>	<u>31,807,404</u>	<u>32,222,519</u>
<u>Fund Balances</u>				
Fund balances:				
Non-spendable	634,526	-	-	-
Restricted	-	16,487,760	32,062,939	-
Committed	-	5,177,922	-	-
Assigned	9,967,268	1,290,723	3,297,531	-
Unassigned	50,954,570	-	-	(1,733,419)
Total fund balances	<u>61,556,364</u>	<u>22,956,405</u>	<u>35,360,470</u>	<u>(1,733,419)</u>
Total liabilities and fund balances	<u>\$ 87,299,455</u>	<u>\$ 36,845,514</u>	<u>\$ 67,167,874</u>	<u>\$ 30,489,100</u>

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 65,236,601	\$ 34,096,921	\$ 212,968,600
-	1,327,513	14,259,633
-	135,299	8,828,314
-	4,635	1,399,037
-	-	1,674,515
-	2,419,855	17,500,670
-	1,054,950	1,399,477
-	710,789	710,789
-	11,279,740	34,823,972
-	-	27,803,832
-	-	16,699,407
<u>\$ 65,236,601</u>	<u>\$ 51,029,702</u>	<u>\$ 338,068,246</u>
\$ 723,094	\$ 5,424,267	\$ 18,249,649
-	35,552	9,928,898
-	314,072	4,937,414
-	53,268	1,181,780
-	316,220	1,674,515
-	3,083,177	56,628,202
-	6,260,000	21,655,000
-	1,564,696	7,181,011
<u>723,094</u>	<u>17,051,252</u>	<u>121,436,469</u>
-	1,765,739	2,400,265
14,513,507	13,075,624	76,139,830
50,000,000	12,017,675	67,195,597
-	7,119,412	21,674,934
-	-	49,221,151
<u>64,513,507</u>	<u>33,978,450</u>	<u>216,631,777</u>
<u>\$ 65,236,601</u>	<u>\$ 51,029,702</u>	<u>\$ 338,068,246</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, 2012

City of Tempe, Arizona

Fund balances- total governmental funds		\$ 216,631,777
<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	1,462,079,510	
Accumulated depreciation	<u>(582,213,985)</u>	879,865,525
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		280,177,572
<p>Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unavailable revenue.</p>		
Deferred special assessment revenue	30,183,725	
Deferred tax and other deferred revenue	1,446,080	
Deferred notes receivable revenue	16,409,406	
Deferred court revenue	5,603,524	
Capital grant and contribution monies not received within 60 days	<u>2,985,467</u>	56,628,202
<p>Bond premium net of issuance costs are not financial resources and, therefore, are not reported in the funds.</p>		
		(3,848,244)
<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	(25,327,942)	
Claims and judgments	(4,597,033)	
Other post employment benefits (excluding internal service)	(50,227,052)	
Bonds, capital improvement notes and capital leases	<u>(414,167,821)</u>	(494,319,848)
<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>(970,747)</u>
Net assets of governmental activities		<u>\$ 934,164,237</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, 2012

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	\$ 85,842,047	\$ 30,172,338	\$ -	\$ -
Property taxes	14,593,744	-	21,884,734	-
Franchise taxes	3,428,125	-	-	-
Intergovernmental:				
Federal grants	-	3,197,867	-	-
State grants	-	474,508	-	-
State sales tax	12,636,771	-	-	-
State income tax	13,649,203	-	-	-
Auto lieu tax	5,437,201	-	-	-
Other	571,448	-	-	-
Investment income	479,251	321,660	-	-
Charges for services	11,541,542	15,614,347	-	-
Fines and forfeitures	7,731,585	-	-	-
Other entities' participation	-	-	666,952	-
Special assessments	-	-	-	2,526,283
Licenses and permits	1,650,907	-	-	-
Miscellaneous	5,472,948	382,831	-	-
Total revenues	<u>163,034,772</u>	<u>50,163,551</u>	<u>22,551,686</u>	<u>2,526,283</u>
Expenditures:				
Current:				
Police	63,617,412	-	-	-
Fire	25,443,558	-	-	-
Community services	20,149,254	-	-	-
Public works	16,756,778	42,934,885	-	12,120
Community development	9,358,984	-	-	-
Community relations	5,278,353	-	-	-
Mayor and council	440,161	-	-	-
City manager	101,885	-	-	-
Diversity program	457,292	-	-	-
Internal audit/consulting	393,958	-	-	-
Tempe learning center	415,447	-	-	-
City clerk and elections	899,917	-	-	-
City attorney	2,648,388	-	-	-
Municipal court	3,556,756	-	-	-
Finance and technology	3,572,392	-	-	-
Human resources	2,087,079	-	-	-
Debt service:				
Principal retirement	-	2,950,000	14,175,000	2,060,000
Interest and fiscal fees	-	2,363,023	8,346,883	1,411,891
Capital outlay	-	-	-	-
Total expenditures	<u>155,177,614</u>	<u>48,247,908</u>	<u>22,521,883</u>	<u>3,484,011</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>7,857,158</u>	<u>1,915,643</u>	<u>29,803</u>	<u>(957,728)</u>
Other financing sources (uses):				
Transfers in	2,369,077	-	7,566,288	-
Transfers out	(3,146,837)	(366,643)	(9,679,280)	-
Issuance of debt	-	-	13,517	-
Premium on issuance of debt	-	-	3,112,004	-
Proceeds from sale of capital assets	438,567	-	-	-
Issuance of refunding bonds	-	-	20,296,900	-
Payment to refunded bonds escrow agent	-	-	(20,697,014)	-
Total other financing sources (uses)	<u>(339,193)</u>	<u>(366,643)</u>	<u>612,415</u>	<u>-</u>
Net change in fund balance	7,517,965	1,549,000	642,218	(957,728)
Fund balance (deficit) at beginning of year	54,038,399	21,407,405	34,718,252	(775,691)
Fund balance (deficit) at end of year	<u>\$ 61,556,364</u>	<u>\$ 22,956,405</u>	<u>\$ 35,360,470</u>	<u>\$ (1,733,419)</u>

City of Tempe, Arizona

<u>Transit Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 6,236,500	\$ 122,250,885
-	-	36,478,478
-	-	3,428,125
5,026,279	17,912,225	26,136,371
-	79,879	554,387
-	8,098,254	20,735,025
-	-	13,649,203
-	-	5,437,201
1,477,229	4,140,371	6,189,048
-	21,989	822,900
-	4,459,226	31,615,115
-	467,053	8,198,638
-	2,875,233	3,542,185
-	-	2,526,283
-	-	1,650,907
-	1,166,053	7,021,832
<u>6,503,508</u>	<u>45,456,783</u>	<u>290,236,583</u>
-	3,708,072	67,325,484
-	427,832	25,871,390
-	3,324,468	23,473,722
-	7,141,818	66,845,601
-	14,213,581	23,572,565
-	1,901,971	7,180,324
-	-	440,161
-	-	101,885
-	-	457,292
-	-	393,958
-	-	415,447
-	-	899,917
-	-	2,648,388
-	317,878	3,874,634
-	-	3,572,392
-	-	2,087,079
-	6,571,000	25,756,000
-	3,372,356	15,494,153
<u>7,348,763</u>	<u>22,163,912</u>	<u>29,512,675</u>
<u>7,348,763</u>	<u>63,142,888</u>	<u>299,923,067</u>
<u>(845,255)</u>	<u>(17,686,105)</u>	<u>(9,686,484)</u>
366,643	7,802,556	18,104,564
-	(5,420,609)	(18,613,369)
-	6,991,483	7,005,000
-	3,556,532	6,668,536
58,412	37,984	534,963
-	24,885,000	45,181,900
-	(27,970,185)	(48,667,199)
<u>425,055</u>	<u>9,882,761</u>	<u>10,214,395</u>
(420,200)	(7,803,344)	527,911
64,933,707	41,781,794	216,103,866
<u>\$ 64,513,507</u>	<u>\$ 33,978,450</u>	<u>\$ 216,631,777</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, 2012

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ 527,911

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	(1,201,231)	
OPEB (excluding internal service)	(5,775,474)	
		(6,976,705)

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	(227,432)	
Court revenue	976,530	
Capital grants and contributions	(855,778)	
Special assessments received/recognized	(227,104)	
		(333,784)

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	29,512,675	
Miscellaneous net capital expenditures	(4,807,947)	
Depreciation expense	(42,147,813)	
		(17,443,085)

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		38,814
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Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets.

Bond issuance costs	390,973	
Amortization of bond issuance costs	208,887	
		599,860

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.

Issuance of debt	(3,519,701)	
Premium on issuance of debt	(6,668,536)	
Principal payments made	25,756,000	
		15,567,763

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.

(3,636,178)

Changes in net assets of governmental activities \$ (11,655,404)

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, 2012

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
Revenues				
Taxes	\$ 102,883,360	\$ 102,883,360	\$ 103,863,916	\$ 980,556
Intergovernmental	31,358,933	31,358,933	32,294,623	935,690
Investment income	1,159,000	1,159,000	548,979	(610,021)
Charges for services	9,748,097	9,748,097	11,541,542	1,793,445
Fines and forfeitures	8,907,007	8,907,007	7,731,585	(1,175,422)
Licenses and permits	1,597,450	1,597,450	1,650,907	53,457
Miscellaneous	4,493,710	4,456,710	5,472,948	1,016,238
Total revenues	<u>160,147,557</u>	<u>160,110,557</u>	<u>163,104,500</u>	<u>2,993,943</u>
Expenditures				
Police	65,018,285	64,281,094	62,401,256	1,879,838
Fire	26,354,274	26,236,310	25,262,339	973,971
Community services	20,212,298	20,353,508	20,178,268	175,240
Public works	17,722,514	18,049,205	17,096,624	952,581
Community development	9,504,602	9,502,786	9,356,005	146,781
Community relations	5,144,533	5,245,533	5,295,200	(49,667)
Mayor and council	322,621	322,621	326,377	(3,756)
City manager	281,445	281,445	349,544	(68,099)
Diversity program	449,752	449,752	456,904	(7,152)
Internal audit/consulting	405,502	414,315	393,497	20,818
Tempe learning center	538,177	538,177	414,574	123,603
City clerk and elections	917,783	917,783	898,944	18,839
City attorney	2,524,064	2,539,664	2,643,665	(104,001)
Municipal court	3,787,780	3,787,780	3,633,440	154,340
Finance and technology	16,339,878	16,592,664	16,555,879	36,785
Human resources	2,041,178	2,194,067	2,091,479	102,588
Interdepartmental charges	(12,207,041)	(12,207,041)	(12,150,600)	(56,441)
Total expenditures	<u>159,357,645</u>	<u>159,499,663</u>	<u>155,203,395</u>	<u>4,296,268</u>
Other financing sources (uses)				
Transfers from other funds	-	-	2,369,077	2,369,077
Transfers to other funds	-	-	(3,146,837)	(3,146,837)
Proceeds from sale of capital assets	120,000	120,000	438,567	318,567
Total other financing sources (uses)	<u>120,000</u>	<u>120,000</u>	<u>(339,193)</u>	<u>(459,193)</u>
Net change in fund balance	<u>\$ 909,912</u>	<u>\$ 730,894</u>	<u>7,561,912</u>	<u>\$ 6,831,018</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	(69,728)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	294,188
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	52,401
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(320,808)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ 7,517,965</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, 2012

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 29,124,332	\$ 29,124,332	\$ 30,172,338	\$ 1,048,006
Intergovernmental revenue	14,357,991	14,712,905	3,672,375	(11,040,530)
Investment income	212,386	212,386	338,511	126,125
Charges for services	3,496,178	3,415,098	15,614,347	12,199,249
Miscellaneous	134,000	134,000	382,831	248,831
Total revenues	<u>47,324,887</u>	<u>47,598,721</u>	<u>50,180,402</u>	<u>2,581,681</u>
Expenditures				
Current:				
Public works	48,793,809	47,717,428	42,933,523	4,783,905
Debt service:				
Principal retirement	1,640,000	1,640,000	2,950,000	(1,310,000)
Interest and fiscal fees	3,430,000	3,430,000	2,363,023	1,066,977
Total expenditures	<u>53,863,809</u>	<u>52,787,428</u>	<u>48,246,546</u>	<u>4,540,882</u>
Other financing uses				
Transfers to other funds	-	-	(366,643)	(366,643)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(366,643)</u>	<u>(366,643)</u>
Net change in fund balance	<u>\$ (6,538,922)</u>	<u>\$ (5,188,707)</u>	<u>1,567,213</u>	<u>\$ 6,755,920</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	(16,851)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(3,881)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	2,519
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 1,549,000</u>

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



Statement of Net Assets

Proprietary Funds

June 30, 2012

City of Tempe, Arizona

Assets	Business-type Activities - Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery		
Current assets:						
Pooled cash and investments	\$ 48,977,265	\$ 7,658,819	\$ -	\$ -	\$ 56,636,084	\$ 5,319,684
Restricted cash and investments	33,790,987	-	-	142,596	33,933,583	-
Accounts receivable	11,272,655	1,056,302	3,145	-	12,332,102	-
Accrued interest receivable	323,105	23,250	14,235	3,646	364,236	-
Due from other funds	593,441	-	-	-	593,441	662,937
Inventories	698,298	-	-	-	698,298	-
Total current assets	<u>95,655,751</u>	<u>8,738,371</u>	<u>17,380</u>	<u>146,242</u>	<u>104,557,744</u>	<u>5,982,621</u>
Noncurrent assets:						
Notes receivable	1,723,149	-	-	-	1,723,149	-
Equity in joint venture	148,498,911	-	-	-	148,498,911	-
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	294,617,266	-	-	-	294,617,266	-
Improvements	223,475,059	-	4,247,980	2,261,330	229,984,369	-
Machinery and equipment	33,005,407	20,736,284	1,322,843	19,449	55,083,983	-
Construction in progress	2,309,541	-	-	-	2,309,541	-
Less accumulated depreciation	<u>(257,157,465)</u>	<u>(15,260,611)</u>	<u>(5,888,260)</u>	<u>(289,380)</u>	<u>(278,595,716)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>358,314,926</u>	<u>6,741,456</u>	<u>1,867,774</u>	<u>1,991,399</u>	<u>368,915,555</u>	<u>-</u>
Total noncurrent assets	<u>508,536,986</u>	<u>6,741,456</u>	<u>1,867,774</u>	<u>1,991,399</u>	<u>519,137,615</u>	<u>-</u>
Total assets	<u>\$ 604,192,737</u>	<u>\$ 15,479,827</u>	<u>\$ 1,885,154</u>	<u>\$ 2,137,641</u>	<u>\$ 623,695,359</u>	<u>\$ 5,982,621</u>

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Liabilities						
Current liabilities:						
Accounts payable	\$ 3,905,466	\$ 400,688	\$ 46,748	\$ 5,165	\$ 4,358,067	\$ 364,406
Deposits	505,415	-	-	-	505,415	-
Accrued expenses	3,510,997	1,126,846	218,564	-	4,856,407	5,895,182
Due to other funds	-	-	148,867	444,574	593,441	662,937
Deferred revenue	146,365	-	-	-	146,365	-
Accrued interest payable	6,896,950	-	-	42,431	6,939,381	-
General obligation bonds- current	16,230,000	-	-	-	16,230,000	-
Excise tax revenue obligations- current	1,600,000	-	-	95,000	1,695,000	-
WIFA loan payable- current	689,743	-	-	-	689,743	-
Capital leases payable- current	-	-	45,352	-	45,352	-
OPEB- current	397,626	133,070	30,705	-	561,401	-
Total current liabilities	<u>33,882,562</u>	<u>1,660,604</u>	<u>490,236</u>	<u>587,170</u>	<u>36,620,572</u>	<u>6,922,525</u>
Noncurrent liabilities:						
General obligation bonds payable	256,770,000	-	-	-	256,770,000	-
Excise tax revenue obligations	53,744,000	-	-	1,658,100	55,402,100	-
WIFA loan payable	13,255,903	-	-	-	13,255,903	-
OPEB obligation	4,120,243	1,378,888	318,169	-	5,817,300	30,843
Unamortized premium	-	-	-	103,332	103,332	-
Total noncurrent liabilities	<u>327,890,146</u>	<u>1,378,888</u>	<u>318,169</u>	<u>1,761,432</u>	<u>331,348,635</u>	<u>30,843</u>
Total liabilities	<u>361,772,708</u>	<u>3,039,492</u>	<u>808,405</u>	<u>2,348,602</u>	<u>367,969,207</u>	<u>6,953,368</u>
Net Assets						
Invested in capital assets, net of related debt	154,075,543	6,741,456	1,822,422	134,967	162,774,388	-
Unrestricted	88,344,486	5,698,879	(745,673)	(345,928)	92,951,764	(970,747)
Total net assets	<u>\$ 242,420,029</u>	<u>\$ 12,440,335</u>	<u>\$ 1,076,749</u>	<u>\$ (210,961)</u>	<u>\$ 255,726,152</u>	<u>\$ (970,747)</u>

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, 2012

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Operating revenues:						
Charges for services	\$ 73,392,328	\$ 14,866,281	\$ 2,344,355	\$ 144,242	\$ 90,747,206	\$ 25,002,409
Miscellaneous	3,032,990	-	-	-	3,032,990	-
Total operating revenues	<u>76,425,318</u>	<u>14,866,281</u>	<u>2,344,355</u>	<u>144,242</u>	<u>93,780,196</u>	<u>25,002,409</u>
Operating expenses:						
Personnel services	15,715,494	5,477,139	791,350	-	21,983,983	-
Supplies and materials	4,426,808	364,475	456,780	-	5,248,063	-
Fees and services	15,709,328	7,519,145	1,185,631	-	24,414,104	28,638,587
Depreciation	16,553,635	1,265,819	224,655	93,232	18,137,341	-
Total operating expenses	<u>52,405,265</u>	<u>14,626,578</u>	<u>2,658,416</u>	<u>93,232</u>	<u>69,783,491</u>	<u>28,638,587</u>
Operating income (loss)	24,020,053	239,703	(314,061)	51,010	23,996,705	(3,636,178)
Nonoperating revenues (expenses):						
Investment income (loss)	307,790	30,333	(1,397)	(1,429)	335,297	-
Interest and fiscal fees	(13,074,430)	-	-	(36,617)	(13,111,047)	-
Gain on sale of capital assets	3,092	37,490	-	-	40,582	-
Net loss from joint venture	(6,676,717)	-	-	-	(6,676,717)	-
Income (loss) before contributions and operating transfers	4,579,788	307,526	(315,458)	12,964	4,584,820	(3,636,178)
Capital contributions	1,988,550	-	-	-	1,988,550	-
Transfers in	6,913,495	-	74,000	-	6,987,495	-
Transfers out	(6,122,129)	(356,561)	-	-	(6,478,690)	-
Change in net assets	<u>7,359,704</u>	<u>(49,035)</u>	<u>(241,458)</u>	<u>12,964</u>	<u>7,082,175</u>	<u>(3,636,178)</u>
Total net assets- beginning	<u>235,060,325</u>	<u>12,489,370</u>	<u>1,318,207</u>	<u>(223,925)</u>	<u>248,643,977</u>	<u>2,665,431</u>
Total net assets- ending	<u>\$ 242,420,029</u>	<u>\$ 12,440,335</u>	<u>\$ 1,076,749</u>	<u>\$ (210,961)</u>	<u>\$255,726,152</u>	<u>\$ (970,747)</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, 2012

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds					Governmental
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	Activities- Internal Service Funds
Cash flows from operating activities:						
Receipts from customers	\$ 75,394,866	\$ 14,990,942	\$ 2,341,210	\$ 144,242	\$ 92,871,260	\$ -
Receipts from other funds	-	-	-	-	-	25,002,409
Payments to employees for services	(14,249,505)	(5,246,277)	(864,625)	-	(20,360,407)	-
Payments to suppliers for goods and services	(23,605,974)	(8,982,880)	(1,643,666)	5,165	(34,227,355)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(30,215,753)
Net cash provided (used) by operating activities	<u>37,539,387</u>	<u>761,785</u>	<u>(167,081)</u>	<u>149,407</u>	<u>38,283,498</u>	<u>(5,213,344)</u>
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	(108,742)	-	148,867	(40,125)	-	-
Transfers in	6,913,495	-	74,000	-	6,987,495	-
Transfers out	(6,122,129)	(356,561)	-	-	(6,478,690)	-
Net cash provided (used) by noncapital financing activities	<u>682,624</u>	<u>(356,561)</u>	<u>222,867</u>	<u>(40,125)</u>	<u>508,805</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds	15,145,000	-	-	-	15,145,000	-
Payment to refunded bond escrow agent	(6,755,000)	-	-	-	(6,755,000)	-
Principal paid on long-term debt	(18,145,446)	-	(52,087)	(121,900)	(18,319,433)	-
Interest and fiscal fees	(12,663,414)	-	(1,397)	(23,284)	(12,688,095)	-
Acquisition of capital assets	(19,231,547)	(1,048,682)	(78,736)	-	(20,358,965)	-
Capital contributions	1,988,550	-	-	-	1,988,550	-
Deferred revenue	(24,747)	-	-	-	(24,747)	-
Gain from the sale of assets	3,092	37,490	-	-	40,582	-
Investment in joint venture	(473,100)	-	-	-	(473,100)	-
Net cash used by capital and related financing activities	<u>(40,156,612)</u>	<u>(1,011,192)</u>	<u>(132,220)</u>	<u>(145,184)</u>	<u>(41,445,208)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	314,976	26,513	339	(1,200)	340,628	-
Collection of notes receivable	(505,933)	-	-	-	(505,933)	-
Net cash provided (used) by investing activities	<u>(190,957)</u>	<u>26,513</u>	<u>339</u>	<u>(1,200)</u>	<u>(165,305)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,125,558)	(579,455)	(76,095)	(37,102)	(2,818,210)	(5,213,344)
Cash and cash equivalents at beginning of year	84,893,810	8,238,274	76,095	179,698	93,387,877	10,533,028
Cash and cash equivalents at end of year	<u>\$ 82,768,252</u>	<u>\$ 7,658,819</u>	<u>\$ -</u>	<u>\$ 142,596</u>	<u>\$ 90,569,667</u>	<u>\$ 5,319,684</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 24,020,053	\$ 239,703	\$ (314,061)	\$ 51,010	\$ 23,996,705	\$ (3,636,178)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	16,553,635	1,265,819	224,655	93,232	18,137,341	-
Change in assets and liabilities:						
(Increase) decrease in receivables	(1,030,452)	124,661	(3,145)	-	(908,936)	-
(Increase) decrease in inventories	(183,649)	-	-	-	(183,649)	-
Increase (decrease) in deposits	125,307	(1,285)	-	-	124,022	-
Increase (decrease) in payables	(3,411,496)	(1,097,975)	(1,255)	5,165	(4,505,561)	192,660
Increase (decrease) in accrued expenses	539,887	162,566	(14,587)	-	687,866	(1,724,685)
Increase (decrease) in net OPEB obligation	926,102	68,296	(58,688)	-	935,710	(45,141)
Net cash provided (used) by operating activities	<u>\$ 37,539,387</u>	<u>\$ 761,785</u>	<u>\$ (167,081)</u>	<u>\$ 149,407</u>	<u>\$ 38,283,498</u>	<u>\$ (5,213,344)</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	<u>\$ (6,676,717)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,676,717)</u>	<u>\$ -</u>
Total noncash investing, capital, and financing activities:	<u>\$ (6,676,717)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,676,717)</u>	<u>\$ -</u>



Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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 its 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, 2012

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, 2012

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 and other 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 and improvements (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, 2012

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.

The following internal service funds are used by the City:

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, 2012

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, 2012

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 Finance and Technology 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 at the city-wide level consisting of the total operating budget and the total capital projects budget, as adopted. Management may amend the budget at any level below the total 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 or capital projects 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, 2012

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 2011-12 Expenditure Limitation is \$285,252,583.

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 Investment Advisory Committee;
- 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 Pools 5 and 7.

H. Receivables

For accounts receivable, all amounts outstanding in excess of 120 days are included in the allowance.

I. Inventories

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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
Infrastructure	7-70
Improvements	10-50
Machinery and equipment	3-25

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, 2012

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, the classifications of fund balance are *Nonspendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. *Nonspendable* and *Restricted* fund balances represent the “restricted” classifications and *Committed*, *Assigned*, and *Unassigned* represent the “unrestricted” classifications (see note 11).

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, 2012

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 2012 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, 2012

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, or US treasury obligations and are reported at amortized cost.

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was \$3,494,694 and the bank balance was \$6,587,141; \$6,379,701 of that amount was exposed to custodial credit risk because it was uninsured and is collateralized with securities held by the pledging financial institution.

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 5 and 7.

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$340,187,229
Carrying amount of cash deposits	3,494,694
Total pooled cash and investments	<u>\$343,681,923</u>
Pooled cash and investments – unrestricted	\$274,924,368
Restricted cash and investments	68,757,555
Total pooled cash and investments	<u>\$343,681,923</u>

The City had a net increase in the fair value of investments during fiscal year 2011-12 of \$439,946. 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, 2012

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2012, the City maintained the following investments and maturities:

Investment Type	Fair Value	Remaining Maturity in Months		
		12 Months or Less	13 - 24 Months	25 - 36 Months
US government treasuries	\$ 95,207,085	\$ 71,316,114	\$ 23,890,971	\$ -
US government agencies	176,304,488	46,228,549	92,170,952	37,904,987
Money market	33,042	33,042	-	-
Repurchase agreements	3,721,494	3,721,494	-	-
Cash held with trustee	15,108,000	15,108,000	-	-
State investment pool	49,813,120	49,813,120	-	-
	<u>\$ 340,187,229</u>	<u>\$ 186,220,319</u>	<u>\$ 116,061,923</u>	<u>\$ 37,904,987</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. Although the City's formal investment policy allows for investment maturities up to 5 years from the date of purchase, in general, 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. In general, it is the City's intent 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 the US agency obligations were rated AA+ and money market funds were rated AAAM by Standard & Poor's. The repurchase agreements are between JP Morgan and the City of Tempe, Arizona and are considered a short term debt obligation of the bank. The Arizona Local Government Investment Pool 5 is currently rated AAAf/S1+ 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 of 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, 2012, 5.18% of the City's investments are in Federal Home Loan Bank securities, 35.90% of the City's investments are in Fannie Mae, and 39.83% of the City's investments are in Federal Home Loan Mortgage Corporation Securities.

Custodial Credit Risk. The City's investment in the State of Arizona Local Government Investment Pool (LGIP) is stated at fair value, which approximates the value of the City's pool shares. The LGIP is 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

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

Due to/from other funds consisted of the following at June 30, 2012:

	<u>Due to</u>	<u>Due from</u>
General fund	\$ -	\$ 1,674,515
Special assessment debt service	1,358,295	-
Non-major governmental	316,220	-
Total governmental funds	<u>\$ 1,674,515</u>	<u>\$ 1,674,515</u>
	<u>Due to</u>	<u>Due from</u>
Water and wastewater fund	\$ -	\$ 593,441
Golf fund	148,867	-
Cemetery fund	444,574	-
Total enterprise funds	<u>\$ 593,441</u>	<u>\$ 593,441</u>
	<u>Due to</u>	<u>Due from</u>
Risk management fund	\$ -	\$ 662,937
Health fund	662,937	-
Total internal service funds	<u>\$ 662,937</u>	<u>\$ 662,937</u>

The interfund balances at June 30, 2012 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2012 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								
Transfers In		General	Transit Special Revenue	General Obligation Debt Service	Non-major Governmental	Water and Wastewater	Solid Waste	Total
	General	\$ -	\$ -	\$ -	\$ 2,279,516	\$ 83,000	\$ 6,561	\$ 2,369,077
General Obligation Debt Service	476,144	-	-	1,554,615	5,535,529	-	7,566,288	
Transit Capital Projects	-	366,643	-	-	-	-	366,643	
Non-major Governmental	2,670,693	-	4,222,907	129,356	429,600	350,000	7,802,556	
Water and Wastewater	-	-	5,456,373	1,457,122	-	-	6,913,495	
Golf	-	-	-	-	74,000	-	74,000	
Total	<u>\$ 3,146,837</u>	<u>\$ 366,643</u>	<u>\$ 9,679,280</u>	<u>\$ 5,420,609</u>	<u>\$ 6,122,129</u>	<u>\$ 356,561</u>	<u>\$ 25,092,059</u>	

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 2011-12 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

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, 2012 the note receivable balance is \$14,434,732.

In August 2008, the City advanced to the Downtown Tempe Community (DTC) \$250,000 to begin operations. The DTC is to repay the advance at zero percent interest rate when the district is terminated.

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 five and six year period with the remaining balance due the following year. In addition, there is an option for a prepayment equal to the net present value of the unpaid balance calculated using a 4.50% discount rate. At June 30, 2012 the note receivable balance in the Transit Special Revenue fund is \$1,974,675 and the corresponding revenue has been deferred.

In accordance with a development agreement, the City has deferred certain water and sewer development fees. Commencing in August 2011, the City receives \$12,324 monthly over a 10 year period with an interest rate of 4.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2012 was \$1,133,302.

In August 2011, in accordance with a development agreement, the City has deferred certain water and sewer development fees. The City will use the sales tax rebate due to the developer to pay for the deferred development fees. The outstanding fees accrue at an interest rate of 2.00%. The notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2012 was \$589,847.

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, 2011 (the latest information available), the City has a 15.88% 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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Subregional Operating Group (SROG) (Continued)

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2011 (the latest information available) is as follows (in thousands):

Total assets	\$ 946,707
Total liabilities	<u>(42,286)</u>
Total net assets	<u>\$ 904,421</u>
Total revenues	\$ 55,565
Total expenses	(83,878)
Total non-operating revenues (expenses)	<u>(95)</u>
Net decrease in net assets	<u>(\$ 28,408)</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, 2012, was \$148,498,911. The City's net loss from joint venture was \$6,676,717 for the fiscal year ended June 30, 2012. 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.

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, 2012, the City has a 24.60% (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 were offset by a Federal funding agreement from the U.S. Department of Transportation. These contributions were 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, 2011 (the latest information available) is as follows:

Total assets	\$ 1,225,905,066
Total liabilities	<u>(67,532,429)</u>
Total net assets	<u>\$ 1,158,372,637</u>
Total revenues	\$ 90,309,914
Total expenses	(77,410,654)
Total non-operating revenues	10,957,874
Total non-operating expenses	<u>(44,217,025)</u>
Net decrease in net assets	<u>\$ (20,359,891)</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 7 - JOINT VENTURE (Continued)

Valley Metro Rail, Inc. (VMRI) (Continued)

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 and related improvements 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 \$103,226 in the fiscal year ended June 30, 2012 toward the light rail project. These expenditures were included in the financial statements predominately as capital outlay in the Transit Capital Projects fund. The City's equity in joint venture at June 30, 2012 was \$280,177,572. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2012 is as follows:

	Balances June 30, 2011	Additions	Retirements	Transfers in (out)	Balances June 30, 2012
Governmental activities:					
Non-depreciable assets:					
Land	\$ 89,605,173	\$ -	\$ -	\$ -	\$ 89,605,173
Construction-in-progress	13,208,314	29,409,449	(2,235,824)	(26,055,952)	14,325,987
Total non-depreciable assets	102,813,487	29,409,449	(2,235,824)	(26,055,952)	103,931,160
Depreciable assets:					
Buildings	304,185,403	-	-	35,970	304,221,373
Infrastructure	704,195,758	-	-	12,854,300	717,050,058
Improvements	161,987,410	-	-	8,127,528	170,114,938
Machinery and equipment	161,033,245	2,090,908	(1,400,326)	5,038,154	166,761,981
Total depreciable assets	1,331,401,816	2,090,908	(1,400,326)	26,055,952	1,358,148,350
Accumulated depreciation:					
Buildings	(69,274,838)	(10,902,541)	-	-	(80,177,379)
Infrastructure	(310,416,330)	(16,263,614)	-	-	(326,679,944)
Improvements	(47,319,340)	(6,283,922)	-	-	(53,603,262)
Machinery and equipment	(114,417,938)	(8,697,736)	1,362,274	-	(121,753,400)
Total accumulated depreciation	(541,428,446)	(42,147,813)	1,362,274	-	(582,213,985)
Governmental activities capital assets, net	\$ 892,786,857	\$(10,647,456)	\$(2,273,876)	\$ -	\$ 879,865,525

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2011	Additions	Retirements	Transfers in (out)	Balances June 30, 2012
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	35,234,289	19,189,241	(250,953)	(51,863,036)	2,309,541
Total non-depreciable assets	41,927,666	19,189,241	(250,953)	(51,863,036)	9,002,918
Depreciable assets:					
Buildings	58,822,735	-	-	-	58,822,735
Infrastructure	246,343,246	-	-	48,274,020	294,617,266
Improvements	229,919,855	-	-	64,514	229,984,369
Machinery and equipment	50,555,712	1,420,676	(416,907)	3,524,502	55,083,983
Total depreciable assets	585,641,548	1,420,676	(416,907)	51,863,036	638,508,353
Accumulated depreciation:					
Buildings	(22,768,626)	(1,389,237)	-	-	(24,157,863)
Infrastructure	(122,187,004)	(6,898,010)	-	-	(129,085,014)
Improvements	(76,763,110)	(7,546,427)	-	-	(84,309,537)
Machinery and equipment	(39,156,543)	(2,303,666)	416,907	-	(41,043,302)
Total accumulated depreciation	(260,875,283)	(18,137,340)	416,907	-	(278,595,716)
Business-type activities capital assets, net	\$366,693,931	\$ 2,472,577	(\$250,953)	\$ -	\$368,915,555

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

Police	\$ 4,607,691
Fire	2,188,491
Community services	5,350,838
Public works	25,208,619
Community development	1,381,291
Community relations	30,101
City manager	6,358
Diversity program	996
City attorney	660
Municipal court	38,113
Finance and technology	1,033,461
Unallocated depreciation	2,301,194
Total depreciation expense	<u>\$ 42,147,813</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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, \$7.005 million was issued to finance improvements for Transportation, Public Safety, and Library. In addition, general obligation bonds have been issued to refund previously issued general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds outstanding at June 30, 2012, were as follows (the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated):

\$44,820,000 2003 Capital Improvement Serial Bonds due in annual installments of \$955,000 to \$3,340,000 through July 1, 2014; interest at 3.50% to 5.00%	\$ 4,365,000
\$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%	5,690,000
\$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%	8,895,000
\$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%	37,725,000
\$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%	58,140,000
\$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%	16,240,000
\$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%	62,450,000
\$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%	57,825,000
\$56,055,000 2009A Capital Improvement Serial Bonds due in annual installments of \$1,760,000 to \$4,200,000 beginning July 1, 2011 through July 1, 2029; interest at 3.00% to 4.375%	50,305,000
\$16,755,000 2010A Capital Improvement Serial Bonds due in annual installments of \$500,000 to \$2,160,000 beginning July 1, 2011 through July 1, 2019; interest at 2.50% to 5.00%	13,575,000
\$28,410,000 2010B Capital Improvement Serial Bonds due in annual installments of \$2,250,000 to \$2,295,000 beginning July 1, 2020 through July 1, 2030; interest at 4.21% to 5.719%, net of 35% federal credit	28,410,000
\$60,280,000 2010C Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$1,225,000 to \$7,735,000 through July 1, 2022; interest at 1.25% to 5.00%	50,680,000
\$5,375,000 2011A Capital Improvement Serial Bonds due in annual installments of \$475,000 to \$605,000 beginning July 1, 2012 through July 1, 2021; interest at 2.00% to 4.00%	4,900,000
\$7,005,000 2012A Capital Improvement Serial Bonds due in annual installments of \$635,000 to \$765,000 beginning July 1, 2013 through July 1, 2022; interest at 2.00% to 2.25%	7,005,000
\$12,765,000 2012B Capital Improvement Refunding Serial Bonds due in annual installments of \$1,055,000 to \$3,320,000 beginning July 1, 2013 through July 1, 2023; interest at 2.00% to 3.50%	12,765,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 418,970,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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 (net of 35% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 27,905,000	\$ 16,770,642	\$ 44,675,642
2014	29,120,000	15,690,357	44,810,357
2015	30,400,000	14,524,969	44,924,969
2016	28,300,000	13,359,163	41,659,163
2017	29,540,000	12,226,725	41,766,725
2018-2022	147,215,000	43,064,230	190,279,230
2023-2027	104,800,000	15,053,284	119,853,284
2028-2030	21,690,000	1,378,167	23,068,167
	<u>\$ 418,970,000</u>	<u>\$ 132,067,537</u>	<u>\$ 551,037,537</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
2013	\$ 11,640,000	\$ 6,165,691	\$ 17,805,691
2014	12,155,000	5,732,993	17,887,993
2015	12,655,000	5,275,675	17,930,675
2016	11,320,000	4,831,450	16,151,450
2017	11,720,000	4,405,637	16,125,637
2018-2022	54,840,000	15,628,529	70,468,529
2023-2027	36,290,000	6,196,243	42,486,243
2028-2030	11,580,000	761,749	12,341,749
	<u>\$ 162,200,000</u>	<u>\$ 48,997,967</u>	<u>\$ 211,197,967</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 16,265,000	\$ 10,604,951	\$ 26,869,951
2014	16,965,000	9,957,364	26,922,364
2015	17,745,000	9,249,295	26,994,295
2016	16,980,000	8,527,713	25,507,713
2017	17,820,000	7,821,088	25,641,088
2018-2022	92,375,000	27,435,701	119,810,701
2023-2027	68,510,000	8,857,040	77,367,040
2028-2030	10,110,000	616,418	10,726,418
	<u>\$ 256,770,000</u>	<u>\$ 83,069,570</u>	<u>\$ 339,839,570</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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, 2012, the special assessments receivable of \$27,803,832, 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. As of June 30, 2012, there is \$676,205 in delinquent receivables. 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, 2012, were as follows (the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated):

\$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%	\$ 470,000
\$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%	1,595,000
\$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%	2,960,000
\$25,190,000 ID 180 Special Assessment Bonds Payable with Governmental Commitment issued February 27, 2008; maturing January 1, 2029; due in annual installments of \$760,000 to \$1,925,000; interest at 5.00%	<u>22,790,000</u>
Total special assessment bonds outstanding	<u><u>\$ 27,815,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,140,000	\$ 1,308,085	\$ 3,448,085
2014	1,745,000	1,214,850	2,959,850
2015	1,830,000	1,129,758	2,959,758
2016	1,335,000	1,054,233	2,389,233
2017	1,395,000	988,863	2,383,863
2018-2022	7,670,000	3,855,227	11,525,227
2023-2027	7,940,000	1,971,250	9,911,250
2028-2029	<u>3,760,000</u>	<u>190,250</u>	<u>3,950,250</u>
	<u>\$27,815,000</u>	<u>\$11,712,516</u>	<u>\$39,527,516</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations. On February 1, 2003, the City issued \$39,275,000 of Excise Tax Revenue Obligations. The proceeds were used to refund \$40,500,000 of the 1998 Variable Rate Demand Excise Tax Revenue Obligations, and pay costs incurred to issue the obligations. The City has collateralized the obligations by a pledge of all unrestricted excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue sharing), including all fines and forfeitures, which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that, so long as any of the obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, it will not further encumber the excise taxes on a parity basis unless the excise taxes collected in the next preceding fiscal year of the City shall have amounted to at least three times the highest combined debt service requirements for any succeeding fiscal year for all obligations and outstanding parity obligations, including the additional parity obligations proposed to be secured by a pledge of the excise taxes. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$39,275,000 2003 Excise Tax Revenue Refunding Obligations due in annual installments of \$475,000 to \$2,950,000 through July 1, 2013; interest at 2.00% to 5.25% \$1,830,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	<u>\$ 1,830,000</u>	<u>\$ 73,200</u>	<u>\$ 1,903,200</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, 2012

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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$37,595,000 2004 Excise Tax Revenue Obligations due in annual installments of
\$1,500,000 to \$3,350,000 through July 1, 2014; interest at 2.25% to 5.25%

\$ 4,800,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,340,000	\$ 252,000	\$ 2,592,000
2014	<u>2,460,000</u>	<u>129,150</u>	<u>2,589,150</u>
	<u>\$ 4,800,000</u>	<u>\$ 381,150</u>	<u>\$ 5,181,150</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$21,315,000 2005 Excise Tax Revenue Obligations due in annual installments of \$345,000 to \$2,135,000 through July 1, 2016; interest at 3.50% to 5.00%

\$ 2,725,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 425,000	\$ 113,250	\$ 538,250
2014	450,000	92,000	542,000
2015	460,000	74,000	534,000
2016	1,390,000	55,600	1,445,600
	<u>\$ 2,725,000</u>	<u>\$ 334,850</u>	<u>\$ 3,059,850</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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
2013	\$ 325,000	\$ 95,450	\$ 420,450
2014	345,000	79,200	424,200
2015	355,000	65,400	420,400
2016	1,280,000	51,200	1,331,200
	<u>\$ 2,305,000</u>	<u>\$ 291,250</u>	<u>\$ 2,596,250</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 100,000	\$ 17,800	\$ 117,800
2014	105,000	12,800	117,800
2015	105,000	8,600	113,600
2016	110,000	4,400	114,400
	<u>\$ 420,000</u>	<u>\$ 43,600</u>	<u>\$ 463,600</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, 2012

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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$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%

\$ 8,955,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,100,000	\$ 392,250	\$ 2,492,250
2014	2,190,000	303,000	2,493,000
2015	2,280,000	209,926	2,489,926
2016	2,385,000	107,326	2,492,326
	<u>\$ 8,955,000</u>	<u>\$1,012,502</u>	<u>\$ 9,967,502</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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 December 7, 2012, 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 .70% of the average daily amount of available commitment for principal and interest. As of June 30, 2012 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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$60,675,000 2006 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$890,000 to \$3,385,000 through July 1, 2036.	<u>\$53,670,000</u>
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Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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, 2012 was 0.15%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2012 of 0.18%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,375,000	\$ 96,606	\$ 1,471,606
2014	1,430,000	94,132	1,524,132
2015	1,485,000	91,558	1,576,558
2016	1,545,000	88,884	1,633,884
2017	1,605,000	86,104	1,691,104
2018-2022	9,045,000	384,796	9,429,796
2023-2027	11,010,000	296,598	11,306,598
2028-2032	13,395,000	189,246	13,584,246
2033-2036	12,780,000	58,636	12,838,636
	<u>\$53,670,000</u>	<u>\$1,386,560</u>	<u>\$55,056,560</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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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%

\$20,810,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 420,000	\$ 1,000,350	\$ 1,420,350
2014	435,000	983,550	1,418,550
2015	455,000	966,150	1,421,150
2016	2,550,000	947,950	3,497,950
2017	2,675,000	820,450	3,495,450
2018-2022	14,275,000	1,999,225	16,274,225
	<u>\$20,810,000</u>	<u>\$ 6,717,675</u>	<u>\$ 27,527,675</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 December 7, 2012, 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 0.70% of the average daily amount of available commitment for principal and interest. As of June 30, 2012, 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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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. \$45,295,000

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2012 was 0.15%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2012 of 0.18%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,085,000	\$ 81,532	\$ 1,166,532
2014	1,130,000	79,578	1,209,578
2015	1,175,000	77,544	1,252,544
2016	1,225,000	75,430	1,300,430
2017	1,270,000	73,224	1,343,224
2018-2022	7,170,000	329,896	7,499,896
2023-2027	8,720,000	260,004	8,980,004
2028-2032	10,610,000	174,980	10,784,980
2033-2037	12,910,000	71,534	12,981,534
	<u>\$45,295,000</u>	<u>\$ 1,223,722</u>	<u>\$ 46,518,722</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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$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% \$27,990,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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
2013	\$ 605,000	\$ 1,286,594	\$ 1,891,594
2014	630,000	1,265,419	1,895,419
2015	650,000	1,241,794	1,891,794
2016	675,000	1,217,419	1,892,419
2017	705,000	1,190,419	1,895,419
2018-2022	3,965,000	5,505,244	9,470,244
2023-2027	4,885,000	4,583,688	9,468,688
2028-2032	6,185,000	3,277,000	9,462,000
2033-2037	7,880,000	1,591,500	9,471,500
2038	1,810,000	85,975	1,895,975
	<u>\$27,990,000</u>	<u>\$21,245,052</u>	<u>\$49,235,052</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 35.00% 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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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%	\$ 11,875,000
\$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 35.00% federal credit	<u>9,315,000</u>
Total	<u><u>\$ 21,190,000</u></u>

The following is a summary of total debt service cash requirements to maturity (net of 35.00% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 860,000	\$ 928,222	\$ 1,788,222
2014	905,000	885,222	1,790,222
2015	935,000	858,072	1,793,072
2016	960,000	827,684	1,787,684
2017	1,010,000	779,684	1,789,684
2018-2022	5,865,000	3,088,169	8,953,169
2023-2027	7,295,000	1,658,451	8,953,451
2028-2029	3,360,000	214,419	3,574,419
	<u>\$21,190,000</u>	<u>\$ 9,239,923</u>	<u>\$ 30,429,923</u>

The following is a summary of governmental debt service cash requirements to maturity (net of 35.00% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 250,000	\$ 270,922	\$ 520,922
2014	265,000	258,413	523,413
2015	275,000	250,468	525,468
2016	280,000	241,544	521,544
2017	295,000	227,543	522,543
2018-2022	1,710,000	901,219	2,611,219
2023-2027	2,130,000	484,024	2,614,024
2028-2029	980,000	62,530	1,042,530
	<u>\$ 6,185,000</u>	<u>\$ 2,696,663</u>	<u>\$ 8,881,663</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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 35.00% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 610,000	\$ 657,299	\$ 1,267,299
2014	640,000	626,809	1,266,809
2015	660,000	607,604	1,267,604
2016	680,000	586,140	1,266,140
2017	715,000	552,142	1,267,142
2018-2022	4,155,000	2,186,951	6,341,951
2023-2027	5,165,000	1,174,428	6,339,428
2028-2029	2,380,000	151,889	2,531,889
	<u>\$ 15,005,000</u>	<u>\$ 6,543,262</u>	<u>\$21,548,262</u>

Excise Tax Revenue Obligations. On June 23, 2011, the City issued \$39,125,000 of Excise Tax Revenue Obligations: \$31,825,000 of tax-exempt obligations (Series 2011A) and \$7,300,000 of taxable obligations (Series 2011B) referred to as Qualified Energy Conservation Bonds. As an issuer of these 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 72.38% of the corresponding interest payable on the Series 2011B taxable obligations on any interest payment date.

The proceeds were used to finance the construction of energy retrofit improvements 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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

\$31,825,000 2011A Excise Tax Revenue Obligations due in annual installments of \$1,030,000 to \$2,375,000 through July 1, 2031; interest at 2.00% to 5.00%	\$ 30,795,000
\$7,300,000 2011B Excise Tax Revenue Obligations due in one installment of \$7,300,000 on July 1, 2025; interest due semi-annually at 4.87%, net of 72.38% federal credit	<u>7,300,000</u>
Total	<u>\$ 38,095,000</u>

The following is a summary of total debt service cash requirements to maturity (net of 72.38% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,085,000	\$ 1,554,258	\$ 2,639,258
2014	1,120,000	1,521,708	2,641,708
2015	1,150,000	1,488,108	2,638,108
2016	1,195,000	1,442,108	2,637,108
2017	1,245,000	1,394,308	2,639,308
2018-2022	7,150,000	6,053,790	13,203,790
2023-2027	16,310,000	3,890,274	20,200,274
2028-2031	<u>8,840,000</u>	<u>1,132,000</u>	<u>9,972,000</u>
	<u>\$ 38,095,000</u>	<u>\$ 18,476,554</u>	<u>\$ 56,571,554</u>

The following is a summary of governmental debt service cash requirements to maturity (net of 72.38% federal credit):

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 25,000	\$ 118,358	\$ 143,358
2014	30,000	117,608	147,608
2015	30,000	116,708	146,708
2016	30,000	115,508	145,508
2017	30,000	114,308	144,308
2018-2022	175,000	549,840	724,840
2023-2026	<u>7,426,000</u>	<u>307,624</u>	<u>7,733,624</u>
	<u>\$ 7,746,000</u>	<u>\$ 1,439,954</u>	<u>\$ 9,185,954</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,060,000	\$ 1,435,900	\$ 2,495,900
2014	1,090,000	1,404,100	2,494,100
2015	1,120,000	1,371,400	2,491,400
2016	1,165,000	1,326,600	2,491,600
2017	1,215,000	1,280,000	2,495,000
2018-2022	6,975,000	5,503,950	12,478,950
2023-2027	8,884,000	3,582,650	12,466,650
2028-2031	8,840,000	1,132,000	9,972,000
	<u>\$ 30,349,000</u>	<u>\$ 17,036,600</u>	<u>\$47,385,600</u>

Excise Tax Revenue Obligations. On August 31, 2011, the City issued \$18,300,000 of Excise Tax Revenue Refunding Obligations. The Obligations were issued for the purpose of providing funds (i) to refund in advance of maturity portions of certain outstanding Performing Arts Center Excise Tax Revenue Obligations (the "Obligations Being Refunded") and (ii) to pay the costs and expenses relating to the issuance of 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 general 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.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$18,300,000 2011 Excise Tax Revenue Refunding Obligations due in annual installments of \$100,000 to \$3,295,000 through July 1, 2020; interest at 2.00% to 5.00% \$ 18,065,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 100,000	\$ 738,100	\$ 838,100
2014	100,000	736,100	836,100
2015	2,695,000	734,100	3,429,100
2016	2,825,000	604,350	3,429,350
2017	2,880,000	547,850	3,427,850
2018-2020	9,465,000	825,800	10,290,800
	<u>\$ 18,065,000</u>	<u>\$ 4,186,300</u>	<u>\$ 22,251,300</u>

Excise Tax Revenue Obligations. On June 11, 2012, the City issued \$30,500,000 of Excise Tax Revenue and Revenue Refunding Obligations: \$8,390,000 of revenue obligations and \$22,110,000 of revenue refunding obligations.

The proceeds were used (i) to refund in advance of maturity certain outstanding Excise Tax Revenue Obligations of the City, (ii) finance the construction and acquisition of certain water and wastewater improvements, and (iii) to pay the costs of execution and delivery of 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 taxes collected and paid to the City under the 0.50% transportation privilege (sales) and use tax approved by the voters of the City on September 10, 1996 which are restricted to public transit use, the 0.10% Performing Arts Center Excise Taxes approved by voters of the City on May 16, 2000, which are restricted to the Tempe Center for the Arts Project, 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, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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. In the following outstanding balance, the 7/1/2012 principal payment was deducted as the fiscal year 2012 resources were dedicated.

\$30,500,000 2012 Excise Tax Revenue and Refunding Obligations due in annual installments of \$280,000 to \$5,125,000 through July 1, 2032; interest at 1.50% to 5.00%	<u>\$30,500,000</u>
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The following is a summary of total debt service cash requirements to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 280,000	\$ 1,348,090	\$ 1,628,090
2014	2,135,000	1,327,675	3,462,675
2015	2,220,000	1,242,275	3,462,275
2016	305,000	1,208,975	1,513,975
2017	1,735,000	1,196,775	2,931,775
2018-2022	9,980,000	4,687,625	14,667,625
2023-2027	11,080,000	1,484,075	12,564,075
2028-2032	2,765,000	290,413	3,055,413
	<u>\$30,500,000</u>	<u>\$ 12,785,903</u>	<u>\$ 43,285,903</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 995,423	\$ 955,423
2014	1,845,000	944,923	2,789,923
2015	1,920,000	871,123	2,791,123
2016	-	842,323	842,323
2017	1,302,155	842,323	2,144,478
2018-2022	7,509,250	3,237,071	10,746,321
2023-2027	8,295,495	697,522	8,993,017
	<u>\$ 20,871,900</u>	<u>\$ 8,390,708</u>	<u>\$ 29,262,608</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 280,000	\$ 392,667	\$ 672,667
2014	290,000	382,752	672,752
2015	300,000	371,152	671,152
2016	305,000	366,652	671,652
2017	432,845	354,452	787,297
2018-2022	2,470,750	1,450,554	3,921,304
2023-2027	2,784,505	786,553	3,571,058
2028-2032	2,765,000	290,413	3,055,413
	<u>\$ 9,628,100</u>	<u>\$ 4,395,195</u>	<u>\$14,023,295</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 was 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%

\$ 5,572,000

The following discloses debt service requirements as of June 30, 2012 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 325,000	\$ 306,404	\$ 631,404
2014	340,000	289,708	629,708
2015	355,000	271,860	626,860
2016	371,000	252,705	623,705
2017	387,000	232,158	619,158
2018-2022	2,214,000	803,743	3,017,743
2023-2025	1,580,000	144,597	1,724,597
	<u>\$ 5,572,000</u>	<u>\$ 2,301,175</u>	<u>\$ 7,873,175</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Water Infrastructure Finance Authority Loans. In September 2009, the City signed two capitalization grant agreements with the Water Infrastructure Finance Authority (WIFA). The funding from these agreements was derived from the United States Environmental Protection Agency pursuant to the federal American Recovery and Reinvestment Act (ARRA) of 2009, Public Law 111-5.

The loan agreement for Loan #92A174-10 is in the principal amount of \$4,084,503 of which \$2,200,000 will be forgivable principal and the remaining balance bears interest and administrative fees at a combined rate of 3.06%.

\$1,884,503 Water Infrastructure Finance Authority Loan #92A174-10 due in annual installments of \$69,678 to \$123,631 through July 1, 2029; interest at 1.56% and administrative fee at 1.50%

\$ 1,669,000

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2012 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest and Administrative Fee	Total
2013	\$ 76,281	\$ 51,138	\$ 127,419
2014	78,618	48,801	127,419
2015	81,027	46,392	127,419
2016	83,510	43,909	127,419
2017	86,068	41,351	127,419
2018-2022	471,552	165,543	637,095
2023-2027	548,358	88,736	637,094
2028-2029	243,586	11,252	254,838
	<u>\$ 1,669,000</u>	<u>\$ 497,122</u>	<u>\$ 2,166,122</u>

The loan agreement for Loan #92A175-10 is in the principal amount of \$14,045,799 and bears interest and administrative fees at a reduced ARRA rate of 2.00%.

\$14,045,799 Water Infrastructure Finance Authority Loan #92A175-10 due in annual installments of \$578,079 to \$842,152 through July 1, 2029; interest at .50% and administrative fee at 1.50%

\$ 12,276,646

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2012 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest and Administrative Fee	Total
2013	\$ 613,462	\$ 245,533	\$ 858,995
2014	625,731	233,264	858,995
2015	638,246	220,749	858,995
2016	651,011	207,984	858,995
2017	664,031	194,964	858,995
2018-2022	3,524,757	770,218	4,294,975
2023-2027	3,891,617	403,358	4,294,975
2028-2029	1,667,791	50,199	1,717,990
	<u>\$ 12,276,646</u>	<u>\$ 2,326,269</u>	<u>\$ 14,602,915</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Leases. The City has entered into capital lease agreements for equipment. These lease agreements generally require annual payments and the lease term varies from 4 to 5 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 for equipment with an original cost of \$142,670. 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, 2012. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2013	\$ 31,080
	2014	31,080
Total minimum lease payments		62,160
Less: interest at 4.84% to 11.85%		(4,238)
Present value of future minimum lease payments		<u>\$ 57,922</u>

The proprietary assets acquired through capital leases are for equipment with an original cost of \$246,841. 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, 2012. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2013	\$ 46,356
Less: interest at 4.66%		(1,003)
Present value of future minimum lease payments		<u>\$ 45,353</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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, 2012, the 20 percent debt limitation was \$391,465,722 with \$446,276,092 of outstanding debt. Due to the decline in property values, there is no additional capacity in the 20 percent debt margin category. The 6 percent debt limitation was \$117,439,717 with \$15,030,000 of outstanding debt. This provided a 6 percent debt margin of \$102,409,717. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2012, was \$154,979,698.

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 and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2012. However, the City has assigned \$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 \$162,200,000 is outstanding in governmental general obligation bonds. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2030. Annual principal and interest payments on the bonds are expected to require less than 83.54% of total 2011-12 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$211,197,967. Principal and interest paid for the current year and total ad valorem tax revenues were \$18,279,386 and \$21,884,734, 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 \$256,770,000 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, 2030. Annual principal and interest payments on the bonds are expected to require less than 38.12% of 2011-12 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$339,839,570. Principal and interest paid for the current year and water and wastewater system revenues were \$27,742,687 and \$72,802,481, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$59,747,900 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2031. Annual principal and interest payments on the bonds are expected to require less than 4.22% of total 2011-12 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$79,357,348. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$5,456,373 and \$129,522,900, respectively.

Debt Service Coverage for Business-type Activities Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$55,402,100 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 3.05% of total 2011-12 excise taxes. The total principal and interest remaining to be paid on the bonds is \$69,397,460. Principal and interest paid for the current year and total excise taxes were \$3,943,366 and \$129,522,900, 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 \$126,955,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 14.72% of total 2011-12 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$150,810,334. Principal and interest paid for the current year and transit excise taxes were \$4,439,463 and \$30,172,338, 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 \$31,820,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be less than 86.24% of total 2011-12 performing arts excise taxes. The total principal and interest remaining to be paid on the bonds is \$37,399,952. Principal and interest paid for the current year and total available excise taxes were \$5,377,764 and \$130,381,636, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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, 2012 (the ending balance does not include 7/1/2012 "matured" payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$166,680,000	\$13,015,000	\$(17,495,000)	\$162,200,000	\$11,640,000
Special assessments	29,875,000	-	(2,060,000)	27,815,000	2,140,000
2003 Excise tax refunding obligations	10,425,000	-	(8,595,000)	1,830,000	1,830,000
2004 Excise tax obligations	24,760,000	-	(19,960,000)	4,800,000	2,340,000
2005 Excise tax obligations	17,275,000	-	(14,970,000)	2,305,000	325,000
2006 Excise tax obligations	10,970,000	-	(2,015,000)	8,955,000	2,100,000
2006 Variable rate demand excise tax obligations	54,990,000	-	(1,320,000)	53,670,000	1,375,000
2007 Excise tax refunding obligations	21,210,000	-	(400,000)	20,810,000	420,000
2007 Variable rate demand excise tax obligations	46,340,000	-	(1,045,000)	45,295,000	1,085,000
2008 Excise tax obligations	28,575,000	-	(585,000)	27,990,000	605,000
2009 Excise tax obligations	6,430,000	-	(245,000)	6,185,000	250,000
2011 Excise tax obligations	7,771,000	-	(25,000)	7,746,000	25,000
2011 Excise tax refunding obligations	-	18,300,000	(235,000)	18,065,000	100,000
2012 Excise tax obligations	-	20,871,900	-	20,871,900	-
2004 HUD Section 108 loan	5,883,000	-	(311,000)	5,572,000	325,000
	<u>431,184,000</u>	<u>52,186,900</u>	<u>(69,261,000)</u>	<u>414,109,900</u>	<u>24,560,000</u>
Capital leases	96,735	-	(38,814)	57,921	28,276
Compensated absences	23,731,713	11,010,203	(9,413,974)	25,327,942	9,614,495
Claims and judgments	4,992,030	2,992,526	(3,387,523)	4,597,033	3,065,652
Net OPEB obligation	44,527,562	10,081,946	(4,351,615)	50,257,893	4,423,292
Governmental activities long-term	<u>\$504,532,040</u>	<u>\$76,271,575</u>	<u>\$(86,452,926)</u>	<u>\$494,350,689</u>	<u>\$41,691,715</u>
Business-type activities:					
General obligation bonds payable	\$273,000,000	\$6,755,000	\$(22,985,000)	\$256,770,000	\$16,265,000
2005 Excise tax obligations	1,785,000	-	(1,365,000)	420,000	100,000
2005 Excise tax obligation premium amortization	88,424	-	(63,160)	25,264	2,105
2009 Excise tax obligations	15,600,000	-	(595,000)	15,005,000	610,000
2011 Excise tax obligations	31,354,000	-	(1,005,000)	30,349,000	1,060,000
2012 Excise tax obligations	-	9,628,100	-	9,628,100	280,000
2012 Excise tax obligation premium amortization	-	78,068	-	78,068	4,109
2010 WIFA Loan	1,743,013	-	(74,013)	1,669,000	76,281
2010 WIFA Loan	12,878,079	-	(601,433)	12,276,646	613,462
Capital leases	97,439	-	(52,087)	45,352	45,352
Net OPEB obligation	5,442,991	1,198,751	(263,041)	6,378,701	561,402
Total debt payable	<u>\$ 341,988,946</u>	<u>\$17,659,919</u>	<u>\$(27,003,734)</u>	<u>\$332,645,131</u>	<u>\$19,617,711</u>

The long-term liabilities at June 30, 2012 have been reduced by deposits made with the City's fiscal agent for July 1, 2012 maturities. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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 \$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 (the difference between the present values of the debt service payment on the old and new debt) of \$701,966.

On November 10, 2010, the City issued \$60,280,000 of general obligation refunding bonds with a premium of \$4,997,165 to refund \$3,215,000 of Series 1998; \$9,860,000 of Series 1998A; \$9,015,000 of Series 2001A \$14,475,000 of Series 2002A; and partially refund \$15,530,000 of Series 2003 and \$8,185,000 of Series 2004 of outstanding general obligation bonds. The bonds were issued with an average interest rate of 3.71%. The net proceeds of \$64,670,397, after payment of \$124,528 issuance costs and an underwriter's discount of \$482,240, 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 \$4,858,809 which resulted in an economic gain of \$4,342,453.

On August 31, 2011, the City issued \$18,300,000 of excise tax revenue refunding obligation bonds with a premium of \$2,322,676 to partially refund \$17,735,000 of Series 2004 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 2.11%. The net proceeds of \$20,384,744, after allocation of \$100,683 of issuance costs and an underwriter's discount of \$137,250 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 Performing Arts fund. As a result of the advance refunding, the City reduced its total debt service requirements by \$819,224, which resulted in an economic gain of \$751,095.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

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

Advance Bond Refundings

On June 21, 2012, the City issued \$12,765,000 of general obligation refunding bonds with a premium of \$775,588 to refund \$3,205,000 of Series 2002R and partially refund \$9,560,000 of Series 2003 outstanding general obligation bonds. The bonds were issued with an average interest rate of 2.36%. The net proceeds of \$13,090,453, after transferring \$239,463 to the debt service fund, the payment of \$114,066 in issuance costs and an underwriter's discount of \$96,606, 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 \$635,751 which resulted in an economic gain of \$697,681.

On June 11, 2012, the City issued \$22,110,000 of excise tax revenue refunding obligation bonds with a premium of \$3,992,095 to partially refund \$6,835,000 of Series 2003 and \$15,925,000 of Series 2005 outstanding excise tax revenue obligation bonds. The bonds were issued with an average interest rate of 2.50%. The net proceeds of \$25,258,908 after transferring \$553,944 to the debt service fund, the payment of \$123,418 in issuance costs and an underwriter's discount of \$165,825, 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, Community Facilities District, and Cemetery funds. As a result of the advance refunding, the City reduced its total debt service requirements by \$1,616,232, which resulted in an economic gain of \$1,462,225.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2012 are as follows:

\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2007 (final redemption date is 7/1/2013)	\$ 17,025,000
\$44,820,000 general obligation bonds issued in 2003 and partially refunded in 2011 (final redemption date is 7/1/2013)	15,530,000
\$19,900,000 general obligation bonds issued in 2004 and partially refunded in 2011 (final redemption date is 7/1/2014)	8,185,000
\$37,595,000 excise tax revenue obligation bonds issued in 2004 and partially refunded in 2012 (final redemption date is 7/1/2014)	17,735,000
\$44,820,000 general obligation bonds issued in 2003 and partially refunded in 2012 (final redemption date is 7/1/2013)	9,560,000
\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2012 (final redemption date is 7/1/2013)	6,835,000
\$21,315,000 excise tax revenue obligation bonds issued in 2005 and partially refunded in 2012 (final redemption date is 7/1/2015)	15,925,000
Total bonds advance refunded	<u>\$ 90,795,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS

During the year ended June 30, 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The classifications of fund balance are *Non-spendable*, *Restricted*, *Committed*, *Assigned*, and *Unassigned*. *Committed*, *Assigned*, and *Unassigned* represent the amount that is available for discretionary spending.

Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.

Restricted fund balance is externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes in City Charter).

Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval (through ordinance or another type of formal action) is required to commit resources or to rescind the commitment.

Assigned fund balance represents limitations imposed by management. In June 2011, through resolution 2011.56, the Mayor and Council authorized the Chief Financial Officer to assign fund balance amounts for specific purposes.

Unassigned fund balance represents the residual net resources in excess of the other classifications.

The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

As of June 30, 2012, the fund balance details by classification are listed as follows:

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
Fund balances:							
Non-spendable:							
Inventories	\$ 344,526	\$ -	\$ -	\$ -	\$ -	\$ 1,054,950	\$ 1,399,476
Prepaid items	-	-	-	-	-	710,789	710,789
Capital improvements notes receivable	290,000	-	-	-	-	-	290,000
	634,526	-	-	-	-	1,765,739	2,400,265
Restricted:							
Debt service reserve	-	-	32,062,939	-	-	-	32,062,939
Community services	-	-	-	-	-	1,635,026	1,635,026
Public works	-	16,487,760	-	-	14,513,507	7,601,641	38,602,908
Community development	-	-	-	-	-	3,838,957	3,838,957
	-	16,487,760	32,062,939	-	14,513,507	13,075,623	76,139,829
Committed to:							
Police	-	-	-	-	-	763,997	763,997
Fire	-	-	-	-	-	1,031,952	1,031,952
Community services	-	-	-	-	-	1,361,625	1,361,625
Public works	-	957,657	-	-	-	2,952,626	3,910,283
Community development	-	-	-	-	-	5,907,476	5,907,476
Debt service	-	4,220,265	-	-	50,000,000	-	54,220,265
	-	5,177,922	-	-	50,000,000	12,017,676	67,195,598
Assigned to:							
Self-insurance purposes	8,841,391	-	-	-	-	-	8,841,391
Capital projects	350,877	-	-	-	-	7,119,412	7,470,289
Reserved Property Lease Revenue	275,000	-	-	-	-	-	275,000
Arbitrage rebate	500,000	-	-	-	-	-	500,000
Transit	-	1,290,723	-	-	-	-	1,290,723
SRP in-lieu	-	-	3,297,531	-	-	-	3,297,531
	9,967,268	1,290,723	3,297,531	-	-	7,119,412	21,674,933
Unassigned:							
	50,954,570	-	-	(1,733,419)	-	-	49,221,151
Total fund balances	\$ 61,556,364	\$ 22,956,405	\$ 35,360,470	\$ (1,733,419)	\$ 64,513,507	\$ 33,978,450	\$ 216,631,777

The Mayor and Council have established a minimum aggregate committed, assigned, and unassigned fund balance policy for the General Fund of 20% to 30% of current year revenues. As of June 30, 2012, the aggregate balance is 37.37% of General Fund revenues. The unassigned percentage of revenues is 31.25%.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 12 - COMMITMENTS

In the Governmental fund financial statements, construction commitments are included in either the restricted or committed fund balances.

At June 30, 2012 the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
Governmental funds:		
Transit	\$ 1,989,540	\$ 12,438,677
Streets	433,996	87,517
Fire	-	56,654
Storm drains	700	-
Parks	546,525	4,500
Rio Salado	2,524,081	1,045,555
Community development	3,390,410	618,176
Signals	282,443	74,907
	<u>\$ 9,167,695</u>	<u>\$ 14,325,987</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
Proprietary funds:		
Water/wastewater	\$ 7,094,928	\$ 2,309,541
	<u>\$ 7,094,928</u>	<u>\$ 2,309,541</u>

In addition, there were non-construction related commitments as follows:

	<u>Commitment</u>
Governmental funds:	
General	\$ 52,401
Non-major special revenue	200,000
	<u>\$ 252,401</u>
	<u>Commitment</u>
Proprietary funds:	
Water/wastewater	\$ 518,081
	<u>\$ 518,081</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 13 - 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, 2012 were \$243,606.

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

Fiscal Year Ending June 30,	Amount
2013	\$ 237,408
2014	198,213
2015	80,628
2016	60,603
Total minimum payments required	<u>\$ 576,852</u>

NOTE 14 - 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, PO Box 17670, Phoenix, Arizona, 85011-0670 or by calling 602-255-5575.

B. Funding Policy

The System is funded through a member contribution of 8.65 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 27.21 percent of annual covered payroll, of which 0.45 percent was the health insurance premium portion. The current aggregate contribution rate for police is 24.22 percent of annual covered payroll, of which 0.47 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).

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

C. Annual Pension Cost

Police personnel contributed \$2,228,280 and fire personnel \$976,607 during fiscal year 2011-12. For 2012, the City's annual pension cost was \$7,185,625 for police and \$3,393,286 for fire and was equal to the City's required contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation determining contribution requirements for fiscal year 2011-12, using the projected unit credit method. The actuarial assumptions included (a) 8.25% investment rate of return (b) projected salary increases of 5.00% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 5.00% to 8.00% 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 7-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, 2011 was 25 years.

D. Three Year Trend Information :

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2010 (Pension)	\$ 6,415,283	100%	-
2010 (Health)	401,144	100	-
2011 (Pension)	6,749,378	100	-
2011 (Health)	415,632	100	-
2012 (Pension)	7,185,625	100	-
2012 (Health)	447,526	100	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2010(Pension)	\$ 2,949,541	100%	-
2010 (Health)	230,094	100	-
2011 (Pension)	3,107,361	100	-
2011 (Health)	231,319	100	-
2012 (Pension)	3,393,286	100	-
2012 (Health)	230,392	100	-

E. Schedule of Funding Progress:

Police

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2010	\$ 96,465,397	\$ 164,091,514	58.8%	\$ 67,626,117	\$ 28,315,537	238.8
2011	101,406,746	181,662,671	55.8	80,255,925	25,820,652	310.8
2012	103,346,360	200,736,814	51.5	97,390,454	26,046,499	373.9

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

E. Schedule of Funding Progress (Continued):

Fire

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2010	\$ 70,868,109	\$ 102,307,685	69.3%	\$ 31,439,576	\$ 11,965,093	262.8
2011	73,698,685	112,778,109	65.3	39,079,424	11,179,799	349.6
2012	76,211,736	123,125,911	61.9	46,914,175	11,373,929	412.5

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, 2012 were 10.74 percent (10.50 percent for retirement and 0.24 percent for long-term disability) for active members and the City was required to contribute 10.74 percent (9.83 percent for retirement, 0.67 percent for health insurance premium and 0.24 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2012, 2011, and 2010 were \$7,104,490, \$6,586,650 and \$7,190,912 respectively, equal to the annual required contributions for each year.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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 10.00 percent of their annual covered salary. The employer rate for 2011-12 was 32.99 percent of the members' annual covered payroll, of which 0.83 percent was the health insurance premium portion. The City's contributions to EORP for the fiscal years ended June 30, 2012, 2011 and 2010 were \$72,692, \$65,673, and \$57,841, respectively, equal to the annual required contributions for each year. The City's employees contributed \$22,035, \$15,432, and \$15,424, respectively for the same time period.

NOTE 15 - 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, is being amortized over 30 years with the first period beginning with the fiscal year ending June 30, 2008.

A. Plan Description

The City offers (single-employer plan) 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, 2012, 746 retirees meet those eligibility requirements to receive postemployment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	746
Active employees eligible	<u>615</u>
Total	<u>1,361</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Effective with changes implemented on October 1, 2011, this OPEB plan provides medical coverage for qualified, pre-Medicare retired employees through a single-employer defined *contribution* plan; prior to this change, coverage was provided through a defined benefit plan. (With this change, active employees are the only group participating in a defined benefit plan for health benefits.) The plan provides benefits to eligible retirees (as outlined above), their spouses and dependents through monthly City contributions to a health reimbursement account established for each retiree. The plan benefits and contribution rates are determined by the City's Human Resources Department based on the costs of coverage that is available through the health plan offered by the ASRS. Coverage for Medicare-eligible retirees is provided through fully-insured, City-sponsored Medicare Supplemental plans. 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/dependents who have not reached Medicare eligibility, the City makes monthly contributions to the retiree/dependents' health reimbursement account. 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 pre-Medicare plan contributions are determined annually by the City's Human Resources Department. Contributions for retirees/dependents are determined based on a review of the premiums (and changes thereto) for health care coverage that is available through the ASRS. For the City sponsored Medicare supplemental plans, premiums are determined annually by the outside insurance company. Retirees/dependents are not required to enroll in the health plan offered through the ASRS. Because retired employees and their dependents are enrolled in a completely separate plan than active employees, there are no 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.

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.

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, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

ARC	\$ 12,288,177
ARC adjustment	(3,006,302)
Interest on the net OPEB obligation	1,998,822
Annual OPEB cost	<u>11,280,697</u>
Contributions made	<u>(4,614,656)</u>
Increase in net OPEB obligation	6,666,041
Net OPEB obligation – beginning of year	<u>49,970,553</u>
Net OPEB obligation – end of year	<u>\$ 56,636,594</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2012, 2011, and 2010 are as follows.

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 9,821,574	\$5,885,849	59.9%	\$45,735,130
2011	10,132,549	5,897,126	58.2	49,970,553
2012	11,280,697	4,614,656	41.0	56,636,594

E. Health Care Cost Trend Rate

The following annual trend rates are applied on a select and ultimate basis:

Benefit	Select	Ultimate
Medical/Rx Pre 65	10.0%	5.0%
Medical/Rx Post 65	7.5	5.0

Select trends are reduced 0.5% each year until reaching the ultimate trend.

F. Funded Status and Funding Progress (most recent information available)

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
7/1/2008	\$ -	\$ 159,149,836	\$159,149,836	0.0%	\$ 51,388,438	309.7%
7/1/2009	-	154,671,513	154,671,513	0.0%	51,923,274	297.9
7/1/2011	-	166,968,101	166,968,101	0.0%	47,378,802	352.4

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. The City will obtain an actuarial valuation on a bi-annual basis.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

G. 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. The investment rate reflects the expected long term rate of return for the assets expected to pay the postemployment benefits. Significant methods and assumptions used for this fiscal year valuation were as follows:

Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Remaining amortization period	26 years, closed
Asset valuation method	N/A
Actuarial assumptions:	
Healthcare inflation rate	10.0% select rate, 5% ultimate rate, 8 year grade in period
Investment rate of return	4%
Projected salary increases	Not applicable
Amortization method	Level dollar

NOTE 16 - 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 neither the property of the City nor subject to claims of the City's general creditors. Therefore, the plan assets are not included in the City's basic financial statements.

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 and Health Fund (both internal service funds) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service funds 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 funds.

The City is a self insured entity with excess commercial insurance coverage purchased for general and automobile liability, property, workers' compensation/employers' liability, crime and group health coverage. The coverage is

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

as follows: for general and automobile liability the first \$2.0 million per occurrence is self-insured and excess coverage of \$40.0 million is provided; for property the self-insurance retention is the first \$100,000 per occurrence of all perils with a policy limit of \$807.1 million; for workers' compensation the first \$750,000 for police, firefighters, and EMT and \$500,000 for all others of each claim is self-insured, with excess coverage per the Arizona statutory workers' compensation requirements and \$2.0 million per occurrence in employer's liability; and for group health the self-insurance retention is \$250,000 per occurrence, with an aggregate stop loss deductible of \$26.6 million. During the year there were no significant reductions in the amounts of excess coverage purchased.

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, 2012, 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, 2011	Claims Incurred Net of Change in Estimates	Payments	June 30, 2012
General liability	\$ 5,999,095	\$ (202,183)	\$ (2,089,412)	\$ 3,707,500
Automobile liability	57,767	176,874	(131,664)	102,977
Property liability	39,341	203,183	(166,684)	75,840
Workers' compensation	1,491,668	1,500,606	(999,763)	1,992,511
Health insurance	1,306,341	15,022,310	(14,896,711)	1,431,940
	<u>\$ 8,894,212</u>	<u>\$ 16,700,790</u>	<u>\$(18,284,234)</u>	<u>\$ 7,310,768</u>

	June 30, 2010	Claims Incurred Net of Change in Estimates	Payments	June 30, 2011
General liability	\$ 7,077,346	\$ 1,132,020	\$ (2,210,271)	\$ 5,999,095
Automobile liability	171,270	63,427	(176,930)	57,767
Property liability	51,857	153,680	(166,196)	39,341
Workers' compensation	1,804,059	695,299	(1,007,690)	1,491,668
Health insurance	1,895,298	18,105,476	(18,694,433)	1,306,341
	<u>\$ 10,999,830</u>	<u>\$ 20,149,902</u>	<u>\$(22,255,520)</u>	<u>\$ 8,894,212</u>

At June 30, 2012, the Risk Management Internal Service Fund accrued expenses totaled \$5,895,182. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$5,878,828 and other accrued expenses of \$16,354. The health claims liability at June 30, 2012 of \$1,431,940 is deemed due and payable at June 30, 2012 and recorded as accrued expenditures/expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2012, the City had \$8,841,391 of General Fund fund balance assigned for self-insurance purposes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2012

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 \$1,733,419 at June 30, 2012. The deficit will be covered by anticipated assessment payments. The Cemetery Fund had a negative net asset balance of \$210,961 at June 30, 2012. The deficit will be covered by future transfers from the general fund. The Risk Management Fund had a negative net asset balance of \$28,511. The deficit will be covered by future contributions to the fund. The Health Fund had a negative asset balance of \$942,236. The deficit will be covered by future transfers from operating funds.

NOTE 21 – SUBSEQUENT EVENTS

In July 2012, the City cash defeased the remaining outstanding \$53.67 million of Series 2006 Transit Excise Tax Revenue Obligations. The cash utilized was from the federal reimbursement for the Transit Light Rail project. The bonds had been issued to bridge the gap between the cash outlay required for the project and the timing of the federal reimbursement.

In September 2012, the City issued \$41.39 million in Transit Excise Tax Revenue Refunding Obligations. The purpose of the issuance was to refund the 2007 Variable Rate Demand Excise Tax Revenue Obligations in order to fix the interest rate.



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.
- **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.
- **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, 2012

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<u>Assets</u>				
Pooled cash and investments	\$ 2,588,032	\$ 5,069,357	\$ 1,273,041	\$ -
Receivables:				
Taxes	540,726	786,787	-	-
Accounts	-	-	-	-
Accrued interest	1,096	-	-	-
Due from other governments	-	-	-	535,140
Inventories	-	1,054,950	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	5,269,750	-	-	15,934
Total assets	<u>\$ 8,399,604</u>	<u>\$ 6,911,094</u>	<u>\$ 1,273,041</u>	<u>\$ 551,074</u>
<u>Liabilities</u>				
Accounts payable	\$ 35,729	\$ 231,599	\$ -	\$ 43,255
Deposits	-	-	-	-
Accrued expenditures	87,021	107,386	-	15,321
Claims and judgements	10,453	42,815	-	-
Due to other funds	-	-	-	316,220
Deferred revenue	-	-	-	-
Matured bonds payable	4,475,000	-	-	-
Matured interest payable	794,750	-	-	131,027
Total liabilities	<u>5,402,953</u>	<u>381,800</u>	<u>-</u>	<u>505,823</u>
<u>Fund Balances</u>				
Fund balance:				
Non-spendable	-	1,054,950	-	-
Restricted	1,635,026	5,474,344	1,273,041	45,251
Committed	1,361,625	-	-	-
Assigned	-	-	-	-
Total fund balances	<u>2,996,651</u>	<u>6,529,294</u>	<u>1,273,041</u>	<u>45,251</u>
Total liabilities and fund balances	<u>\$ 8,399,604</u>	<u>\$ 6,911,094</u>	<u>\$ 1,273,041</u>	<u>\$ 551,074</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ 572,574	\$ -	\$ 3,020,534	\$ 464,795	\$ 12,988,333
-	-	-	-	1,327,513
37,589	-	-	-	37,589
-	-	3,539	-	4,635
-	-	1,857,172	-	2,392,312
-	-	-	-	1,054,950
710,789	-	-	-	710,789
-	-	-	2,451,716	7,737,400
<u>\$ 1,320,952</u>	<u>\$ -</u>	<u>\$ 4,881,245</u>	<u>\$ 2,916,511</u>	<u>\$ 26,253,521</u>
\$ 416	\$ -	\$ 1,707,467	\$ 162,151	\$ 2,180,617
-	-	35,552	-	35,552
96,625	-	7,719	-	314,072
-	-	-	-	53,268
-	-	-	-	316,220
-	-	2,985,467	-	2,985,467
-	-	-	1,785,000	6,260,000
-	-	-	638,919	1,564,696
<u>97,041</u>	<u>-</u>	<u>4,736,205</u>	<u>2,586,070</u>	<u>13,709,892</u>
710,789	-	-	-	1,765,739
513,122	-	145,040	330,441	9,416,265
-	-	-	-	1,361,625
-	-	-	-	-
<u>1,223,911</u>	<u>-</u>	<u>145,040</u>	<u>330,441</u>	<u>12,543,629</u>
<u>\$ 1,320,952</u>	<u>\$ -</u>	<u>\$ 4,881,245</u>	<u>\$ 2,916,511</u>	<u>\$ 26,253,521</u>

(continued)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
<u>Assets</u>					
Pooled cash and investments	\$ 3,041,568	\$ 2,384,316	\$ 1,249,296	\$ 1,058,961	\$ 3,342,250
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	97,710
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	\$ 3,041,568	\$ 2,384,316	\$ 1,249,296	\$ 1,058,961	\$ 3,439,960
<u>Liabilities</u>					
Accounts payable	\$ 720,346	\$ 388,989	\$ 45,351	\$ -	\$ 759,285
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	97,710
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	720,346	388,989	45,351	-	856,995
<u>Fund Balances</u>					
Fund balance:					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	263,306	590,950
Committed	-	763,997	1,031,952	685,846	1,910,885
Assigned	2,321,222	1,231,330	171,993	109,809	81,130
Total fund balances	2,321,222	1,995,327	1,203,945	1,058,961	2,582,965
Total liabilities and fund balances	\$ 3,041,568	\$ 2,384,316	\$ 1,249,296	\$ 1,058,961	\$ 3,439,960

Capital Projects

<u>Rio Salado</u>	<u>Community Development</u>	<u>Signals</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 3,680,829	\$ 5,521,784	\$ 829,584	\$ 21,108,588	\$ 34,096,921
-	-	-	-	1,327,513
-	-	-	97,710	135,299
-	-	-	-	4,635
-	-	27,543	27,543	2,419,855
-	-	-	-	1,054,950
-	-	-	-	710,789
-	3,542,340	-	3,542,340	11,279,740
<u>\$ 3,680,829</u>	<u>\$ 9,064,124</u>	<u>\$ 857,127</u>	<u>\$ 24,776,181</u>	<u>\$ 51,029,702</u>
\$ 306,664	\$ 869,444	\$ 153,571	\$ 3,243,650	\$ 5,424,267
-	-	-	-	35,552
-	-	-	-	314,072
-	-	-	-	53,268
-	-	-	-	316,220
-	-	-	97,710	3,083,177
-	-	-	-	6,260,000
-	-	-	-	1,564,696
<u>306,664</u>	<u>869,444</u>	<u>153,571</u>	<u>3,341,360</u>	<u>\$ 17,051,252</u>
-	-	-	-	1,765,739
-	2,805,103	-	3,659,359	13,075,624
3,242,086	2,665,390	355,894	10,656,050	12,017,675
132,079	2,724,187	347,662	7,119,412	7,119,412
<u>3,374,165</u>	<u>8,194,680</u>	<u>703,556</u>	<u>21,434,821</u>	<u>33,978,450</u>
<u>\$ 3,680,829</u>	<u>\$ 9,064,124</u>	<u>\$ 857,127</u>	<u>\$ 24,776,181</u>	<u>\$ 51,029,702</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales taxes	\$ 6,236,500	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	186,774	-	2,413,831
State grants	-	-	-	-
State sales tax	-	8,098,254	-	-
Other	-	-	-	61,145
Investment income	19,750	-	-	25
Charges for services	640,284	92,350	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	6,579	18,816	-	627,987
Total revenues	<u>6,903,113</u>	<u>8,396,194</u>	<u>-</u>	<u>3,102,988</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	2,268,512	-	-	-
Public works	-	7,020,384	-	-
Community development	-	-	-	2,109,628
Community relations	-	-	-	-
Municipal court	-	-	-	-
Debt service:				
Principal retirement	4,475,000	-	-	311,000
Interest and fiscal fees	1,697,329	-	-	315,705
Capital outlay	-	-	-	-
Total expenditures	<u>8,440,841</u>	<u>7,020,384</u>	<u>-</u>	<u>2,736,333</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,537,728)</u>	<u>1,375,810</u>	<u>-</u>	<u>366,655</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	701,322	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	350,000	-	-
Transfers out:				
General fund	-	-	-	-
Debt service funds	-	(1,553,304)	-	-
Capital projects funds	-	(14,329)	-	-
Enterprise funds	-	-	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	2,322,676	-	-	-
Proceeds from sale of capital assets	-	33,857	-	-
Issuance of refunding bonds	18,300,000	-	-	-
Payment to refunded bond escrow agent	(20,384,744)	-	-	-
Total other financing sources (uses)	<u>237,932</u>	<u>(482,454)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,299,796)	893,356	-	366,655
Fund balance (deficit) at beginning of year	4,296,447	5,635,938	1,273,041	(321,404)
Fund balance at end of year	<u>\$ 2,996,651</u>	<u>\$ 6,529,294</u>	<u>\$ 1,273,041</u>	<u>\$ 45,251</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ -	\$ -	\$ -	\$ 6,236,500
9,470,381	-	2,462,826	-	14,533,812
-	-	79,879	-	79,879
-	-	-	-	8,098,254
-	-	3,829,226	-	3,890,371
918	-	499	-	21,192
-	-	649,901	2,415,139	3,797,674
16,494	-	450,559	-	467,053
-	-	-	-	-
-	-	406,584	-	1,059,966
<u>9,487,793</u>	<u>-</u>	<u>7,879,474</u>	<u>2,415,139</u>	<u>38,184,701</u>
-	-	3,708,072	-	3,708,072
-	-	427,832	-	427,832
-	-	1,055,956	-	3,324,468
-	-	121,434	-	7,141,818
9,816,380	-	198,748	2,088,825	14,213,581
-	-	1,901,971	-	1,901,971
-	-	317,878	-	317,878
-	-	-	1,785,000	6,571,000
-	-	-	1,359,322	3,372,356
-	-	-	-	-
<u>9,816,380</u>	<u>-</u>	<u>7,731,891</u>	<u>5,233,147</u>	<u>40,978,976</u>
<u>(328,587)</u>	<u>-</u>	<u>147,583</u>	<u>(2,818,008)</u>	<u>(2,794,275)</u>
-	-	-	-	701,322
-	-	-	-	-
-	-	-	2,910,907	2,910,907
-	-	-	-	-
-	-	-	-	350,000
-	(2,279,516)	-	-	(2,279,516)
-	-	-	-	(1,553,304)
-	-	(20,000)	-	(34,329)
-	-	-	-	-
-	-	-	-	-
-	-	-	1,233,856	3,556,532
-	-	-	4,127	37,984
-	-	-	6,585,000	24,885,000
-	-	-	(7,585,441)	(27,970,185)
-	(2,279,516)	(20,000)	3,148,449	604,411
(328,587)	(2,279,516)	127,583	330,441	(2,189,864)
1,552,498	2,279,516	17,457	-	14,733,493
<u>\$ 1,223,911</u>	<u>\$ -</u>	<u>\$ 145,040</u>	<u>\$ 330,441</u>	<u>\$ 12,543,629</u>

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	1,761,004	-	438,119	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	-	-	-	-	406
Charges for services	322,682	-	-	-	338,870
Fines and forfeitures	-	-	-	-	-
Other entities' participation	-	-	-	-	25,000
Miscellaneous	1,288	-	-	-	-
Total revenues	<u>2,084,974</u>	<u>-</u>	<u>438,119</u>	<u>-</u>	<u>364,276</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community relations	-	-	-	-	-
Municipal court	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	3,089,032	2,532,260	1,733,932	178,827	1,768,143
Total expenditures	<u>3,089,032</u>	<u>2,532,260</u>	<u>1,733,932</u>	<u>178,827</u>	<u>1,768,143</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,004,058)</u>	<u>(2,532,260)</u>	<u>(1,295,813)</u>	<u>(178,827)</u>	<u>(1,403,867)</u>
Other financing sources (uses):					
Transfers in:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	11,710
Enterprise funds	-	-	-	128,000	-
Transfers out:					
General fund	-	-	-	-	-
Debt service fund	(1,288)	-	-	-	-
Capital projects funds	-	(27,205)	-	-	(2,543)
Enterprise funds	-	-	-	(1,053,192)	-
Issuance of debt	1,898,488	1,328,736	846,264	400,000	1,912,995
Premium on issuance of debt	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>1,897,200</u>	<u>1,301,531</u>	<u>846,264</u>	<u>(525,192)</u>	<u>1,922,162</u>
Net change in fund balances	893,142	(1,230,729)	(449,549)	(704,019)	518,295
Fund balance (deficit) at beginning of year	1,428,080	3,226,056	1,653,494	1,762,980	2,064,670
Fund balance at end of year	<u>\$ 2,321,222</u>	<u>\$ 1,995,327</u>	<u>\$ 1,203,945</u>	<u>\$ 1,058,961</u>	<u>\$ 2,582,965</u>

Capital Projects				
Rio Salado	Community Development	Signals	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 6,236,500
566,807	259,334	353,149	3,378,413	17,912,225
-	-	-	-	79,879
-	-	-	-	8,098,254
-	250,000	-	250,000	4,140,371
-	391	-	797	21,989
-	-	-	661,552	4,459,226
-	-	-	-	467,053
2,826,483	-	23,750	2,875,233	2,875,233
-	104,799	-	106,087	1,166,053
<u>3,393,290</u>	<u>614,524</u>	<u>376,899</u>	<u>7,272,082</u>	<u>45,456,783</u>
-	-	-	-	3,708,072
-	-	-	-	427,832
-	-	-	-	3,324,468
-	-	-	-	7,141,818
-	-	-	-	14,213,581
-	-	-	-	1,901,971
-	-	-	-	317,878
-	-	-	-	6,571,000
-	-	-	-	3,372,356
<u>2,879,486</u>	<u>8,677,131</u>	<u>1,305,101</u>	<u>22,163,912</u>	<u>22,163,912</u>
<u>2,879,486</u>	<u>8,677,131</u>	<u>1,305,101</u>	<u>22,163,912</u>	<u>63,142,888</u>
<u>513,804</u>	<u>(8,062,607)</u>	<u>(928,202)</u>	<u>(14,891,830)</u>	<u>(17,686,105)</u>
1,896,828	15,543	57,000	1,969,371	2,670,693
20,000	-	14,329	34,329	34,329
-	1,312,000	-	1,312,000	4,222,907
-	83,317	-	95,027	95,027
-	301,600	-	429,600	779,600
-	-	-	-	(2,279,516)
-	(24)	-	(1,312)	(1,554,616)
(53,568)	(11,710)	-	(95,026)	(129,355)
(299,057)	(104,873)	-	(1,457,122)	(1,457,122)
-	-	605,000	6,991,483	6,991,483
-	-	-	-	3,556,532
-	-	-	-	37,984
-	-	-	-	24,885,000
-	-	-	-	(27,970,185)
<u>1,564,203</u>	<u>1,595,853</u>	<u>676,329</u>	<u>9,278,350</u>	<u>9,882,761</u>
2,078,007	(6,466,754)	(251,873)	(5,613,480)	(7,803,344)
1,296,158	14,661,434	955,429	27,048,301	41,781,794
<u>\$ 3,374,165</u>	<u>\$ 8,194,680</u>	<u>\$ 703,556</u>	<u>\$ 21,434,821</u>	<u>\$ 33,978,450</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, 2012

City of Tempe, Arizona

	Risk Management	Health	Total
<u>Assets</u>			
Current assets:			
Pooled cash and investments	\$ 5,319,684	\$ -	\$ 5,319,684
Due from other funds	662,937	-	662,937
Total assets	<u>5,982,621</u>	<u>-</u>	<u>5,982,621</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	85,107	279,299	364,406
Due to other funds	-	662,937	662,937
Accrued expenses and claims payable	5,895,182	-	5,895,182
Total current liabilities	<u>5,980,289</u>	<u>942,236</u>	<u>6,922,525</u>
Noncurrent liabilities:			
Net OPEB obligation	30,843	-	30,843
Total noncurrent liabilities	<u>30,843</u>	<u>-</u>	<u>30,843</u>
Total liabilities	<u>6,011,132</u>	<u>942,236</u>	<u>6,953,368</u>
<u>Net Assets</u>			
Unrestricted	<u>(28,511)</u>	<u>(942,236)</u>	<u>(970,747)</u>
Total net assets	<u>\$ (28,511)</u>	<u>\$ (942,236)</u>	<u>\$ (970,747)</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	<u>Risk Management</u>	<u>Health</u>	<u>Total</u>
Operating revenues:			
Contributions	<u>\$ 3,291,790</u>	<u>\$ 21,710,619</u>	<u>\$ 25,002,409</u>
Total operating revenues	<u>3,291,790</u>	<u>21,710,619</u>	<u>25,002,409</u>
Operating expenses:			
Fees and services	<u>3,246,649</u>	<u>25,391,938</u>	<u>28,638,587</u>
Total operating expenses	<u>3,246,649</u>	<u>25,391,938</u>	<u>28,638,587</u>
Changes in net assets	45,141	(3,681,319)	(3,636,178)
Total net assets- beginning	(73,652)	2,739,083	2,665,431
Total net assets- ending	<u>\$ (28,511)</u>	<u>\$ (942,236)</u>	<u>\$ (970,747)</u>

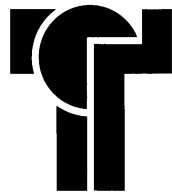
Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 3,291,790	\$ 21,710,619	\$ 25,002,409
Payments for settlement of claims	(4,983,415)	(25,232,338)	(30,215,753)
Net cash used by operating activities	<u>(1,691,625)</u>	<u>(3,521,719)</u>	<u>(5,213,344)</u>
Cash flows from noncapital financing activities:			
Advances from (to) other funds	(662,937)	662,937	-
Net cash provided (used) by noncapital financing activities	<u>(662,937)</u>	<u>662,937</u>	<u>-</u>
Net decrease in cash and cash equivalents	(2,354,562)	(2,858,782)	(5,213,344)
Cash and cash equivalents, beginning of year	<u>7,674,246</u>	<u>2,858,782</u>	<u>10,533,028</u>
Cash and cash equivalents, end of year	<u><u>5,319,684</u></u>	<u><u>-</u></u>	<u><u>5,319,684</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	45,141	(3,681,319)	(3,636,178)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Change in assets and liabilities:			
Increase (decrease) in accounts payable	33,060	159,600	192,660
Increase (decrease) in accrued expenses	(1,724,685)	-	(1,724,685)
Increase (decrease) in net OPEB obligation	<u>(45,141)</u>	<u>-</u>	<u>(45,141)</u>
Net cash used by operating activities	<u><u>(1,691,625)</u></u>	<u><u>(3,521,719)</u></u>	<u><u>(5,213,344)</u></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, Capital Projects and Enterprise Fund Types

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 160,189,971	\$ 162,496,358	\$ 2,306,387
Intergovernmental	78,692,351	68,317,854	(10,374,497)
Investment income	1,983,386	1,258,049	(725,337)
Charges for services	103,322,273	121,413,442	18,091,169
Fines and forfeitures	8,907,007	7,731,585	(1,175,422)
Licenses and permits	1,597,450	1,650,907	53,457
Miscellaneous	7,513,994	10,340,542	2,826,548
Total revenues	362,206,432	373,208,737	11,002,305
Expenditures			
Current:			
Police	68,253,438	64,933,516	3,319,922
Fire	28,934,071	26,996,271	1,937,800
Community services	26,720,555	24,759,079	1,961,476
Public works	248,322,871	179,894,865	68,428,005
Community development	34,172,526	28,773,716	5,398,810
Community relations	5,245,533	5,295,200	(49,667)
Mayor and council	322,621	326,377	(3,756)
City manager	281,445	349,544	(68,099)
Diversity program	449,752	456,904	(7,152)
Internal audit/consulting	414,315	393,497	20,818
Tempe learning center	538,177	414,574	123,603
City clerk and elections	917,783	898,944	18,839
City attorney	2,539,664	2,643,665	(104,001)
Municipal court	3,787,780	3,633,440	154,340
Finance and technology	16,592,664	16,555,879	36,785
Human resources	2,194,067	2,091,479	102,588
Interdepartmental charges	(12,207,041)	(12,150,600)	(56,441)
Debt Service:			
Principal	39,598,410	42,296,446	(2,698,036)
Interest and fiscal fees	30,472,461	28,370,928	2,101,533
Total expenditures	497,551,092	416,933,724	80,617,367
Other financing sources (uses)			
Transfers from other funds	3,254,467	25,092,059	21,837,592
Transfers to other funds	(981,756)	(22,792,543)	(21,810,787)
Issuance of debt	98,115,145	15,381,483	(82,733,662)
Premium on issuance of debt	-	7,278,536	7,278,536
Proceeds of refunding bonds	-	45,181,900	45,181,900
Payment to refunded bond escrow agent	-	(48,667,199)	(48,667,199)
Proceeds (loss) from sale of capital assets	220,000	575,545	355,545
Total other financing sources (uses)	100,607,856	22,049,781	(78,558,075)
Net change in fund balance	\$ (34,736,804)	\$ (21,675,206)	\$ 13,061,597

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

General Obligation Debt Service Fund For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 22,100,179	\$ 21,884,734	\$ (215,445)
Other entities' participation	182,459	666,952	484,493
Miscellaneous	-	13,517	13,517
Total revenues	22,282,638	22,565,203	282,565
Expenditures:			
Debt service:			
Principal retirement	12,859,902	14,175,000	(1,315,098)
Interest and fiscal fees	8,639,420	8,346,883	292,537
Total expenditures	21,499,322	22,521,883	(1,022,561)
Excess of revenues over expenditures	783,316	43,320	(739,996)
Other financing sources (uses):			
Transfers in	1,550,000	7,566,288	6,016,288
Transfers out	(49,000)	(9,679,280)	(9,630,280)
Premium on issuance of debt	-	3,112,004	3,112,004
Proceeds of refunding bonds	-	20,296,900	20,296,900
Payment to refunded bond escrow agent	-	(20,697,014)	(20,697,014)
Total other financing sources	1,501,000	598,898	(902,102)
Net change in fund balance	\$ 2,284,316	\$ 642,218	\$ (1,642,098)

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 6,082,100	\$ 6,236,500	\$ 154,400
Investment income	57,000	24,661	(32,339)
Charges for services	631,000	640,284	9,284
Miscellaneous	6,000	6,579	579
Total revenues	<u>6,776,100</u>	<u>6,908,024</u>	<u>131,924</u>
Expenditures:			
Current:			
Community services	2,537,499	2,266,143	271,356
Debt service:			
Principal retirement	4,240,000	4,475,000	(235,000)
Interest and fiscal fees	1,787,788	1,697,329	90,459
Total expenditures	<u>8,565,287</u>	<u>8,438,472</u>	<u>126,815</u>
Deficiency of revenues over expenditures	<u>\$ (1,789,187)</u>	<u>\$ (1,530,448)</u>	<u>\$ 258,739</u>
Other financing sources (uses):			
Premium on issuance of debt	-	2,322,676	2,322,676
Proceeds of refunding bonds	-	18,300,000	18,300,000
Payment to refunded bond escrow agent	-	(20,384,744)	(20,384,744)
Total other financing sources	<u>-</u>	<u>237,932</u>	<u>237,932</u>
Net change in fund balance	<u>\$ (1,789,187)</u>	<u>\$ (1,292,516)</u>	<u>\$ 496,671</u>

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

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 186,774	\$ 186,774
State sales tax	8,142,645	8,098,254	(44,391)
Charges for services	91,000	92,350	1,350
Miscellaneous	-	18,816	18,816
Total revenues	<u>8,233,645</u>	<u>8,396,194</u>	<u>162,549</u>
Expenditures:			
Current:			
Public works	9,282,857	8,879,993	402,864
Total expenditures	<u>9,282,857</u>	<u>8,879,993</u>	<u>402,864</u>
Deficiency of revenues over expenditures	(1,049,212)	(483,799)	565,413
Other financing sources (uses):			
Transfers in	1,135,824	1,051,322	(84,502)
Transfers out	-	(1,567,633)	(1,567,633)
Proceeds from sale of capital assets	-	33,857	33,857
Total other financing sources (uses)	<u>1,135,824</u>	<u>(482,454)</u>	<u>(1,618,278)</u>
Net change in fund balance	<u>\$ 86,612</u>	<u>\$ (966,253)</u>	<u>\$ (1,052,865)</u>

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

Community Development Fund For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 4,934,231	\$ 2,413,831	\$(2,520,400)
Other	50,000	61,145	11,145
Investment income	-	25	25
Miscellaneous	632,912	627,987	(4,925)
Total revenues	<u>5,617,143</u>	<u>3,102,988</u>	<u>(2,514,155)</u>
Expenditures:			
Current:			
Community development	4,984,200	2,109,583	2,874,617
Debt service:			
Principal retirement	311,000	311,000	-
Interest and fiscal fees	321,912	315,705	6,207
Total expenditures	<u>5,617,112</u>	<u>2,736,288</u>	<u>2,880,824</u>
Net change in fund balance	<u>\$ 31</u>	<u>\$ 366,700</u>	<u>\$ 366,669</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 10,334,964	\$ 9,470,381	\$ (864,583)
Charges for services	10,000	16,494	6,494
Investment income	-	918	918
Total revenues	<u>10,344,964</u>	<u>9,487,793</u>	<u>(857,171)</u>
Expenditures:			
Current:			
Community development	10,344,964	9,815,736	529,228
Total expenditures	<u>10,344,964</u>	<u>9,815,736</u>	<u>529,228</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (327,943)</u>	<u>\$ (327,943)</u>

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

Community Facilities District Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 1,023,737	\$ 2,415,139	\$ 1,391,402
Miscellaneous	53,175	-	(53,175)
Total revenues	<u>1,076,912</u>	<u>2,415,139</u>	<u>1,338,227</u>
Expenditures:			
Current:			
Community development	2,508,415	2,088,825	419,590
Debt service:			
Principal	1,785,000	1,785,000	-
Interest and fiscal fees	1,274,331	1,359,322	(84,991)
Total expenditures	<u>5,567,746</u>	<u>5,233,147</u>	<u>334,599</u>
Deficiency of revenues over expenditures	(4,490,834)	(2,818,008)	1,672,826
Other financing sources (uses):			
Transfers in	-	2,910,907	2,910,907
Premium on issuance of debt	-	1,233,856	1,233,856
Proceeds of refunding bonds	-	6,585,000	6,585,000
Payment to refunded bond escrow agent	-	(7,585,441)	(7,585,441)
Proceeds from sale of capital assets	-	4,127	4,127
Total other financing sources	<u>-</u>	<u>3,144,322</u>	<u>3,144,322</u>
Net change in fund balance	<u>\$ (4,490,834)</u>	<u>\$ 326,314</u>	<u>\$ 4,817,148</u>

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

Transit Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 3,889,636	\$ 5,026,279	\$ 1,136,643
Other	948,533	1,477,229	528,696
Total revenues	<u>4,838,169</u>	<u>6,503,508</u>	<u>1,665,339</u>
Expenditures:			
Current:			
Public works	16,465,930	9,338,303	7,127,627
Total expenditures	<u>16,465,930</u>	<u>9,338,303</u>	<u>7,127,627</u>
Deficiency of revenues over expenditures	(11,627,761)	(2,834,795)	8,792,966
Other financing sources:			
Transfers in	366,643	366,643	-
Proceeds from sale of capital assets	-	58,412	58,412
Total other financing sources	<u>366,643</u>	<u>425,055</u>	<u>58,412</u>
Net change in fund balance	<u><u>\$ (11,261,118)</u></u>	<u><u>\$ (2,409,740)</u></u>	<u><u>\$ 8,851,378</u></u>

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

Streets Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 2,254,716	\$ 1,761,004	\$ (493,712)
Charges for services	-	322,682	322,682
Miscellaneous	-	1,288	1,288
Total revenues	<u>2,254,716</u>	<u>2,084,974</u>	<u>(169,742)</u>
Expenditures:			
Current:			
Public works	5,994,951	3,523,028	2,471,923
Total expenditures	<u>5,994,951</u>	<u>3,523,028</u>	<u>2,471,923</u>
Deficiency of revenues over expenditures	(3,740,235)	(1,438,054)	2,302,181
Other financing sources (uses):			
Transfers out	-	(1,288)	(1,288)
Issuance of debt	4,561,741	1,898,488	(2,663,253)
Total other financing sources	<u>4,561,741</u>	<u>1,897,200</u>	<u>(2,664,541)</u>
Net change in fund balance	<u>\$ 821,506</u>	<u>\$ 459,146</u>	<u>\$ (362,360)</u>

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

Police Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Expenditures:			
Current:			
Police	\$ 3,972,344	\$ 2,532,260	\$ 1,440,084
Total expenditures	<u>3,972,344</u>	<u>2,532,260</u>	<u>1,440,084</u>
Deficiency of revenues over expenditures	(3,972,344)	(2,532,260)	1,440,084
Other financing sources (uses):			
Transfers out	-	(27,205)	(27,205)
Issuance of debt	2,004,834	1,328,736	(676,098)
Total other financing sources	<u>2,004,834</u>	<u>1,301,531</u>	<u>(703,303)</u>
Net change in fund balance	<u>\$ (1,967,510)</u>	<u>\$ (1,230,729)</u>	<u>\$ 736,781</u>

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

Fire Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 369,996	\$ 438,119	\$ 68,123
Total revenues	<u>369,996</u>	<u>438,119</u>	<u>68,123</u>
Expenditures:			
Current:			
Fire	2,697,761	1,733,932	963,829
Total expenditures	<u>2,697,761</u>	<u>1,733,932</u>	<u>963,829</u>
Deficiency of revenues over expenditures	(2,327,765)	(1,295,813)	1,031,952
Other financing sources:			
Issuance of debt	846,264	846,264	-
Total other financing sources	<u>846,264</u>	<u>846,264</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,481,501)</u>	<u>\$ (449,549)</u>	<u>\$ 1,031,952</u>

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

Storm Sewers Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Expenditures:			
Current:			
Public works	\$ 1,127,978	\$ 179,527	\$ 948,451
Total expenditures	<u>1,127,978</u>	<u>179,527</u>	<u>948,451</u>
Deficiency of revenues over expenditures	(1,127,978)	(179,527)	948,451
Other financing sources (uses):			
Transfers in	128,000	128,000	-
Transfers out	-	(1,053,192)	(1,053,192)
Issuance of debt	400,000	400,000	-
Total other financing sources (uses)	<u>528,000</u>	<u>(525,192)</u>	<u>(1,053,192)</u>
Net change in fund balance	<u>\$ (599,978)</u>	<u>\$ (704,719)</u>	<u>\$ (104,741)</u>

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

Parks Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Other local taxes	\$ -	\$ 338,870	\$ 338,870
Investment income	-	406	406
Miscellaneous	-	25,000	25,000
Total revenues	<u>-</u>	<u>364,276</u>	<u>364,276</u>
Expenditures:			
Current:			
Community services	3,829,548	2,314,668	1,514,880
Total expenditures	<u>3,829,548</u>	<u>2,314,668</u>	<u>1,514,880</u>
Deficiency of revenues over expenditures	(3,829,548)	(1,950,392)	1,879,156
Other financing sources (uses):			
Transfers in	-	11,710	11,710
Transfers out	-	(2,543)	(2,543)
Issuance of debt	1,912,995	1,912,995	-
Total other financing sources	<u>1,912,995</u>	<u>1,922,162</u>	<u>9,167</u>
Net change in fund balance	<u>\$ (1,916,553)</u>	<u>\$ (28,230)</u>	<u>\$ 1,888,323</u>

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

Rio Salado Capital Projects Fund
For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 566,807	\$ 566,807
Other entities participation	2,826,483	2,826,483	-
Miscellaneous	1,277,396	-	(1,277,396)
Total revenues	<u>4,103,879</u>	<u>3,393,290</u>	<u>(710,589)</u>
Expenditures:			
Current:			
Community development	6,832,161	5,403,567	1,428,594
Total expenditures	<u>6,832,161</u>	<u>5,403,567</u>	<u>1,428,594</u>
Deficiency of revenues over expenditures	(2,728,282)	(2,010,277)	718,005
Other financing sources (uses):			
Transfers in	-	1,916,828	1,916,828
Transfers out	-	(352,625)	(352,625)
Total other financing sources	<u>-</u>	<u>1,564,203</u>	<u>1,564,203</u>
Net change in fund balance	<u>\$ (2,728,282)</u>	<u>\$ (446,074)</u>	<u>\$ 2,282,208</u>

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

Community Development Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 454,396	\$ 259,334	\$ (195,062)
Other	-	250,000	250,000
Investment income	-	391	391
Miscellaneous	246,842	104,799	(142,043)
Total revenues	<u>701,238</u>	<u>614,524</u>	<u>(86,714)</u>
Expenditures:			
Current:			
Public works	14,541,816	12,067,541	2,474,275
Total expenditures	<u>14,541,816</u>	<u>12,067,541</u>	<u>2,474,275</u>
Deficiency of revenues over expenditures	(13,840,578)	(11,453,017)	2,387,561
Other financing sources (uses):			
Transfers in	301,600	1,712,460	1,410,860
Transfers out	-	(116,607)	(116,607)
Total other financing sources	<u>301,600</u>	<u>1,595,853</u>	<u>1,294,253</u>
Net change in fund balance	<u><u>\$(13,538,978)</u></u>	<u><u>\$(9,857,164)</u></u>	<u><u>\$ 3,681,814</u></u>

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

Signals Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 1,241,396	\$ 353,149	\$ (888,247)
Charges for services	-	23,750	23,750
Total revenues	<u>1,241,396</u>	<u>376,899</u>	<u>(864,497)</u>
Expenditures:			
Current:			
Public works	2,431,302	1,587,544	843,758
Total expenditures	<u>2,431,302</u>	<u>1,587,544</u>	<u>843,758</u>
Deficiency of revenues over expenditures	(1,189,906)	(1,210,645)	(20,739)
Other financing sources :			
Transfers in	-	71,329	71,329
Issuance of debt	605,000	605,000	-
Total other financing sources	<u>605,000</u>	<u>676,329</u>	<u>71,329</u>
Net change in fund balance	<u>\$ (584,906)</u>	<u>\$ (534,316)</u>	<u>\$ 50,590</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 69,992,604	\$ 73,037,286	\$ 3,044,682
Investment income	500,000	266,919	(233,081)
Miscellaneous	524,500	2,482,990	1,958,490
Total revenues	<u>71,017,104</u>	<u>75,787,195</u>	<u>4,770,091</u>
Expenditures:			
Current:			
Public works	42,148,687	42,128,938	19,749
Debt service:			
Principal	18,667,508	18,505,446	162,062
Interest and fiscal fees	14,933,147	14,188,889	744,258
Total expenditures	<u>75,749,342</u>	<u>74,823,273</u>	<u>926,069</u>
Excess (deficiency) of revenues over expenditures	(4,732,238)	963,922	5,696,160
Other financing sources (uses):			
Transfers in	-	6,913,495	6,913,495
Transfers out	(582,756)	(6,122,129)	(5,539,373)
Premium on issuance of debt	-	504,459	504,459
Proceeds from sale of capital assets	-	3,092	3,092
Total other financing uses	<u>(582,756)</u>	<u>1,298,917</u>	<u>1,881,673</u>
Net change in fund balance	<u>\$ (5,314,994)</u>	<u>\$ 2,262,839</u>	<u>\$ 7,577,833</u>

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

Water and Wastewater Capital Projects Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 1,988,550	\$ 1,988,550
Investment income	-	41,246	41,246
Charges for services	1,000,000	355,042	(644,958)
Miscellaneous	-	550,000	550,000
Total revenues	<u>1,000,000</u>	<u>2,934,838</u>	<u>1,934,838</u>
Expenditures:			
Current:			
Public works	<u>73,462,368</u>	<u>26,757,268</u>	<u>46,705,100</u>
Total expenditures	<u>73,462,368</u>	<u>26,757,268</u>	<u>46,705,100</u>
Deficiency of revenues over expenditures	(72,462,368)	(23,822,430)	48,639,938
Other financing sources:			
Issuance of debt	87,784,311	8,390,000	(79,394,311)
Premium on issuance of debt	-	610,000	610,000
Total other financing sources	<u>87,784,311</u>	<u>9,000,000</u>	<u>(78,784,311)</u>
Net change in fund balance	<u>\$ 15,321,943</u>	<u>\$ (14,822,430)</u>	<u>\$(30,144,373)</u>

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

Solid Waste Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 55,000	\$ 34,705	\$ (20,295)
Charges for services	15,076,809	14,866,281	(210,528)
Total revenues	<u>15,131,809</u>	<u>14,900,986</u>	<u>(230,823)</u>
Expenditures:			
Current:			
Public works	14,809,796	12,900,067	1,909,729
Total expenditures	<u>14,809,796</u>	<u>12,900,067</u>	<u>1,909,729</u>
Excess of revenues over expenditures	322,013	2,000,919	1,678,906
Other financing sources (uses):			
Transfers out	(350,000)	(356,561)	(6,561)
Proceeds from sale of capital assets	100,000	37,490	(62,510)
Total other financing sources (uses)	<u>(250,000)</u>	<u>(319,071)</u>	<u>(69,071)</u>
Net change in fund balance	<u>\$ 72,013</u>	<u>\$ 1,681,848</u>	<u>\$ 1,609,835</u>

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

Golf Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 2,220,828	\$ 2,344,003	\$ 123,175
Miscellaneous	-	352	352
Total revenues	<u>2,220,828</u>	<u>2,344,355</u>	<u>123,527</u>
Expenditures:			
Current:			
Public works	2,290,553	2,502,509	(211,956)
Total expenditures	<u>2,290,553</u>	<u>2,502,509</u>	<u>(211,956)</u>
Deficiency of revenues over expenditures	(69,725)	(158,154)	(88,429)
Other financing sources:			
Transfers in	74,000	74,000	-
Total other financing sources	<u>74,000</u>	<u>74,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 4,275</u>	<u>\$ (84,154)</u>	<u>\$ (88,429)</u>

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

Cemetery Fund

For the Fiscal Year Ended June 30, 2012

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ (1,759)	\$ (1,759)
Charges for services	113,100	144,242	31,142
Total revenues	<u>113,100</u>	<u>142,483</u>	<u>29,383</u>
Expenditures:			
Debt service:			
Principal	95,000	95,000	-
Interest and fiscal fees	85,863	99,777	(13,914)
Total expenditures	<u>180,863</u>	<u>194,777</u>	<u>(13,914)</u>
Net change in fund balance	<u>\$ (67,763)</u>	<u>\$ (52,294)</u>	<u>\$ 15,469</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, 2012

City of Tempe, Arizona

Line Item #	Account Description	Section 8 Voucher Program
<u>Assets</u>		
111	Cash - Unrestricted	\$ 154,180
113	Cash - Other Restricted	371,704
115	Cash - Restricted for Payment of Current Liabilities	46,690
128	Accounts Receivable - Fraud Recovery	37,589
142	Prepaid Expense	710,789
	Total Assets	\$ 1,320,952
<u>Liabilities</u>		
312	Accounts Payable ≤ 90 Days	\$ 416
321	Accrued Wages / Payroll Taxes Payable	24,696
345	Other Current Liabilities	21,579
353	Non-Current Liabilities	50,350
	Total Liabilities	\$ 97,041
<u>Equity</u>		
509	Fund Balance Reserved	\$ 371,704
511.2	Unreserved, Designated Fund Balance	710,604
512	Undesignated Fund Balance	141,603
513	Total Equity	\$ 1,223,911
600	Total Liabilities and Equity	\$ 1,320,952

Other Supplementary Information - Financial Data Schedule Revenues and Expenses

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2012

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	\$ 9,470,381
714	Fraud Recovery	16,494
711	Investment Income - Unrestricted	151
720	Investment Income - Restricted	767
	Total Revenues	<u>\$ 9,487,793</u>
<u>Expenses</u>		
911	Administrative Salaries	\$ 460,946
912	Auditing Fees	5,058
915	Employee Benefit Contributions - Administrative	157,056
916	Other Operating - Administrative	156,035
925	Tenant Services	82,988
973	Housing Assistance Payments	8,954,297
	Total Expenses	<u>\$ 9,816,380</u>
	Excess of Revenues Over Expenses	<u><u>\$ (328,587)</u></u>
<u>Memo Account Information</u>		
1120	Unit Months Available	12,984
1121	Number of Unit Months Leased	12,946
1117	Administrative Fee Equity	\$ 141,604
1118	Housing Assistance Payments Equity	\$ 371,704



Statistical Section

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.



Net Assets by Component (Exhibit S-1)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Governmental activities										
Invested in capital assets, net of related debt	\$ 440,494,223	\$ 426,857,287	\$ 425,257,427	\$ 388,629,882	\$ 397,087,925	\$ 597,765,255	\$ 574,872,877	\$ 562,958,494	\$ 571,925,061	\$ 560,427,507
Restricted (A)	135,314,124	143,723,739	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736	114,643,888	124,800,334
Unrestricted	73,239,199	91,829,853	153,918,478	226,533,760	414,023,370	277,055,145	237,470,312	241,371,774	259,250,692	248,936,397
Total governmental activities net assets	\$ 649,047,546	\$ 662,410,879	\$ 716,359,646	\$ 789,492,445	\$ 926,029,552	\$ 1,014,214,328	\$ 993,584,291	\$ 947,278,004	\$ 945,819,641	\$ 934,164,237
Business-type activities										
Invested in capital assets, net of related debt	\$ 171,881,978	\$ 174,841,674	\$ 191,670,395	\$ 174,110,077	\$ 177,682,915	\$ 154,867,017	\$ 151,096,394	\$ 144,245,429	\$ 175,625,967	\$ 162,774,388
Unrestricted	89,985,585	89,162,318	74,678,567	88,802,930	88,554,746	103,816,965	100,251,937	102,511,794	73,018,010	92,951,764
Total business-type activities net assets	\$ 261,867,563	\$ 264,003,992	\$ 266,348,962	\$ 262,913,007	\$ 266,237,661	\$ 258,683,982	\$ 251,348,331	\$ 246,757,223	\$ 248,643,977	\$ 255,726,152
Primary government										
Invested in capital assets, net of related debt	\$ 612,376,201	\$ 601,698,961	\$ 616,927,822	\$ 562,739,959	\$ 574,770,840	\$ 752,632,272	\$ 725,969,271	\$ 707,203,923	\$ 747,551,028	\$ 723,201,895
Restricted (A)	143,444,919	152,737,563	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736	114,643,888	124,800,334
Unrestricted	155,093,989	171,978,347	228,597,045	315,336,690	502,578,116	380,872,110	337,722,249	343,883,568	332,268,702	341,888,161
Total primary government net assets	\$ 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	\$ 1,194,035,227	\$ 1,194,463,618	\$ 1,189,890,389

(A) With the implementation of GASB No. 54 in fiscal year 2010-11, Restricted fund balance has been redefined to include only amounts that have externally enforceable limitations or enabling legislation.

Changes in Net Assets (Exhibit S-2a)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Expenses										
Governmental activities:										
Police	\$ 47,729,305	\$ 49,973,991	\$ 51,928,073	\$ 59,957,698	\$ 60,929,075	\$ 83,613,800	\$ 86,126,079	\$ 78,283,021	\$ 72,492,475	\$ 76,799,591
Fire	15,103,049	16,990,382	17,679,667	20,098,598	22,563,083	30,133,124	30,850,700	30,542,829	27,499,884	28,156,863
Community services	20,307,801	20,629,836	21,116,067	22,205,153	16,072,936	24,070,427	30,402,447	21,891,886	27,031,973	31,069,618
Parks and recreation (A)	-	-	-	-	20,015,034	20,521,457	20,431,433	21,238,479	-	-
Public works	57,917,031	61,814,870	61,853,194	67,537,876	56,869,440	82,727,089	101,674,714	115,283,119	94,687,386	98,915,390
Community development	3,245,906	4,021,965	3,187,992	30,358,768	21,444,736	20,037,984	20,445,243	23,494,471	30,778,689	25,113,273
Community relations	2,845,176	2,472,966	2,312,548	2,499,978	2,816,030	3,179,145	3,137,349	4,210,261	4,463,790	7,456,756
Mayor and council	579,089	407,818	400,549	362,810	362,281	547,453	418,851	387,723	316,531	356,468
City manager	918,556	209,830	312,882	412,936	445,531	488,323	265,531	369,153	556,354	78,458
Diversity program	-	505,865	544,872	534,950	548,552	687,926	583,563	531,651	447,287	476,011
Internal audit/consulting	-	440,660	446,333	460,824	476,089	558,706	484,460	427,828	477,080	338,059
Tempe learning center (D)	-	-	-	-	-	-	-	-	467,763	462,817
City clerk and elections	433,922	652,442	443,255	752,336	528,493	870,815	684,875	739,884	403,792	910,616
City attorney	2,027,045	2,087,009	2,262,903	2,348,553	2,903,028	3,641,333	2,933,734	3,101,845	2,659,312	2,854,168
Municipal court	3,230,817	4,053,127	3,655,280	4,342,297	4,708,606	6,066,038	5,496,374	5,245,105	4,179,694	3,934,716
Development services (B)	18,760,209	19,111,722	21,449,181	4,492,161	8,611,601	8,596,785	6,338,984	7,107,213	-	-
Financial and technology (C)	-	-	-	-	-	-	-	-	8,321,853	5,325,401
Financial services (C)	5,404,942	3,946,238	4,102,556	4,256,427	4,597,029	5,969,557	4,458,557	3,923,486	-	-
Human resources	3,762,782	2,418,605	2,561,746	2,727,058	2,877,320	3,648,975	3,157,288	3,443,660	2,037,261	2,102,617
Information technology (C)	4,185,163	2,280,717	1,854,603	1,462,595	889,443	2,677,340	1,817,517	2,149,363	-	-
Non-departmental	14,852,873	9,637,203	6,895,583	6,122,335	8,127,073	3,067,647	1,297,669	2,383,904	-	-
Unallocated depreciation	-	-	-	-	-	-	-	-	5,733,128	2,301,194
Interest on long-term debt	6,956,107	8,974,827	9,033,035	10,821,420	13,996,681	12,091,111	16,247,598	16,185,139	18,453,487	14,894,293
Total governmental activities expenses	208,259,773	210,630,073	212,040,319	241,754,773	249,782,061	313,195,035	337,252,966	340,940,020	301,007,739	301,546,309
Business-type activities:										
Water and wastewater	38,417,396	42,739,236	47,156,603	53,588,122	53,688,700	64,954,769	64,720,725	73,045,936	67,505,481	72,156,412
Solid waste	10,205,570	10,912,307	11,413,402	11,836,691	12,403,387	15,130,899	14,499,308	13,730,227	13,784,106	14,626,578
Golf course	2,435,783	2,353,586	2,442,925	2,375,802	2,225,214	2,667,539	2,324,208	2,269,182	2,011,316	2,658,416
Cemetery	-	-	-	152,717	171,817	251,743	218,447	312,525	176,553	129,849
Total business-type activities expenses	51,058,749	56,005,129	61,012,930	67,953,332	68,489,118	83,004,950	81,762,688	89,357,870	83,477,456	89,571,255
Total primary government expenses	\$ 259,318,522	\$ 266,635,202	\$ 273,053,249	\$ 309,708,105	\$ 318,271,179	\$ 396,199,985	\$ 419,015,654	\$ 430,297,890	\$ 384,485,195	\$ 391,117,564

Note:

- (A) In fiscal year 2010-11, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.
- (B) In fiscal year 2010-11, the Development Services department was merged into Community Development.
- (C) In fiscal year 2010-11, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.
- (D) In fiscal year 2010-11, Tempe Learning Center was disaggregated from Human Resources.

Changes in Net Assets (Exhibit S-2b)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Program Revenues										
Governmental activities:										
Charges for services:										
Police	\$ 833,378	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973	\$ 1,110,714	\$ 1,201,962	\$ 1,052,723	\$ 1,657,335	\$ 1,649,775
Fire	334,773	305,964	41,561	566,505	1,116,101	303,824	314,969	912,000	2,107,133	1,642,702
Community services	4,996,644	5,213,032	5,045,852	5,098,319	5,353,815	6,924,685	7,122,650	6,173,870	6,453,226	7,101,043
Parks and recreation (B)	-	-	-	-	30,053	27,844	-	126,455	-	-
Public works	4,112,610	5,261,301	9,904,057	6,594,229	7,940,104	11,305,217	20,461,847	19,596,611	19,582,397	18,136,860
Community development	-	-	-	637,445	526,893	451,535	592,236	1,938,184	4,484,572	7,088,168
Community relations	-	-	-	-	-	-	24,070	-	-	-
City attorney	-	-	-	-	-	-	-	-	8,682	-
Municipal court	2,711,225	5,857,804	6,497,384	7,179,554	7,687,007	8,211,574	8,912,739	5,868,369	8,413,798	7,826,823
Development services (C)	2,808,889	2,881,155	3,523,443	5,566,289	5,891,971	6,175,963	5,090,280	3,710,512	-	-
Economic development (A)	238,226	238,417	325,191	-	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	-	-	-	2,624,190	2,623,338
Financial services (D)	1,469,142	1,378,148	1,744,163	1,932,684	1,900,016	1,728,472	1,781,809	1,997,614	-	-
Non-departmental	83,938	59,598	78,767	92,827	284,084	79,536	130,492	-	-	-
Operating grants and contributions	13,490,697	14,346,903	16,245,880	19,903,398	18,812,530	15,625,633	16,052,299	18,222,849	22,131,520	22,450,002
Capital grants and contributions	5,098,677	12,589,817	33,688,443	54,935,929	103,412,667	79,670,490	35,955,254	38,709,299	24,708,317	15,961,785
Total governmental activities program revenues	<u>36,178,199</u>	<u>48,968,220</u>	<u>77,972,071</u>	<u>103,384,883</u>	<u>153,787,214</u>	<u>131,615,487</u>	<u>97,649,955</u>	<u>98,308,486</u>	<u>92,171,170</u>	<u>84,480,496</u>
Business-type activities:										
Charges for services:										
Water and wastewater	43,315,681	42,604,532	44,443,764	47,012,596	50,922,496	53,208,327	55,504,216	62,511,102	70,094,034	73,392,328
Solid waste	10,496,774	11,014,949	12,054,563	12,989,827	13,820,128	14,669,542	15,130,988	15,242,801	15,326,780	14,866,281
Golf course	1,920,699	2,020,132	1,954,278	1,971,031	1,912,286	1,984,429	1,813,578	1,574,081	1,562,489	2,344,355
Cemetery	-	-	-	18,943	18,339	231,960	98,356	116,643	110,196	144,242
Capital grants and contributions	179,754	751,525	2,835,223	506,593	4,782,425	472,928	59,867	4,765,839	1,691,429	1,988,550
Total business-type activities program revenues	<u>55,912,908</u>	<u>56,391,138</u>	<u>61,287,828</u>	<u>62,498,990</u>	<u>71,455,674</u>	<u>70,567,186</u>	<u>72,607,005</u>	<u>84,210,466</u>	<u>88,784,928</u>	<u>92,735,756</u>
Total primary government program revenues	<u>\$ 92,091,107</u>	<u>\$ 105,359,358</u>	<u>\$ 139,259,899</u>	<u>\$ 165,883,873</u>	<u>\$ 225,242,888</u>	<u>\$ 202,182,673</u>	<u>\$ 170,256,960</u>	<u>\$ 182,518,952</u>	<u>\$ 180,956,098</u>	<u>\$ 177,216,252</u>
Net (expense)/revenue										
Governmental activities	\$ (172,081,574)	\$ (161,661,853)	\$ (134,068,248)	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)	\$ (239,603,011)	\$ (242,631,534)	\$ (208,836,569)	\$ (217,065,813)
Business-type activities	4,854,159	386,009	274,898	(5,454,342)	2,966,556	(12,437,764)	(9,155,683)	(5,147,404)	5,307,472	3,164,501
Total primary government net expense	<u>\$ (167,227,415)</u>	<u>\$ (161,275,844)</u>	<u>\$ (133,793,350)</u>	<u>\$ (143,824,232)</u>	<u>\$ (93,028,291)</u>	<u>\$ (194,017,312)</u>	<u>\$ (248,758,694)</u>	<u>\$ (247,778,938)</u>	<u>\$ (203,529,097)</u>	<u>\$ (213,901,312)</u>

(A) In fiscal year 2004-05, Economic Development merged into Community Development.

(B) In fiscal year 2010-11, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.

(C) In fiscal year 2010-11, the Development Services department was merged into Community Development.

(D) In fiscal year 2010-11, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

Changes in Net Assets (Exhibit S-2c)

Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10 (A)	Fiscal Year 2010-11	Fiscal Year 2011-12
General revenues and other changes in net assets										
Governmental activities:										
General revenues:										
Sales taxes	\$ 112,724,512	\$ 120,075,959	\$ 131,256,519	\$ 145,109,192	\$ 157,488,587	\$ 150,687,016	\$ 134,382,181	\$ 125,186,698	\$ 141,844,739	\$ 142,985,910
State shared income taxes, unrestricted	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759	23,332,475	24,832,128	21,406,004	16,137,383	13,649,203
Property taxes	21,269,140	22,580,678	24,872,388	27,532,893	26,826,227	32,447,203	35,891,803	37,183,541	35,501,233	35,899,010
Franchise taxes	1,476,718	1,457,085	1,678,437	1,858,851	2,693,256	3,424,561	3,976,956	3,559,615	3,821,436	3,428,125
Auto-lieu taxes	6,247,543	6,427,396	6,791,043	7,527,675	6,870,739	6,655,516	6,024,595	5,560,791	5,424,902	5,437,201
Unrestricted investment earnings	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	7,410,643	97,660	1,229,447	822,900
Miscellaneous	1,469,345	1,681,895	2,126,029	1,864,289	2,780,229	2,879,878	4,348,126	3,429,435	2,991,971	3,199,954
Gain on sale of capital assets	-	6,362,790	2,004,326	1,813,311	-	36,146,557	1,491,079	17,160	133,677	496,911
Transfers	171,977	(199,750)	168,734	1,149,970	3,711,910	149,242	615,463	(115,657)	293,418	(508,805)
Total governmental activities	<u>163,140,126</u>	<u>175,025,186</u>	<u>188,017,015</u>	<u>211,502,689</u>	<u>232,531,954</u>	<u>269,764,324</u>	<u>218,972,974</u>	<u>196,325,247</u>	<u>207,378,206</u>	<u>205,410,409</u>
Business-type activities:										
Unrestricted investment earnings	900,524	959,081	1,408,251	1,909,727	3,305,406	4,618,383	1,940,956	10,698	459,759	335,297
Miscellaneous	481,297	567,189	438,447	993,233	716,338	344,449	262,728	332,955	1,976,132	3,032,990
Gain (loss) on sale of capital assets	-	24,400	392,108	265,397	48,264	70,495	231,811	96,986	(5,563,191)	40,582
Transfers	(171,977)	199,750	(168,734)	(1,149,970)	(3,711,910)	(149,242)	(615,463)	115,657	(293,418)	508,805
Total business-type activities	<u>1,209,844</u>	<u>1,750,420</u>	<u>2,070,072</u>	<u>2,018,387</u>	<u>358,098</u>	<u>4,884,085</u>	<u>1,820,032</u>	<u>556,296</u>	<u>(3,420,718)</u>	<u>3,917,674</u>
Total primary government	<u>\$ 164,349,970</u>	<u>\$ 176,775,606</u>	<u>\$ 190,087,087</u>	<u>\$ 213,521,076</u>	<u>\$ 232,890,052</u>	<u>\$ 274,648,409</u>	<u>\$ 220,793,006</u>	<u>\$ 196,881,543</u>	<u>\$ 203,957,488</u>	<u>\$ 209,328,083</u>
Changes in net assets										
Governmental activities	\$ (8,941,448)	\$ 13,363,333	\$ 53,948,767	\$ 73,132,799	\$ 136,537,107	\$ 88,184,776	\$ (20,630,037)	\$ (46,306,287)	\$ (1,458,363)	\$ (11,655,404)
Business-type activities	6,064,003	2,136,429	2,344,970	(3,435,955)	3,324,654	(7,553,679)	(7,335,651)	(4,591,108)	1,886,754	7,082,175
Total primary government	<u>\$ (2,877,445)</u>	<u>\$ 15,499,762</u>	<u>\$ 56,293,737</u>	<u>\$ 69,696,844</u>	<u>\$ 139,861,761</u>	<u>\$ 80,631,097</u>	<u>\$ (27,965,688)</u>	<u>\$ (50,897,395)</u>	<u>\$ 428,391</u>	<u>\$ (4,573,229)</u>

(A) Due to the prolonged economic downturn, in 2009-10 the City had planned drawdown of fund balance.

Fund Balances, Governmental Funds (Exhibit S-3)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11 (B)	Fiscal Year 2011-12
General fund										
Reserved	\$ 2,949,516	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060	\$ 4,449,843	\$ 1,322,728	\$ 981,529	\$ -	\$ -
Unreserved	63,670,728	72,823,641	78,064,176	94,648,961	96,883,636	92,432,479	75,647,216	42,832,205	-	-
Nonspendable	-	-	-	-	-	-	-	-	650,506	634,526
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	13,783,790	9,967,268
Unassigned	-	-	-	-	-	-	-	-	39,604,103	50,954,570
Total general fund	<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>	<u>\$ 43,813,734</u>	<u>\$ 54,038,399</u>	<u>\$ 61,556,364</u>
All other governmental funds										
Reserved	\$ 42,004,605	\$ 36,882,416	\$ 76,440,839	\$ 71,648,277	\$ 58,559,662	\$ 69,814,938	\$ 59,067,648	\$ 69,324,494	\$ -	\$ -
Unreserved, reported in:										
Debt service funds (A)	-	-	-	-	(66,826)	-	(45,374)	-	-	-
Special revenues funds	67,312,797	64,835,343	55,470,121	66,938,765	65,022,802	36,228,348	23,220,030	32,742,748	-	-
Capital projects funds	29,984,703	36,375,643	21,153,248	53,752,477	17,044,525	28,848,898	71,685,317	63,078,330	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,826,335	1,765,739
Restricted	-	-	-	-	-	-	-	-	75,275,738	76,139,830
Committed	-	-	-	-	-	-	-	-	75,446,158	67,195,597
Assigned	-	-	-	-	-	-	-	-	10,614,331	11,707,666
Unassigned	-	-	-	-	-	-	-	-	(1,097,095)	(1,733,419)
Total all other governmental funds	<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>	<u>\$ 165,145,572</u>	<u>\$ 162,065,467</u>	<u>\$ 155,075,412</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.

(B) In fiscal year 2010-11, GASB No. 54 was implemented requiring additional classifications of fund balance. A deficit fund balance is reported in "unassigned".

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Revenues:										
Taxes	\$ 112,859,765	\$ 119,673,043	\$ 130,779,821	\$ 146,084,925	\$ 159,569,926	\$ 159,798,418	\$ 150,848,798	\$ 145,038,639	\$ 158,749,333	\$ 162,157,488
Intergovernmental	66,221,384	68,292,581	94,349,370	109,213,832	127,738,319	102,320,894	143,357,538	111,505,248	87,180,913	72,701,235
Investment earnings	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	6,393,595	97,660	1,229,966	822,900
Charges for services	7,660,472	14,027,946	14,896,580	18,304,846	20,242,897	23,674,598	31,096,490	27,866,740	30,285,327	31,615,115
Fines and forfeitures	6,058,944	7,230,067	7,742,929	8,261,486	8,407,254	10,148,376	11,516,359	11,082,812	8,235,437	8,198,638
Other entities' participation	394,803	-	78,433	2,382,056	2,074,553	1,412,155	1,600,100	328,147	622,543	3,542,185
Special assessments	2,835,480	2,781,314	2,706,951	2,705,348	2,610,195	2,842,153	2,860,571	2,783,916	3,867,979	2,526,283
Licenses and permits	1,263,163	1,131,517	1,250,205	1,389,130	1,524,891	1,592,521	1,546,287	1,670,698	1,666,196	1,650,907
Miscellaneous	2,806,330	3,669,815	4,748,157	3,973,800	5,061,404	5,486,178	6,168,789	5,968,065	7,209,565	7,021,832
Total revenues	202,998,697	219,142,412	261,089,868	300,353,988	340,566,686	321,317,169	355,388,527	306,341,925	299,047,259	290,236,583
Expenditures:										
Police	45,287,397	48,576,160	50,148,794	59,977,366	60,200,957	71,813,995	77,046,317	74,747,734	65,289,995	67,325,484
Fire	14,944,261	15,622,805	17,235,231	19,599,806	21,054,670	24,413,707	28,330,453	27,134,920	25,639,288	25,871,390
Community services	18,578,259	18,809,726	18,653,915	20,743,534	15,289,688	20,844,315	26,158,843	18,254,109	22,010,148	23,473,722
Parks and recreation (A)	-	-	-	-	15,166,076	15,826,217	17,583,861	16,880,739	-	-
Public works	40,904,425	43,811,239	45,853,027	48,822,208	49,026,864	56,316,376	73,659,648	72,253,980	67,998,367	66,845,601
Community development	2,956,263	4,002,794	3,296,692	19,795,483	20,566,776	18,246,591	19,515,673	19,343,140	22,946,249	23,572,565
Community relations	2,904,697	2,414,527	2,380,562	2,470,215	2,773,675	2,843,668	3,095,259	4,217,031	4,332,418	7,180,324
Mayor and council	579,089	407,818	400,549	362,810	362,281	367,250	386,483	388,486	318,282	440,161
City manager	944,568	254,578	293,964	383,025	440,915	294,042	347,556	330,992	521,642	101,885
Diversity program	-	472,233	544,032	520,748	542,292	641,719	555,034	520,731	427,103	457,292
Internal audit/consulting	-	408,862	420,449	450,650	462,751	491,057	506,621	514,069	379,752	393,958
Tempe learning center (D)	-	-	-	-	-	-	-	-	445,556	415,447
City clerk and elections	442,615	641,753	440,041	747,588	484,894	748,371	633,640	799,975	395,778	899,917
City attorney	2,121,212	2,079,092	2,206,857	2,345,165	2,844,636	3,224,007	2,914,014	3,117,084	2,564,283	2,648,388
Municipal court	3,142,488	4,039,664	3,588,317	4,454,473	4,662,214	5,563,038	5,525,601	5,267,930	4,051,517	3,874,634
Development services (B)	17,919,144	17,285,467	19,435,003	5,768,444	17,278,332	7,394,179	6,376,874	7,056,690	-	-
Finance and technology	-	-	-	-	-	-	-	-	6,620,247	3,572,392
Financial services (C)	5,151,110	3,743,137	3,867,513	3,978,571	4,342,723	4,390,171	4,211,080	3,842,927	-	-
Human resources	3,797,137	2,388,877	2,567,259	2,730,740	2,842,328	3,282,022	3,127,479	3,405,582	1,945,518	2,087,079
Information technology (C)	990,568	633,533	537,006	-	-	-	-	-	-	-
Non-departmental	9,197,356	3,440,150	4,433,871	3,937,911	6,031,097	3,407,427	395,648	-	-	-
Debt service:										
Principal retirement	8,105,000	10,345,000	10,470,000	14,580,000	15,765,000	18,121,865	19,656,531	22,212,157	26,062,231	25,756,000
Interest and fiscal fees	7,296,250	8,470,153	9,472,601	12,016,680	15,239,760	16,636,211	17,153,400	16,656,095	18,989,678	15,494,153
Capital outlay	58,052,049	52,669,125	84,525,728	153,861,610	193,312,819	138,410,945	106,066,458	58,406,594	35,348,520	29,512,675
Total expenditures	243,313,888	240,516,693	280,771,411	377,547,027	448,690,748	413,277,173	413,246,473	355,350,965	306,286,572	299,923,067
Deficiency of revenues over expenditures before other financing sources (uses)	(40,315,191)	(21,374,281)	(19,681,543)	(77,193,039)	(108,124,062)	(91,960,004)	(57,857,946)	(49,009,040)	(7,239,313)	(9,686,484)

(A) In fiscal year 2010-11, the Parks and Recreation department was split; the Parks component was merged into Public Works and the Recreation component was merged into Community Services.

(B) In fiscal year 2010-11, the Development Services department was merged into Community Development.

(C) In fiscal year 2010-11, the Financial Services department and the Information Technology department were merged into one department, Finance and Technology.

(D) In fiscal year 2010-11, Tempe Learning Center was disaggregated from Human Resources.

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

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Other financing sources (uses):										
Transfers in	32,447,621	35,261,611	40,964,257	23,839,365	37,963,787	71,362,599	64,230,445	59,305,503	16,912,259	18,104,564
Transfers out	(32,275,644)	(35,461,361)	(40,795,523)	(22,689,395)	(34,250,777)	(71,213,357)	(63,614,982)	(59,421,161)	(16,618,841)	(18,613,369)
Issuance of debt	35,220,000	30,560,000	17,680,000	125,845,000	55,640,000	71,170,000	45,980,000	26,040,000	13,146,000	7,005,000
Premium on issuance of debt	-	1,861,088	-	1,847,396	1,746,522	1,242,369	807,728	755,553	2,401,827	6,668,536
Capital lease proceeds	990,569	633,533	537,006	220,940	108,464	-	-	27,986	110,617	-
Proceeds from sale of capital assets	-	8,492,867	2,004,326	3,090,704	656,603	9,430,040	9,577,814	362,900	328,593	534,963
Proceeds from loan	-	-	7,000,000	-	-	-	-	-	-	-
Issuance of refunding bonds	40,931,700	24,945,000	-	-	31,655,000	-	-	-	26,040,000	45,181,900
Payment to refunded bond escrow agent	(40,500,000)	(24,145,002)	-	-	(33,017,976)	-	-	-	(27,936,582)	(48,667,199)
Total other financing sources	36,814,246	42,147,736	27,390,066	132,154,010	60,501,623	81,991,651	56,981,005	27,070,781	14,383,873	10,214,395
Net change in fund balances	\$ (3,500,945)	\$ 20,773,455	\$ 7,708,523	\$ 54,960,971	\$ (47,622,439)	\$ (9,968,353)	\$ (876,941)	\$ (21,938,259)	\$ 14,383,873	\$ 527,911
Debt service as a percentage of noncapital expenditures	8.3%	10.0%	10.2%	11.9%	12.1%	12.6%	12.0%	13.1%	16.6%	15.3%

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

Last Ten Fiscal Years

Cash Basis

City of Tempe, Arizona

Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	City Direct Sales Tax Rate
2002-03	\$ 2,719,123,000	\$ 906,578,000	\$ 467,648,000	\$ 368,798,000	\$ 296,741,000	\$ 106,429,000	\$ 91,584,000	\$ 92,734,000	\$ 5,049,635,000	1.80 %
2003-04	2,859,898,000	899,688,000	497,207,000	377,853,000	340,484,000	107,091,000	85,961,000	98,813,000	5,266,995,000	1.80
2004-05	3,143,764,000	917,707,000	501,111,000	412,293,000	410,634,000	122,426,000	97,749,000	109,532,000	5,715,216,000	1.80
2005-06	3,602,528,000	997,198,000	545,661,000	465,231,000	523,679,000	136,971,000	95,181,000	109,300,000	6,475,749,000	1.80
2006-07	3,732,944,000	1,085,111,000	571,722,000	484,500,000	784,444,000	132,889,000	82,278,000	116,722,000	6,990,610,000	1.80
2007-08	3,511,222,000	1,174,056,000	608,389,000	519,556,000	738,611,000	150,222,000	84,222,000	100,722,000	6,887,000,000	1.80
2008-09	3,050,222,000	1,203,889,000	590,556,000	504,611,000	631,556,000	123,611,000	87,778,000	88,167,000	6,280,390,000	1.80
2009-10	2,976,389,000	1,136,889,000	536,611,000	472,667,000	400,000,000	110,944,000	96,167,000	66,056,000	5,795,723,000	1.80
2010-11	3,117,950,000	1,133,200,000	515,000,000	479,150,000	298,450,000	112,600,000	89,850,000	68,550,000	5,814,750,000	2.00
2011-12	3,248,736,000	1,175,200,000	522,095,000	514,519,000	341,542,000	123,981,000	87,663,000	66,141,000	6,079,877,000	2.00

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
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
2009-10	51.35	19.62	9.26	8.16	6.90	1.91	1.66	1.14	100
2010-11	53.62	19.49	8.86	8.24	5.13	1.94	1.55	1.17	100
2011-12	53.43	19.33	8.59	8.46	5.60	2.04	1.44	1.11	100

Source: City of Tempe, Arizona Tax and License Division

Note: In fiscal year 2010-11, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) 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
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
2009-10	1.80	0.70	6.60	9.10
2010-11	2.00	0.70	6.60	9.30
2011-12	2.00	0.70	6.60	9.30

Source: City of Tempe, Arizona Tax and License Division

Note: In fiscal year 2009-10, State of Arizona voters approved a 1.0% increase in the State sales tax.
 In fiscal year 2010-11, City of Tempe, Arizona voters approved a 0.2% temporary (4 years) 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 Ten 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
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
2009-10	Primary	1,518,486,978	443,398,023	747,601,586	265,780,915	2,656,174
	Secondary	1,746,634,264	610,147,603	840,563,032	326,620,717	3,162,023
2010-11	Primary	1,516,407,070	491,365,479	714,116,748	297,885,542	2,487,354
	Secondary	1,634,522,147	598,845,876	718,136,239	321,946,932	2,984,727
2011-12	Primary	1,215,073,855	507,897,174	601,231,081	260,011,506	2,447,610
	Secondary	1,225,527,325	558,393,732	601,912,854	261,295,232	2,740,384

Source: Az Dept of Revenue - State and Country Abstract of the Assessment Roll

Note 1: 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.

(A) Assessed values are shown net of tax-exempt property for fiscal year 2002-03 through 2004-05.

City of Tempe, Arizona

Non-commercial Historic Property	Less: Tax-Exempt Property (A)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 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
5,489,270	601,138,220	2,382,274,726	0.49	19,944,626,693	11.94
7,160,219	766,798,994	2,767,488,864	0.91	23,547,502,463	11.75
6,031,888	664,036,520	2,364,257,561	0.52	20,571,191,970	11.49
8,869,602	772,654,291	2,512,651,232	0.88	22,071,142,609	11.38
5,848,137	652,320,790	1,940,188,573	0.66	15,987,591,189	12.14
7,897,668	700,438,585	1,957,328,610	1.13	16,128,348,415	12.14

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		
2002-03	Primary	0.52	2.19	3.32	-	1.21	0.96
	Secondary	0.83	1.13	0.95	0.06	0.08	0.15
	Total	1.35	3.32	4.27	0.06	1.29	1.11
2003-04	Primary	0.55	2.24	3.10	-	1.21	0.94
	Secondary	0.80	1.05	1.10	0.05	0.07	0.14
	Total	1.35	3.29	4.20	0.05	1.28	1.08
2004-05	Primary	0.53	2.05	2.90	-	1.21	0.92
	Secondary	0.82	0.99	1.09	0.05	-	0.12
	Total	1.35	3.04	3.99	0.05	1.21	1.04
2005-06	Primary	0.52	1.73	2.90	-	1.20	0.89
	Secondary	0.88	0.92	1.08	0.06	-	0.14
	Total	1.40	2.65	3.98	0.06	1.20	1.03
2006-07	Primary	0.52	1.74	2.61	-	1.18	0.88
	Secondary	0.88	0.89	1.38	0.05	-	0.18
	Total	1.40	2.63	3.99	0.05	1.18	1.06
2007-08	Primary	0.51	1.75	2.59	-	1.10	0.82
	Secondary	0.89	0.76	1.23	0.05	-	0.15
	Total	1.40	2.51	3.82	0.05	1.10	0.97
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	1.40	2.28	3.51	0.05	1.03	0.94
2009-10	Primary	0.49	1.48	2.14	-	0.99	0.72
	Secondary	0.91	0.74	1.14	0.05	-	0.16
	Total	1.40	2.22	3.28	0.05	0.99	0.88
2010-11	Primary	0.52	1.47	2.31	-	1.05	0.79
	Secondary	0.88	0.83	1.29	0.05	-	0.18
	Total	1.40	2.30	3.60	0.05	1.05	0.97
2011-12	Primary	0.66	1.61	2.65	-	1.24	1.01
	Secondary	1.13	0.96	1.34	0.05	-	0.20
	Total	1.79	2.57	3.99	0.05	1.24	1.21

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 \$10.74, \$7.99 or \$9.21, 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
0.49	-	-	-	-	-	8.69
-	0.21	0.13	0.01	0.04	-	3.59
0.49	0.21	0.13	0.01	0.04	-	12.28
0.47	-	-	-	-	-	8.51
-	0.21	0.12	0.01	0.05	-	3.60
0.47	0.21	0.12	0.01	0.05	-	12.11
0.46	-	-	-	-	-	8.07
-	0.21	0.12	0.01	0.05	-	3.46
0.46	0.21	0.12	0.01	0.05	-	11.53
0.44	-	-	-	-	-	7.68
-	0.21	0.12	0.01	0.05	0.12	3.59
0.44	0.21	0.12	0.01	0.05	0.12	11.27
-	-	-	-	-	-	6.93
-	0.20	0.12	0.01	0.05	0.12	3.88
-	0.20	0.12	0.01	0.05	0.12	10.81
-	-	-	-	-	-	6.77
-	0.15	0.10	0.01	0.04	0.09	3.47
-	0.15	0.10	0.01	0.04	0.09	10.24
-	-	-	-	-	-	6.51
-	0.14	0.10	0.01	0.04	0.09	3.08
-	0.14	0.10	0.01	0.04	0.09	9.59
0.33	-	-	-	-	-	6.15
-	0.14	0.10	0.01	0.04	0.09	3.38
-	0.14	0.10	0.01	0.04	0.09	9.53
0.36	-	-	-	-	-	6.50
-	0.15	0.10	0.01	0.04	0.11	3.64
0.36	0.15	0.10	0.01	0.04	0.11	10.14
0.43	-	-	-	-	-	7.60
-	0.18	0.10	0.01	0.05	0.15	4.17
0.43	0.18	0.10	0.01	0.05	0.15	11.77

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		
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	<u>20,580,082</u>	<u>88,157,535</u>	<u>52,592,558</u>	<u>6,175,823</u>	<u>297,515,250</u>	<u>257,683,114</u>
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	<u>22,176,447</u>	<u>96,157,939</u>	<u>55,618,889</u>	<u>6,429,195</u>	<u>327,357,171</u>	<u>277,241,592</u>
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	<u>23,309,868</u>	<u>94,249,624</u>	<u>55,380,648</u>	<u>6,507,464</u>	<u>339,882,099</u>	<u>293,464,977</u>
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	<u>26,121,465</u>	<u>88,607,239</u>	<u>60,228,394</u>	<u>8,400,949</u>	<u>371,224,118</u>	<u>322,899,033</u>
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	<u>27,515,948</u>	<u>91,629,163</u>	<u>63,867,621</u>	<u>7,877,526</u>	<u>398,725,245</u>	<u>364,477,070</u>
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	<u>31,736,108</u>	<u>99,891,372</u>	<u>67,339,662</u>	<u>10,940,725</u>	<u>430,023,735</u>	<u>396,000,930</u>
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	<u>34,702,647</u>	<u>97,858,386</u>	<u>66,136,855</u>	<u>12,032,028</u>	<u>463,492,311</u>	<u>443,199,126</u>
2009-10	Primary	11,665,890	65,733,950	41,787,151	-	492,230,736	359,942,153
	Secondary	25,192,451	39,195,990	25,976,662	12,586,167	-	92,685,846
	Total	<u>36,858,341</u>	<u>104,929,940</u>	<u>67,763,813</u>	<u>12,586,167</u>	<u>492,230,736</u>	<u>452,627,999</u>
2010-11	Primary	12,238,972	64,028,512	44,984,350	-	492,224,342	371,276,183
	Secondary	22,174,672	38,435,006	26,867,644	10,970,238	-	89,482,591
	Total	<u>34,413,644</u>	<u>102,463,518</u>	<u>71,851,994</u>	<u>10,970,238</u>	<u>492,224,342</u>	<u>460,758,774</u>
2011-12	Primary	12,751,029	58,076,820	41,459,414	-	477,571,468	389,655,514
	Secondary	22,100,197	34,886,097	21,157,373	8,672,478	-	75,935,239
	Total	<u>34,851,226</u>	<u>92,962,917</u>	<u>62,616,787</u>	<u>8,672,478</u>	<u>477,571,468</u>	<u>465,590,753</u>

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies and 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
\$ -	\$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>
-	164,225,937	-	-	-	-	1,135,585,817
74,996,804	-	58,113,465	3,324,489	20,468,370	53,018,363	405,558,607
<u>74,996,804</u>	<u>-</u>	<u>58,113,465</u>	<u>3,324,489</u>	<u>20,468,370</u>	<u>53,018,363</u>	<u>1,541,144,424</u>
-	166,947,807	-	-	-	-	1,151,700,166
68,019,592	-	49,581,306	3,265,310	20,479,676	55,722,300	384,998,335
<u>68,019,592</u>	<u>166,947,807</u>	<u>49,581,306</u>	<u>3,265,310</u>	<u>20,479,676</u>	<u>55,722,300</u>	<u>1,536,698,501</u>
-	163,937,848	-	-	-	-	1,143,452,093
62,401,172	-	38,781,832	3,251,752	19,070,066	57,895,470	344,151,676
<u>62,401,172</u>	<u>163,937,848</u>	<u>38,781,832</u>	<u>3,251,752</u>	<u>19,070,066</u>	<u>57,895,470</u>	<u>1,487,603,769</u>

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy For Fiscal Year (A)	Adjustments	Adjusted Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (B)	Total Collections to Date	
				Amount	% of Original Levy		Amount	% of Adjusted Levy
2002-03	\$ 20,453,121	\$ (380,418)	\$ 20,072,703	\$ 19,789,415	96.8 %	\$ 254,752	\$ 20,044,167	99.9 %
2003-04	22,154,599	(564,888)	21,589,711	21,283,933	96.1	276,410	21,560,343	99.9
2004-05	23,739,716	(678,783)	23,060,933	23,122,629	97.4	(83,334)	23,039,295	99.9
2005-06	26,366,507	(950,618)	25,415,889	25,519,585	96.8	(129,865)	25,389,720	99.9
2006-07	27,385,069	(860,618)	26,524,451	26,185,044	95.6	315,253	26,500,297	99.9
2007-08	31,520,944	(321,833)	31,199,111	30,686,950	97.4	498,020	31,184,970	100.0
2008-09	35,130,400	(348,663)	34,781,737	33,987,393	96.7	744,920	34,732,313	99.9
2009-10	37,081,738	(677,453)	36,404,285	35,581,096	96.0	768,211	36,349,307	99.8
2010-11	34,455,730	(573,426)	33,882,304	33,299,312	96.6	544,955	33,844,267	99.9
2011-12	34,856,232	(283,616)	34,572,616	33,860,185	97.1	-	33,860,185	97.9

Source: Maricopa County Treasurer

(A) The amounts listed in this column do not tie directly to the amount listed in Exhibit S-10 for City of Tempe for total of Primary and Secondary Property Tax Levy. Due to a timing difference, the amount listed on the Maricopa County Secured Tax Levy Report, from the Maricopa County Treasurer's office, is at the time the levy is placed on the Tax Levy report (in May/June when the property tax rate is set). The amount listed on the Secured Tax Levy Report, from the Maricopa County Treasurer's office, is at the time the levy is placed on the actual tax rolls in August.

(B) Negative collections are due to successful tax protests being higher than actual tax payments being made.

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

Current Year and Nine Years Prior

City of Tempe, Arizona

Taxpayer	Fiscal Year 2011-12			Fiscal Year 2002-03		
	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	\$ 25,894,140	1	1.32 %	\$ 24,946,645	3	1.60 %
Arizona Public Service Company	21,682,164	2	1.11	17,931,196	4	1.15
Qwest Corporation (formerly US West)	16,730,117	3	0.85	30,188,843	2	1.94
Verizon Wireless	15,643,680	4	0.80	-	-	-
Honeywell	13,300,547	5	0.68	-	-	-
Tempe Fountainhead Corporate LLC	10,737,308	6	0.55	-	-	-
RP HFL LLC	9,782,648	7	0.50	-	-	-
State Farm Mutual Auto Insurance	9,353,944	8	0.48	12,151,085	6	0.78
Target Corporation	8,567,508	9	0.44	-	-	-
Freescale Semiconductor Inc.	8,459,601	10	0.43	-	-	-
Motorola, Incorporated	-	-	-	36,999,282	1	2.38
Britcher Arizona	-	-	-	13,505,779	5	0.87
AT&T	-	-	-	10,830,550	7	0.70
Microchip Technology	-	-	-	9,051,783	8	0.58
Allied Signal	-	-	-	8,640,964	9	0.56
Kimco Realty Corp.	-	-	-	8,214,869	10	0.53
Total	\$ 140,151,657		7.16 %	\$ 172,460,996		11.09 %

Source 2011-12: RBC Capital Markets

Source 2002-03: 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

<u>Taxpayer</u>	<u>Business Type</u>	<u>Fiscal Year 2011-12</u>			<u>Fiscal Year 2002-03</u>		
		<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>
Taxpayer A	Utility	\$ 5,716,403	1	4.00 %	\$ 4,023,912	1	3.57 %
Taxpayer B	Grocery Stores	2,906,208	2	2.03	2,329,386	2	2.07
Taxpayer C	Mixed Retail	2,396,180	3	1.68	1,099,048	8	0.97
Taxpayer D	Mixed Retail	2,158,154	4	1.51	-	-	-
Taxpayer E	Mixed Retail	2,013,770	5	1.41	1,943,737	3	1.72
Taxpayer F	Electronics/Software	1,759,803	6	1.23	-	-	-
Taxpayer G	Auto Sales	1,613,021	7	1.13	1,755,550	4	1.56
Taxpayer H	Electronics/Software	1,270,017	8	0.89	1,719,623	5	1.53
Taxpayer I	Hotel	1,110,729	9	0.78	-	-	-
Taxpayer J	Utility	1,086,743	10	0.76	-	-	-
Taxpayer K	Auto Sales	-	-	-	1,412,548	6	1.25
Taxpayer L	Auto Sales	-	-	-	1,296,320	7	1.15
Taxpayer M	Auto Sales	-	-	-	1,096,155	9	0.97
Taxpayer N	Telecommunications	-	-	-	1,003,334	10	0.89
Total		\$ 22,031,028		15.41 %	\$ 17,679,613		15.68 %

Source: City of Tempe, Arizona Tax and License Division

Note: The identities of the ten largest revenue payers are prohibited from disclosure per State Statute. The business type of the top ten taxpayers has been disclosed along with the appropriate data.

Excise Tax Collections (Exhibit S-13)

Last Ten Fiscal Years

City of Tempe, Arizona

	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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Privilege and use tax (A)	\$ 59,379,586	\$ 62,884,508	\$ 68,533,088	\$ 77,080,250	\$ 86,750,870	\$ 81,108,518	\$ 74,295,074	\$ 69,043,642	\$ 83,258,888	\$ 84,937,373
State shared sales tax	12,405,713	13,345,152	14,695,069	16,810,760	15,758,491	15,237,310	13,191,255	12,167,009	12,656,738	12,636,771
State shared income tax	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759	25,401,762	24,832,128	21,406,004	16,137,383	13,649,203
Franchise tax	1,531,714	1,505,133	1,678,437	1,858,851	2,693,256	3,424,560	3,980,674	3,559,615	3,821,436	3,428,125
Permits and Fees (B)	3,731,523	3,722,079	4,643,117	6,708,183	7,300,676	7,812,768	7,227,027	6,171,045	5,491,077	7,139,843
Fines and forfeitures	5,510,476	5,831,133	6,651,934	7,287,717	7,219,328	8,616,319	9,200,777	7,108,900	7,576,496	7,731,585
Total	\$ 99,441,547	\$ 101,591,009	\$ 110,783,762	\$ 126,353,704	\$ 138,546,380	\$ 141,601,237	\$ 132,726,935	\$ 119,456,216	\$ 128,942,018	\$ 129,522,900

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/permits and Community Development and Public Works fees/charges for services.

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	Governmental 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
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
2009-10	172,665,000	38,126,393	134,538,607	2,767,488,864	4.9	174,833	769.53
2010-11	166,680,000	34,718,252	131,961,748	2,512,995,468	5.3	161,719	815.99
2011-12	162,200,000	35,360,470	126,839,530	1,957,328,610	6.5	163,989	773.46

Note: General obligation debt for business-type activities is not paid by secondary property taxes and therefore is not included on this schedule.

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	2011-12 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2011-12 Combined Tax Rate Per \$100 Assessed
			Percent	Amount	
Net Direct					
City of Tempe - General (net)	\$ 1,957,328,610	\$ 126,839,530 (A)	100.00 %	\$ 126,839,530	\$ 1.79
Overlapping					
State of Arizona	61,000,292,915	None	N/A	None	N/A
Maricopa County	38,760,296,714	None	N/A	None	N/A
Maricopa County Community College	38,760,296,714	671,250,000	5.05	33,898,125	1.21
Tempe Elementary School District No. 3	1,582,122,127	129,200,000	82.93	107,145,560	3.99
Mesa Unified School District No. 4	3,076,711,654	244,095,000	0.77	1,879,532	5.22
Kyrene Elementary School District No. 28	2,052,736,876	132,155,000	29.61	39,131,096	6.75
Scottsdale Unified School District No. 48	4,960,210,513	311,050,000	0.28	870,940	4.00
Tempe Union High School District No. 213	3,634,859,003	62,560,000	53.85	33,688,560	2.57
East Valley Institute of Technology	17,344,956,554	None	11.28	None	0.05
Total overlapping debt		<u>1,550,310,000</u>		<u>216,613,813</u>	
Total net direct and overlapping debt		<u>\$ 1,677,149,530</u>		<u>\$ 343,453,343</u> (B)	

Source: RBC Capital Markets and Maricopa County Assessor
City of Tempe, Arizona Budget Division

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 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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Assessed Valuation	<u>\$ 1,556,492,294</u>	<u>\$ 1,688,452,415</u>	<u>\$ 1,768,877,385</u>	<u>\$ 1,904,426,188</u>	<u>\$ 2,006,703,332</u>	<u>\$ 2,401,898,466</u>	<u>\$ 2,656,948,194</u>	<u>\$ 2,767,488,864</u>	<u>\$ 2,512,995,468</u>	<u>\$ 1,957,328,610</u>
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 311,298,459	\$ 337,690,483	\$ 353,775,477	\$ 380,885,238	\$ 401,340,666	\$ 480,379,693	\$ 531,389,638	\$ 553,497,773	\$ 502,599,094	\$ 391,465,722
Total net debt applicable to 20% limit	<u>129,580,000</u>	<u>142,185,000</u>	<u>174,265,000</u>	<u>219,465,000</u>	<u>371,965,000</u>	<u>424,675,000</u>	<u>462,255,000</u>	<u>492,153,706</u>	<u>474,887,545</u>	<u>446,276,092</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 181,718,459</u>	<u>\$ 195,505,483</u>	<u>\$ 179,510,477</u>	<u>\$ 161,420,238</u>	<u>\$ 29,375,666</u>	<u>\$ 55,704,693</u>	<u>\$ 69,134,638</u>	<u>\$ 61,344,067</u>	<u>\$ 27,711,549</u>	<u>\$ -</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	41.63%	42.11%	49.26%	57.62%	92.68%	88.40%	86.99%	88.92%	94.49%	114.00%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 93,389,538	\$ 101,307,145	\$ 106,132,643	\$ 114,265,571	\$ 120,402,200	\$ 144,113,908	\$ 159,416,891	\$ 166,049,332	\$ 150,779,728	\$ 117,439,717
Total net debt applicable to 6% limit	<u>69,370,000</u>	<u>65,690,000</u>	<u>73,535,000</u>	<u>92,300,000</u>	<u>3,065,000</u>	<u>1,455,000</u>	<u>1,395,000</u>	<u>8,285,000</u>	<u>8,330,000</u>	<u>15,030,000</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 24,019,538</u>	<u>\$ 35,617,145</u>	<u>\$ 32,597,643</u>	<u>\$ 21,965,571</u>	<u>\$ 117,337,200</u>	<u>\$ 142,658,908</u>	<u>\$ 158,021,891</u>	<u>\$ 157,764,332</u>	<u>\$ 142,449,728</u>	<u>\$ 102,409,717</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	74.28%	64.84%	69.29%	80.78%	2.55%	1.01%	0.88%	4.99%	5.52%	12.80%

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 was subject to the 6% debt limitation.

Remaining General Obligation Bond Authorizations (Exhibit S-17)

City of Tempe, Arizona

2008 Program	Authorization	WIFA Funding (A)	Prior Issues	Current Year Issue	Remaining Authorization
Water / Wastewater	\$ 113,300,000	18,130,302	\$ 36,095,000	-	59,074,698
Streets / Transportation/Storm Drains	44,200,000	-	1,080,000	2,915,000	40,205,000
Public Safety - Police/Fire	32,010,000	-	8,995,000	2,175,000	20,840,000
Community Services/Park Improvement	51,800,000	-	15,025,000	1,915,000	34,860,000
Total	\$ 241,310,000	\$ 18,130,302	\$ 61,195,000	\$ 7,005,000	\$ 154,979,698

Source: City of Tempe, Arizona Finance and Technology Department

(A) The WIFA funding includes a "forgivable" principal portion of \$2.2 million. Per the loan agreement, the forgivable portion could be added back should the City not comply with the terms of the agreement. As some of the terms are not fulfilled until the end of the loan period, the forgivable portion will continue to utilize authorization until the loan is paid off (FY 2028-29). At that time, the authorization will be restored.

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 (D)	Coverage	Excise Tax Revenue Collections (A)	Debt Service (D)	Coverage
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	110,783,762	4,495,011	24.65
2005-06	2,705,348	2,866,617	0.94	126,353,704	5,737,352	22.02
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	6,177,704	21.48
2009-10	2,783,916	4,796,008	0.58	119,456,216	6,760,138	17.67
2010-11	3,867,979	4,697,441	0.82	128,942,018	6,761,359	19.07
2011-12	2,526,283	3,469,611	0.73	129,522,900	9,399,739	13.78

Fiscal Year	Performing Arts Excise Tax Obligations			Transit 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 (D)	Coverage
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	6,009,925	1.13	32,449,710	5,092,190	6.37
2008-09	6,158,761	6,012,725	1.02	29,850,942	5,449,867	5.48
2009-10	5,749,649	6,005,626	0.96	27,891,084	4,356,904	6.40
2010-11	5,979,900	6,016,226	0.99	29,012,370	4,428,049	6.55
2011-12	6,236,500	5,377,764	1.16	30,172,338	4,410,547	6.84

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		
	2011-12 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax 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)
2011-12	\$ 129,522,900	\$ 9,399,739	13.78	\$ 126,359,661	\$ 5,377,764	23.50
2012-13		9,244,702	14.01		5,922,350	21.34
2013-14		9,182,403	14.11		5,918,250	21.35
2014-15		9,177,453	14.11		5,919,026	21.35
2015-16		10,210,665	12.69		5,921,676	21.34
2016-17		10,068,921	12.86		3,427,850	36.86
2017-18		10,077,999	12.85		3,428,850	36.85
2018-19		10,078,650	12.85		3,428,100	36.86
2019-20		10,079,700	12.85		3,433,850	36.80
2020-21		9,473,570	13.67		-	-
2021-22		9,467,585	13.68		-	-
2022-23		9,398,290	13.78		-	-
2023-24		6,444,806	20.10		-	-
2024-25		13,735,245	9.43		-	-
2025-26		4,284,935	30.23		-	-
2026-27		4,283,465	30.24		-	-
2027-28		4,278,960	30.27		-	-
2028-29		4,281,959	30.25		-	-
2029-30		2,491,750	51.98		-	-
2030-31		2,493,750	51.94		-	-

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in fiscal year 2011-12. See *Excise Tax Collection* schedule (Exhibit S-13).
- (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 \$1,830,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2005, currently outstanding in the principal amount of \$2,725,000 and the City of Tempe, Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$20,810,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009A+B, currently outstanding in the principal amount of \$21,190,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2011A+B, currently outstanding in the principal amount of \$38,095,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2012, currently outstanding in the principal amount of \$30,500,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2011-12 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 2011-12.
- (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 \$4,800,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2006, currently outstanding in the principal amount of \$8,955,000; the City of Tempe, Arizona Excise Tax Refunding Obligations, Series 2011, currently outstanding in the principal amount of \$18,065,000. Debt service requirements do not include fiscal fees.
- (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	2011 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)
2011-12	\$ 30,172,338	\$ 4,439,463	6.80
2012-13		4,529,732	6.66
2013-14		4,629,129	6.52
2014-15		4,720,896	6.39
2015-16		4,826,733	6.25
2016-17		4,929,747	6.12
2017-18		5,041,371	5.98
2018-19		5,151,781	5.86
2019-20		5,270,783	5.72
2020-21		5,403,359	5.58
2021-22		5,532,643	5.45
2022-23		5,659,785	5.33
2023-24		5,804,077	5.20
2024-25		5,946,348	5.07
2025-26		6,091,600	4.95
2026-27		6,253,480	4.82
2027-28		6,417,552	4.70
2028-29		6,578,568	4.59
2029-30		6,761,530	4.46
2030-31		6,941,150	4.35
2031-32		7,132,426	4.23
2032-33		7,335,092	4.11
2033-34		7,538,882	4.00
2034-35		7,752,534	3.89
2035-36		7,977,228	3.78
2036-37		4,687,935	6.44
2037-38		1,895,975	15.91

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in Fiscal Year 2011-12.
- (B) Includes the annual debt service requirements of the City of Tempe, Arizona Transit Variable Rate Revenue Bond Series 2006 and Series 2007 currently outstanding in the principal amount of \$53,670,000 and \$45,295,000 respectively. Interest is assumed at a rate of 0.18% per annum through maturity. Also includes annual debt service requirements for the Series 2008 City of Tempe, Arizona Transit Excise Tax Revenue Obligations in the principal amount of \$27,990,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2011-12 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

Ratios of Outstanding Debt by Type (Exhibit S-21)

Last Ten Fiscal Years

City of Tempe, Arizona

Governmental Activities								
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Refunding Certificates of Participation	Excise Tax Revenue Bonds	HUD Section 108 Loan	Capital Improvement Notes	Capital Leases	Total Government Type Debt
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
2009-10	172,665,000	33,025,000	-	230,470,000	6,181,000	521,955	1,776,147	444,639,102
2010-11	166,580,000	29,875,000	-	228,746,000	5,883,000	-	96,735	431,180,735
2011-12	162,200,000	27,815,000	-	218,522,900	5,572,000	-	57,921	414,167,821

Business-Type Activities									
Fiscal Year	General Obligation Bonds	Municipal Property Corporation Bonds	Excise Tax Revenue Bonds	WIFA Loans	Capital Leases	Total Business Type Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2002-03	\$ 97,580,000	\$ 520,000	\$ -	\$ -	\$ -	\$ 98,100,000	\$ 282,091,034	7.78 %	\$ 1,769
2003-04	103,735,000	400,000	-	-	-	104,135,000	307,694,824	8.38	1,928
2004-05	137,390,000	275,000	-	-	-	137,665,000	355,045,000	9.48	2,208
2005-06	180,935,000	140,000	2,330,004	-	-	183,405,004	511,143,771	13.09	3,083
2006-07	243,265,000	-	2,130,000	-	-	245,395,000	610,834,191	14.91	3,666
2007-08	282,520,000	-	2,050,000	-	-	284,570,000	701,302,144	15.98	4,188
2008-09	285,735,000	-	18,685,000	-	194,416	304,614,416	745,912,881	18.05	4,321
2009-10	289,895,000	-	18,050,000	13,273,706	147,089	321,365,795	766,004,897	16.43	4,381
2010-11	273,000,000	-	48,827,424	14,621,092	97,439	336,545,955	767,726,690	14.95	4,747
2011-12	256,770,000	-	55,505,432	13,945,646	45,352	326,266,430	740,434,251	16.57	4,515

Demographic and Economic Statistics (Exhibit S-22)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Population (A)	Total Personal Income (B)	Per Capita Personal Income (C)	Average Household Income (C)	Median Age (C)	School Enrollment (D)	ASU School Enrollment (E)	Unemployment Rate (F)
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
2009-10	174,833	4,661,747,112	26,664	67,971	31.8	25,857	68,064	6.70
2010-11	161,719	5,133,769,655	31,745	68,427	35.2	26,670	70,440	8.00
2011-12	163,989	4,469,848,173	27,257	63,881	31.3	28,136	72,254	8.20

Source: (A) Estimate provided by Sites USA (June 2012)
 (B) Amount is calculated using population times per capita personal income
 (C) Estimate provided by Sites USA (June 2012)
 (D) Arizona Department of Education (Azed.gov)
 (E) ASU.edu/enrollment-summary
 (F) workforce.az.gov

Principal Employers (Exhibit S-23)

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

Employers	Fiscal Year 2011-12			Fiscal Year 2002-03		
	Employees (A)	Rank	Employment	Employees (B)	Rank	Employment
Arizona State University	11,185	1	27.67 %	12,569	1	32.61 %
Maricopa Community Colleges	4,611	2	11.41	-	-	-
SRP	4,374	3	10.82	3,331	4	8.64
Safeway Inc.	3,996	4	9.89	-	-	-
Wells Fargo Banking Division	3,576	5	8.85	6,601	2	17.13
Motorola	3,000	6	7.42	4,779	3	12.40
Honeywell	3,000	7	7.42	3,000	5	7.78
Kyrene School District	2,401	8	5.94	2,205	7	5.72
Chase Manhattan Corporation	2,377	9	5.88	2,377	6	6.17
US Airways	1,898	10	4.70	-	-	-
Bank One Telephone Banking Division	-		-	2,000	8	5.19
City of Tempe	-		-	1,679	9	4.36
Phillips 66 Company	-		-	1,500	10	3.89
Total	40,418		100.00 %	38,541		100.00 %

Source: (A) [www.tempe.gov/Economic Development/Tempe's Top Employers](http://www.tempe.gov/Economic%20Development/Tempe's%20Top%20Employers)
 (B) City of Tempe, Arizona Comprehensive Annual Financial Report, 2002-03

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

Last Nine 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	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Police	522	522	535	530	577	580	568	499	494
Fire	157	157	171	160	187	187	185	182	182
Community services	305	308	340	234	230	232	308	289	287
Parks and recreation	-	-	-	208	208	210	-	-	-
Public works	377	377	380	307	323	330	535	489	485
Community relations	20	18	18	20	20	20	27	25	25
Mayor and council	7	7	7	7	7	7	7	7	7
City manager	3	3	4	4	4	4	3	4	4
Diversity program	3	4	4	4	5	5	4	3	3
Internal audit/consulting	4	4	4	4	4	4	4	3	3
Tempe learning center	-	-	-	-	-	-	-	3	3
City clerk and elections	5	5	5	5	5	5	5	5	5
City attorney	25	25	26	29	29	29	25	25	25
Municipal court	37	38	41	41	46	46	42	42	42
Development services	87	89	52	63	63	62	-	-	-
Community development	-	-	53	60	62	62	106	88	83
Economic development	12	13	-	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	-	-	132	132
Financial services	70	69	69	72	72	73	139	-	-
Human resources	19	19	19	21	23	24	20	17	17
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	1,977	1,813	1,797

Source: City of Tempe, Arizona 2011-12 Annual Budget

Note: In fiscal year 2009-10, the Parks & Recreation department was split, with Parks consolidated into Public Works and Recreation consolidated into Community Services. The Information Technology department and the Financial Services department were consolidated into the Finance and Technology department. The Development Services department was consolidated into Community Development.

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

Last Seven Fiscal Years

City of Tempe, Arizona

Function /Program	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Police							
Crime rate (per 100,000 population)	8,269	8,000	6,700	6,100	5,500	5,898 (A)	5,800 (B)
Traffic accidents	5,562	6,729	5,895	4,920	4,595	4,693	4,834
Emergency service average response time (minimum)	4:43	5:01	5:07	5:08	5:17	5:30 (A)	5:00 (B)
Citizen calls for police service	124,923	123,847	112,409	106,317	86,074	85,673 (A)	87,730
Operating expenditures per citizen calls	\$391.87	\$353.37	\$415.22	\$443.34	\$432.95	\$748.69 (A)	\$725.33
Fire							
Firefighters per capita (10,000)	8.52	8.24	9.43	9.37	9.13	8.95 (A)	9.45 (B)
No. of fire calls	2,097	2,148	1,964	2,414	2,144	2,208	2,167
No. of medical calls	13,059	13,469	13,255	15,199	15,413	15,264	17,156
No. of other assistance calls	1,722	2,429	2,708	1,260	1,253	1,275	1,336
Emergency service average response time (minimum)	4:25	4:17	4:22	4:20	4:20	4:20 (A)	4:20 (B)
% of emergency responses taking 5.0 minutes or less	70%	72%	71%	72%	74%	74%	74% (B)
Transportation							
On-time performance (bus)	94%	92%	89%	90%	94%	95%	95%
Annual boardings (bus)	6,805,383	8,156,782	7,387,024	9,157,912	8,877,964	7,971,817	8,430,857
Number of square yards repaired	1,884,102	1,136,956	1,391,711	2,090,504	74,471	64,665 (C)	569,600
Library							
Registered borrowers	141,509	142,323	142,524	142,500	147,914	140,600 (A)	145,764 (B)
Circulation	1,404,318	1,246,650	1,257,336	1,250,000	1,089,174	937,500 (A)	1,001,310 (B)
Development services							
# of permits issued for commercial /industrial	69	69	46	21	18	8	18
Valuation of commercial/industrial permits	\$83,599,700	\$170,983,900	\$ 88,143,100	\$ 109,851,600	\$ 86,704,700	\$ 6,874,200	\$ 88,812,800
# of permits issued for residential	1,061	700	675	508	425	314	297
Valuation of residential permits	\$250,869,200	\$ 152,320,600	\$ 96,512,400	\$ 161,914,600	\$ 27,741,900	\$ 18,260,624	\$ 68,954,800
# of permits issued other	715	673	653	577	534	521	600
Valuation of other permits	\$ 119,168,700	\$ 89,884,365	\$ 188,916,700	\$ 105,413,500	\$ 68,502,500	\$ 77,951,841	\$ 99,407,953
Water/wastewater							
Number of customer accounts	42,059	42,261	42,494	42,686	42,453	42,218	42,500 (B)
Total water gallons treated (million gallons - mg)	17,589 (C)	16,686 (C)	17,135 (C)	15,774 (C)	15,606	15,877 (C)	16,800 (B)
O&M per customer account	\$221	\$317	\$251	\$256	\$181	\$217 (A)	\$134 (B)
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%	100%	100%	100% (A)	100% (B)
Total wastewater gallons treated (million gallons per day)	21.5 (C)	21.3 (C)	20.9 (C)	19.7 (C)	18.7	18.6 (C)	18.6
Solid waste collection							
Residential container/recycling cost per ton	\$73	\$70	\$102	\$71	\$114	\$112 (A)	\$108 (B)
# of residential accounts	33,021	33,056	32,964	32,916	32,886	33,927	33,759
Residential recycling diversion rate	34%	29%	28%	28%	28%	29% (A)	34% (B)
# of commercial accounts	1,976	1,861	1,942	1,875	1,837	1,940	2,030
Commercial collection cost per ton	\$57	\$52	\$59	\$59	\$77	\$73 (A)	\$78 (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 2011-12

(B) Numbers are estimates as shown in City of Tempe, Arizona Annual Budget 2011-12

(C) Numbers revised by department to reflect change in methodology in tracking.

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

Last Seven Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12
Police							
Stations	2	2	3	3	3	3	3
Patrol Units (Squads)	22	22	22	22	22	20	20
Fire Stations	6	6	6	6	6	6	6
Transportation							
Streets (miles)	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Streetlights	11,754	11,774	11,810	12,021	12,428	11,778	11,778
Traffic Signals	193	199	217	219	219	221	221
Buses	123	115	148	198	188	188	140
Parks and recreation							
Acreage	1,684	1,684	1,872	1,872	1,872	1,872	1,872
Playgrounds	44	44	45	45	45	45	45
Sports Fields	195	195	200	200	200	200	200
Community centers	4	4	4	4	4	5	5
Golf Courses	2	2	2	2	2	2	2
Water/Wastewater							
Water mains (miles)	852	852	823	825	839	839	839
Water production capacity (million gallons per day)	120	120	120	120	129	125	125
Water storage capacity (million gallons)	53	53	53	53	53	42	42
Sanitary sewers (miles)	502	502	500	497	498	498	498
Storm sewers (miles)	174	174	193	193	195	194	194
Wastewater treatment capacity (million gallons per day)	32	32	32	38	38	33	33
Solid waste collection							
Collection trucks	68	56	60	58	58	58	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.