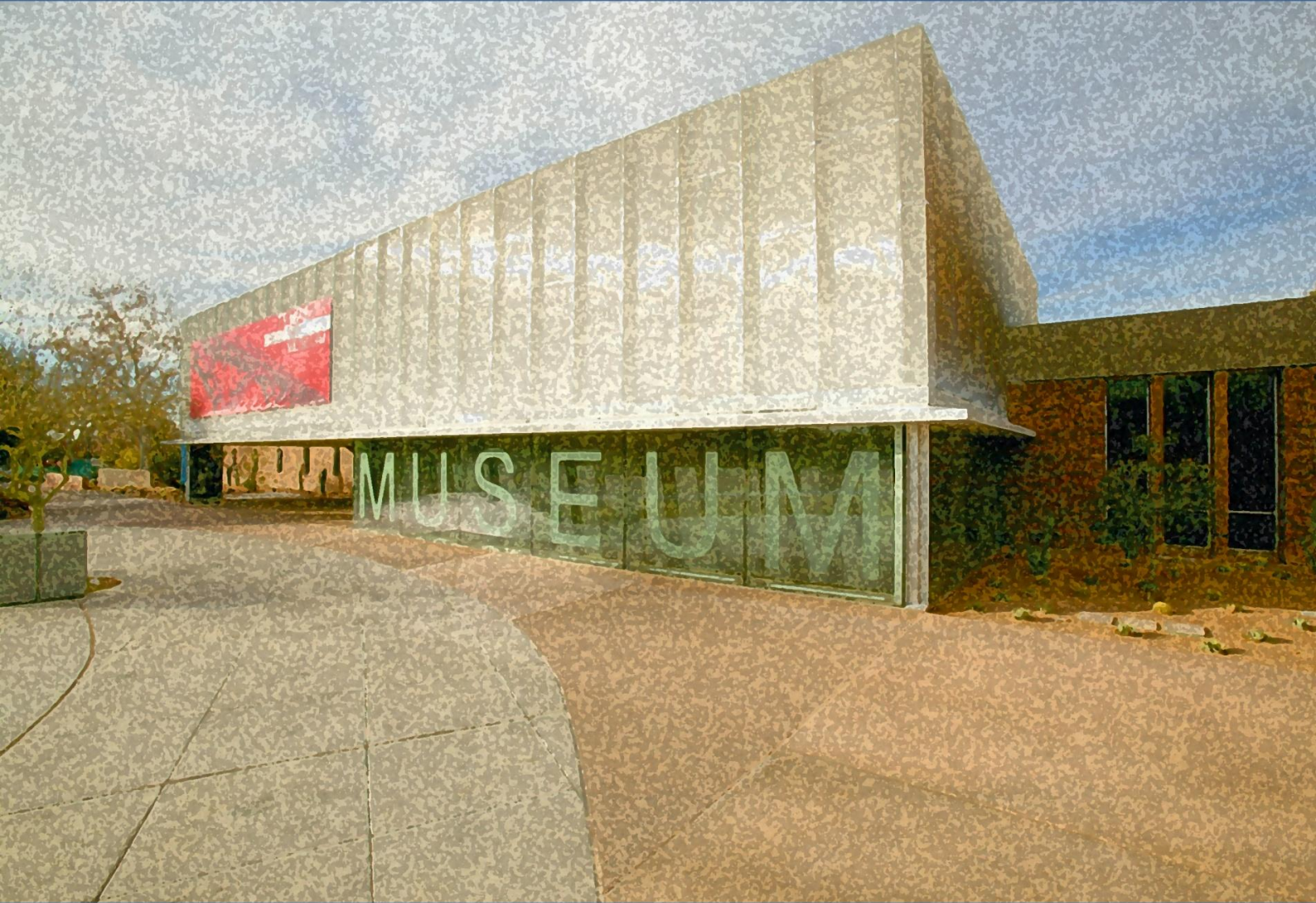


# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



**City of Tempe, Arizona**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended  
June 30, 2011



**City Council:**

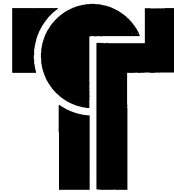
Hugh Hallman, Mayor  
Joel Navarro, Vice Mayor  
Robin Arredondo-Savage  
Shana Ellis  
Mark Mitchell  
Onnie Shekerjian  
Corey Woods

**Administrative Staff:**

Charles W. Meyer, City Manager

**Presented by:**

Ken 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, 2011

City of Tempe, Arizona

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City of Tempe, Arizona

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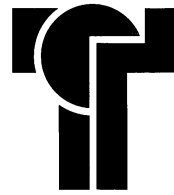
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City of Tempe, Arizona

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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 30, 2011

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, 2011 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 budget approved by the City Council. Activities of the General Fund, Special Revenue Funds (except for the Grant and Court Awards), General Obligation Debt Service Fund, and Proprietary Funds are included in the annually appropriated operating budget. Project-length budgets are also prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. 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

During fiscal year 2010-11, the City began slowly recovering from the economic recession that had a significant impact on the City's finances the prior two fiscal years. Growth occurred in the local sales tax base across many categories including retail, rentals, utilities/communication, hotel/motel and restaurants. Contracting activity was the only category to experience a decline during the year. Total taxable sales increased by 2.0%; retail taxable sales (comprising 51.0% of total taxable sales) grew by a robust 6.8%. As a result, General Fund sales tax revenues increased by \$14.2 million (compared to a \$5.4 million decline the prior year). A significant portion of the increased sales tax revenue in the General Fund is due to the implementation of the 0.2% (two-tenths) temporary (four-year) sales tax rate increase effective July 1, 2010, which raised the overall sales tax rate from 1.8% to 2.0% on all taxable items except groceries. Additionally, the City permanently raised its transient lodging tax (or bed tax) rate from 3.0% to 5.0%, also effective July 1, 2010. When you exclude the effect of the temporary sales and transient lodging tax rate increase, General Fund sales tax revenues grew by \$1.8 million (2.8%).

Sales tax revenue in the Transit and Performing Arts Special Revenue Funds grew by \$1.1 million (2.8%) and \$0.2 million (2.7%), respectively. State shared sales tax revenue increased by \$0.5 million (4.0%). The City experienced an anticipated decline in state shared income tax of \$5.3 million (25.0%). However, state shared income tax received during the fiscal year is from actual collections by the State for fiscal year 2008-09, the low point of the recession. The City anticipates a gradual economic recovery over time that will allow for the continued delivery of high quality services to its residents.

## **LONG-TERM FINANCIAL PLANNING**

The City continued its proactive efforts to address the significant financial challenges through comprehensive, long-term financial planning. Important components of this planning are the periodic update of the long range forecast for each of the major operating funds (General, Water/Wastewater, Transit Special Revenue, Solid Waste, General Obligation Debt Service, etc.) and the update of the debt management plan, the key tool used in capital planning. Given the current economic environment both nationally and locally, the central focus of all of the City's planning efforts is the achievement of long-term financial sustainability in order to continue the delivery of services.

As mentioned previously, the City implemented a voter-approved, temporary sales tax increase that expires June 30, 2014. The additional revenues generated allowed the City to avoid additional planned service cuts totaling approximately \$8.0 million in the General Fund. The temporary tax provides the City with the additional time to strategically make budget reductions/service cuts based upon more well defined community service priorities. We anticipate that General Fund budget reductions will be required in each of the next several fiscal years in advance of the expiration of the temporary tax.

The economic downturn has had a significant impact on property valuation in the City. Full cash valuation has declined 31.0% from fiscal year 2009-10 to 2011-12, and is expected to decline by another 10.0% over the next two fiscal years. Historically, the City had maintained a relatively stable property tax rate; however, in an environment of declining property values, the continuation of a stable rate would have resulted in a significant decline in revenue collections. Recognizing that this situation would impair the city's ability to service currently outstanding debt and maintain existing infrastructure, the City Council adopted a new property tax stabilization policy that produces a predictable revenue stream and limits future increases in total City property tax collections to a CPI inflationary index, not to exceed 3.3% annually, plus taxes collected from new property added to the tax rolls. This policy was adopted to deal with the unpredictable nature of assessed property valuation that the City experienced over the last several years and to ensure payment of existing and future planned debt as reflected in the debt management plan.

## **MAJOR INITIATIVES**

**Tempe Town Lake** provides both recreational and business opportunities for residents and visitors. Approximately 65.0% of Town Lake is dedicated to park space, open space and wildlife habitat. It is a regional and national destination welcoming millions of visitors each year. The lake is the second most visited attraction in the state behind the Grand Canyon. This community amenity was seriously threatened when in July 2010, a segment of the inflatable dam ruptured resulting in the complete draining of the lake. The City has installed new inflatable segments, for which it has incurred no liability or cost, and refilled and re-opened the lake for recreational and other uses within 91 days of the rupture. The City is currently in the process of evaluating four alternative technologies for the long-term replacement of the existing dams.

Construction of the **new pedestrian bridge** at Tempe Town Lake has been substantially completed. The bridge connects the south and north shores near the western dam at the Tempe Center for the Arts. Not only is this bridge beautiful and useful for pedestrians and bicyclists, it also keeps the rubber bladders holding back

the waters of Town Lake cooler. The bridge shades the dam and a sprinkler system attached to the bridge moistens it. Completion of the bridge has added another amenity that will further enhance the regional attractiveness of the area. The \$5.0 million cost was paid primarily with federal money and matching funds.

During the year, the City began the initial implementation of an **energy conservation program**. In 2009, the City of Tempe was awarded a \$1.8 million Energy Efficiency and Conservation Block Grant (EECBG) as part of the American Recovery and Reinvestment Act (ARRA). Approximately \$930,000 of this grant, along with \$7.3 million in Qualified Energy Conservation Bonds, is being used to retrofit and replace aging and energy inefficient equipment throughout 23 city buildings for a total of 600,000 square feet including city hall, police and fire stations, community centers, maintenance and water treatment facilities. An energy audit determined that retrofitting these 23 buildings would yield the greatest return on our investment. The goal of the program is to reduce energy consumption, reduce utility costs and promote environmental sustainability.

The **Centerpoint Condominiums** project, an uncompleted, mixed-use development featuring one 22-story and three 30-story residential buildings with 375 units, was purchased out of bankruptcy by the Zaremba Group during the fiscal year. The project, now known as **West Sixth (W6)**, has been transformed into a luxury apartment development. The 22-story tower has been completed and has been nearly fully leased. Completion of the second tower is anticipated by the end of calendar year 2011. This project will bring new residents to the City's central core helping to stabilize and revive the Mill Avenue District.

The City continues its efforts to make significant investments in its transportation infrastructure to improve transportation flow and spur economic development. Valley Metro Rail, the regional rail planning agency, received local and regional approval in 2010 to move forward with 2.6-miles of modern streetcar infrastructure in central Tempe. **Tempe Streetcar** will run in a one-way loop between Rio Salado Parkway and University Drive, going north on Mill Avenue and south on Ash Avenue. It will continue to travel north/south on Mill Avenue between University Drive and Southern Avenue. The modern streetcar project is a critical addition to developing a total transit network in this region. It supports the existing transit system and community with its ability to attract new riders, increase mobility, strengthen existing neighborhoods and create sustainable development.

Modern streetcar vehicles operate on tracks, typically mixed with automobile traffic, and are powered by overhead power lines. They differ from light rail vehicles in their smaller vehicle size and single-car operation. Stops are also more simple and frequent than light rail.

Construction of the modern streetcar is estimated to cost \$160.0 million. The project is expected to be built by 2016 using a mixture of regional Proposition 400 funds and federal grant dollars. The City of Tempe is responsible for the operating funds.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Certificates of Achievement**

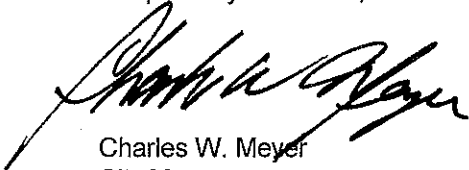
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious 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-five consecutive years (fiscal years 1975-76 through 2009-10). 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 2010-11 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2011.

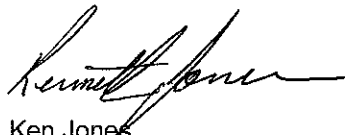
**Acknowledgment**

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



Ken 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, 2010

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director



For the Fiscal Year  
Ended June 30, 2011

## **City of Tempe, Arizona List of Principal Officials**

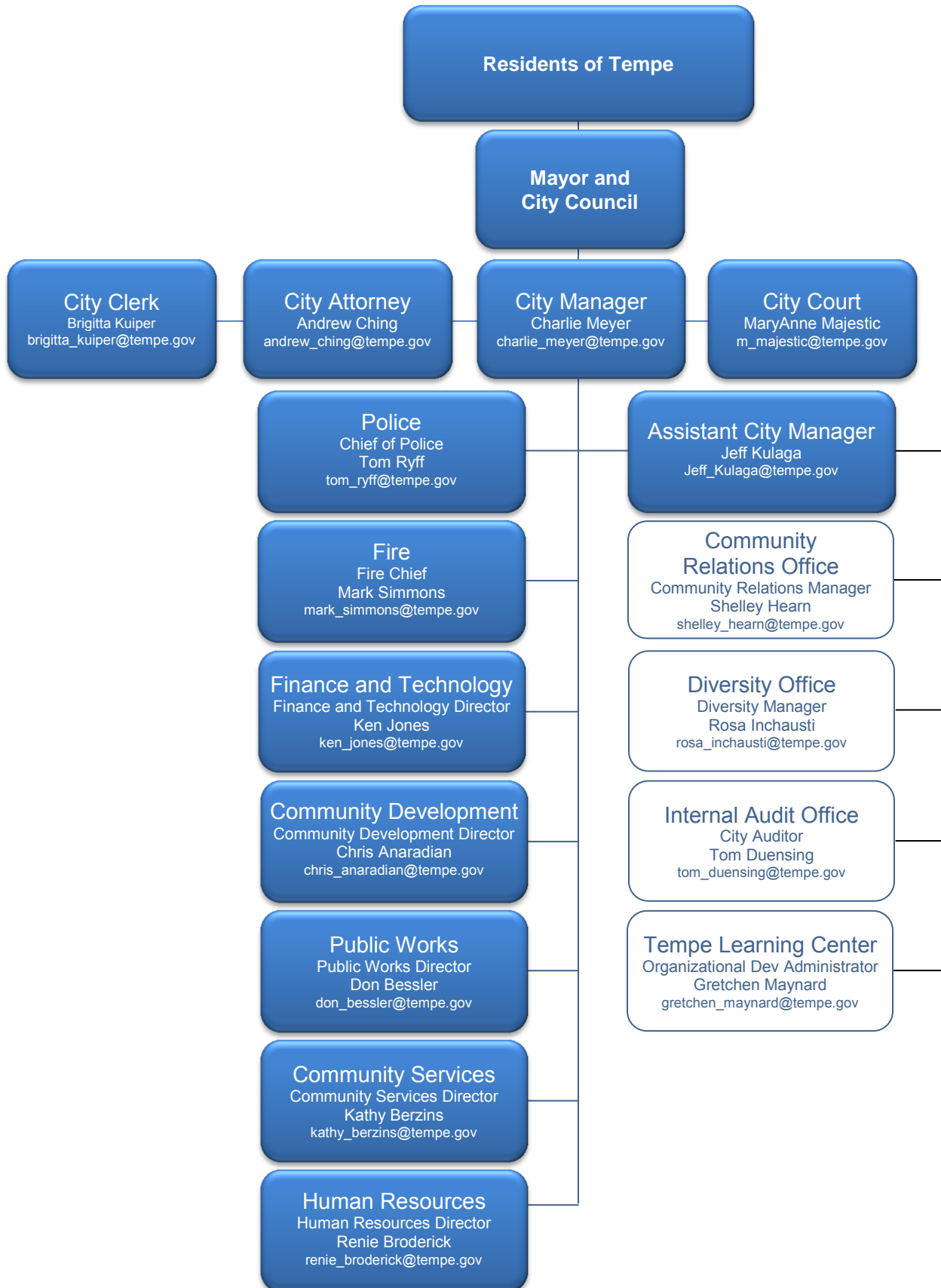
### **City Council**

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  
Jeff Kulaga, Assistant City Manager  
Tom Ryff, Police  
Mark Simmons, Fire  
Kathy Berzins, Community Services  
Don Bessler, Public Works  
Chris Anaradian, Community Development  
Shelley Hearn, Community Relations  
Rosa Inchausti, Diversity Program  
Tom Duensing, Internal Audit/Consulting  
Gretchen Maynard, Tempe Learning Center  
Brigitta Kuiper, City Clerk and Elections  
Andrew Ching, City Attorney  
MaryAnne Majestic, Municipal Court  
Ken 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



HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



## 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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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 33 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.  
Certified Public Accountants

November 30, 2011

## 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, 2011. 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 \$1.194 billion (net assets). Of this amount, \$332.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$0.4 million during the fiscal year compared to a decrease of \$50.9 million in the prior year. Due to the prolonged economic downturn, revenues continued to decline in the prior year while expenses increased, both of which contributed to the decrease in net assets. In the prior year, in an effort to lessen the impact on City-provided services, the Mayor and City Council approved a \$20.1 million planned drawdown of fund balance in the General Fund. In the current year, the City was able to reduce expenditures by \$39.9 million while revenues increased by \$4.5 million resulting in a slight net surplus.
- For the fiscal year ended June 30, 2011, the City's governmental revenues increased by \$4.5 million primarily due to an increase in citywide sales tax revenue, charges for services, and operating grants and contributions. In response to prior year declining revenues, expenses for most functions were reduced. The net \$39.9 million decrease in expenses was due predominately to a decrease in the cost of services in public works, police, fire and community services.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$216.1 million. Approximately 64.0% of this total amount (\$138.4 million) is for spending at the government's discretion (committed, assigned, or unassigned).
- At June 30, 2011, total fund balance for the General Fund was \$54.0 million which represents an increase of \$10.2 million over the prior year's. This is the net effect of a \$14.2 million increase in sales and transient lodging (bed) tax revenues offset by a decrease in state shared income tax of \$5.3 million. In addition, in response to the economic downturn expenditures were reduced by \$26.0 million. The result was excess revenues over expenditures of \$14.1 million.
- At June 30, 2011, the City's proprietary funds reported combined total net assets of \$248.6 million, and total unrestricted net assets of \$73.0 million. \$68.4 million of the unrestricted net assets are in the Water and Wastewater Fund.
- At June 30, 2011, the total long-term obligations of the City increased by \$9.1 million due primarily to: a) the issuance of \$5.4 million in general obligation bonds for public safety, community service and street improvements b) the issuance of \$39.1 million in excise tax revenue obligations for water/wastewater projects as well as to finance the construction of energy retrofit improvements; and c) a \$2.7 million loan from the Water Infrastructure Financing Authority of Arizona for water/wastewater system improvements.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Other than the General Fund, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Transit Special Revenue Fund, General Obligation Debt Service Fund, Special Assessment Debt Service Fund and the Transit Capital Projects Fund which are all considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General, Special Revenue (except Grants and Court Awards), General Obligation Debt Service, and Proprietary Funds. Budgetary comparison statements have been provided in the basic financial statements for the General and Transit Special Revenue Funds to demonstrate compliance with the budget. Budgetary comparison schedules for other Non-major Special Revenue, General Obligation Debt Service and Enterprise Funds are included in Other Supplementary Information.

**Proprietary funds.** Proprietary funds are generally used to account for services provided to customers for which the City charges user fees that are designed to fully recover the cost of providing the service. Proprietary 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, 2011			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
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
<b>Liabilities</b>			
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
<b>Net Assets</b>			
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

Net Assets- June 30, 2010			
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and other assets	\$ 647,547,855	\$ 261,704,045	\$ 909,251,900
Capital assets, net	881,532,775	351,429,926	1,232,962,701
Total assets	1,529,080,630	613,133,971	2,142,214,601
<b>Liabilities</b>			
Long-term liabilities	510,843,317	326,531,412	837,374,729
Other liabilities	70,959,309	39,845,336	110,804,645
Total liabilities	581,802,626	366,376,748	948,179,374
<b>Net Assets</b>			
Invested in capital assets, net of related debt	562,958,494	144,245,429	707,203,923
Restricted	142,947,736	-	142,947,736
Unrestricted	241,371,774	102,511,794	343,883,568
Total net assets	\$ 947,278,004	\$ 246,757,223	\$ 1,194,035,227

## 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 \$1.194 billion at both June 30, 2011 and 2010. 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 \$747.6 million and \$707.2 million at June 30, 2011 and 2010, respectively. These totals represent 62.6% and 59.2% of total net assets at June 30, 2011 and 2010, 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 \$114.6 million (9.6% of total net assets) at June 30, 2011. At June 30, 2010 restricted net assets were \$142.9 million (12.0% 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 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 \$332.3 million (27.8% of total net assets) and \$343.9 million (28.8% of total net assets) at June 30, 2011 and 2010, 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 increased by \$0.4 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. These departmental changes are reflected in 2010 expenditures below in order to provide adequate comparative data.

## Changes in Net Assets- June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
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, unrestricted	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>
<b>Expenses</b>			
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>
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>

## Changes in Net Assets- June 30, 2010

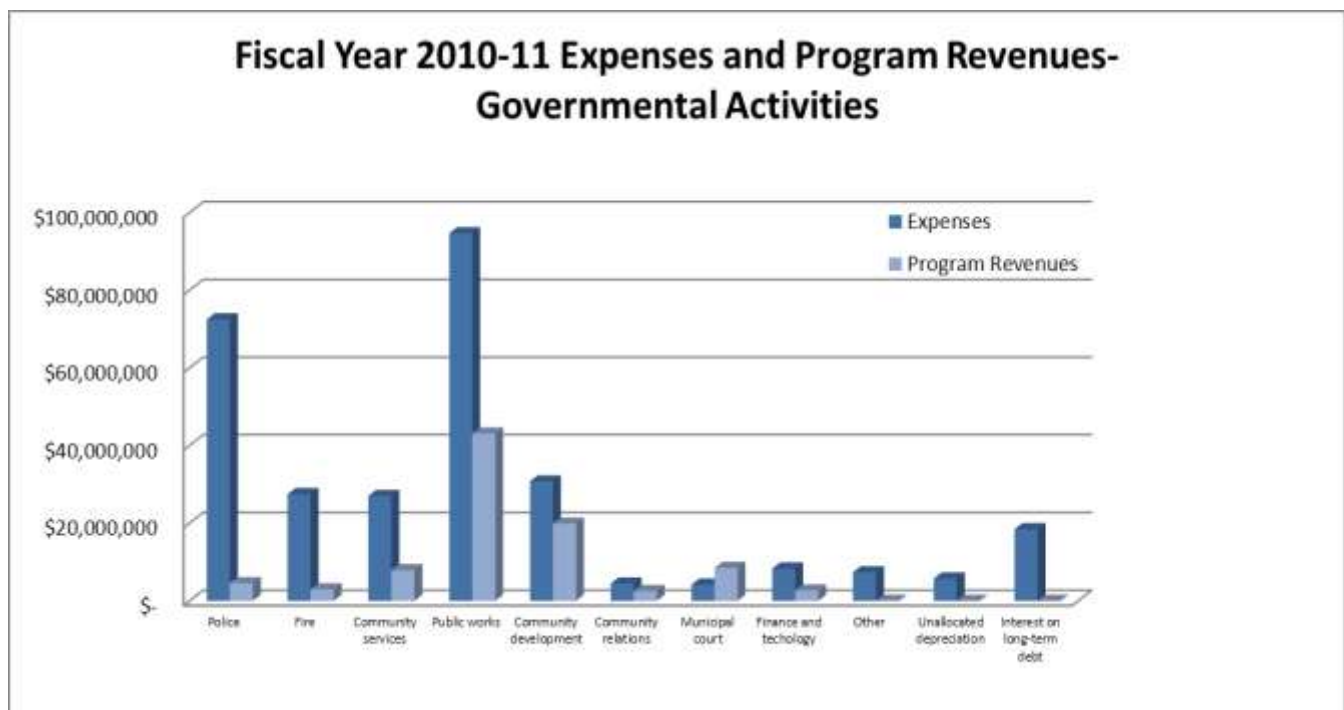
	Governmental Activities (as reclassified)	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 41,376,338	\$ 79,444,627	\$ 120,820,965
Operating grants and contributions	18,222,849	-	18,222,849
Capital grants and contributions	38,709,299	4,765,839	43,475,138
General revenues:			
Sales taxes	125,186,698	-	125,186,698
State shared income taxes	21,406,004	-	21,406,004
Property taxes	37,183,541	-	37,183,541
Franchise taxes	3,559,615	-	3,559,615
Auto-lieu taxes	5,560,791	-	5,560,791
Unrestricted investment earnings	97,660	10,698	108,358
Miscellaneous	3,429,435	332,955	3,762,390
Gain on sale of capital assets	17,160	96,986	114,146
Total revenues	294,749,390	84,651,105	379,400,495
<b>Expenses</b>			
Police	78,283,021	-	78,283,021
Fire	30,542,829	-	30,542,829
Community services	35,020,875	-	35,020,875
Public works	123,392,609	-	123,392,609
Community development	30,601,684	-	30,601,684
Community relations	4,210,261	-	4,210,261
Mayor and council	387,723	-	387,723
City manager	369,153	-	369,153
Diversity program	531,651	-	531,651
Internal audit/consulting	427,828	-	427,828
Tempe learning center	636,550	-	636,550
City clerk and elections	739,884	-	739,884
City attorney	3,101,845	-	3,101,845
Municipal court	5,245,105	-	5,245,105
Finance and technology	6,072,849	-	6,072,849
Human resources	2,807,110	-	2,807,110
Unallocated depreciation	2,383,904	-	2,383,904
Interest on long-term debt	16,185,139	-	16,185,139
Water/wastewater	-	73,045,936	73,045,936
Solid waste	-	13,730,227	13,730,227
Golf	-	2,269,182	2,269,182
Cemetery	-	312,525	312,525
Total expenses	340,940,020	89,357,870	430,297,890
Decrease in net assets before transfers	(46,190,630)	(4,706,765)	(50,897,395)
Transfers	(115,657)	115,657	-
Change in net assets	(46,306,287)	(4,591,108)	(50,897,395)
Net assets at beginning of year	993,584,291	251,348,331	1,244,932,622
Net assets at end of year	\$ 947,278,004	\$ 246,757,223	\$1,194,035,227

**Governmental activities.** The decrease in governmental net assets totaled \$1.5 million for the year ended June 30, 2011. Total revenues fell short of total expenses in the amount of \$1.8 million compared with a deficit of \$46.2 million in the prior year. The reduction in the deficit was due to the City's implementation of cost saving and revenue enhancing measures in the fiscal year in response to the economic slowdown.

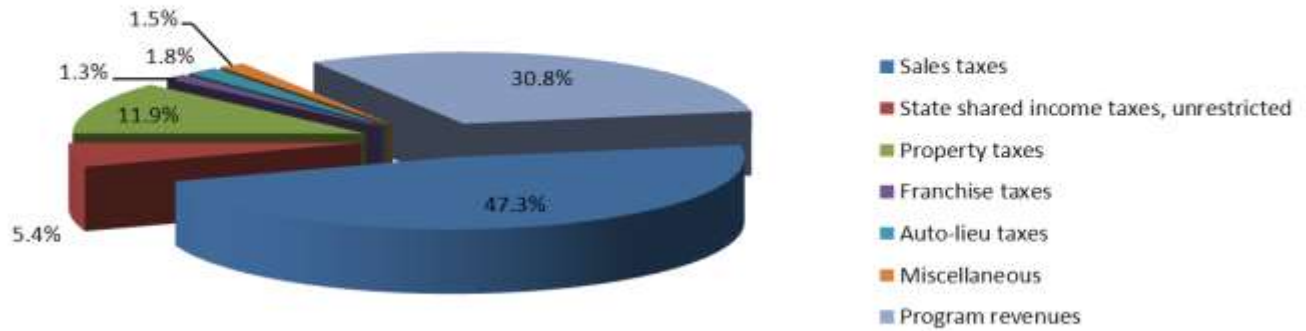
The key factors contributing to the change in net assets compared to the prior year are as follows:

- Overall, citywide sales tax revenue increased by \$16.7 million (13.3%) from the prior year. This was due in part to the 0.2% voter approved temporary sales tax and transient lodging (bed tax) rate increases.
- Unfortunately the increase in sales tax was offset by a further decrease in state shared income taxes in the amount of \$5.3 million or 24.6% from the prior year. Additionally the State, as a part of their budget balancing plan, ceased distributing lottery proceeds for local transportation assistance to municipalities.
- Charges for services increased by \$4.0 million (9.6%). Contributing factors to the increase were a new program implemented by the fire department to lease space to an ambulance company and an increase in police citation surcharges.
- Another component which reduced the deficit between years was a prior year decrease of \$7.3 million in unrestricted investment earnings as a result of the decrease in the investment portfolio returns due to the market conditions, and the fiscal year 2009-10 write down of a \$2.1 million investment in the Local Government Investment Pool. The portfolio was able to regain \$1.1 million over prior year results.
- Finally, contributing to the stabilization of net assets was a reduction of \$40.0 million in operating expenses. Public works decreased expenses by \$28.7 million (23.3%) while community services reduced expenses by \$8.0 million (22.8%). In addition, the police department reduced expenses by \$5.8 million (7.4%) and the fire department reduced expenses by \$3.0 million (10.0%).

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



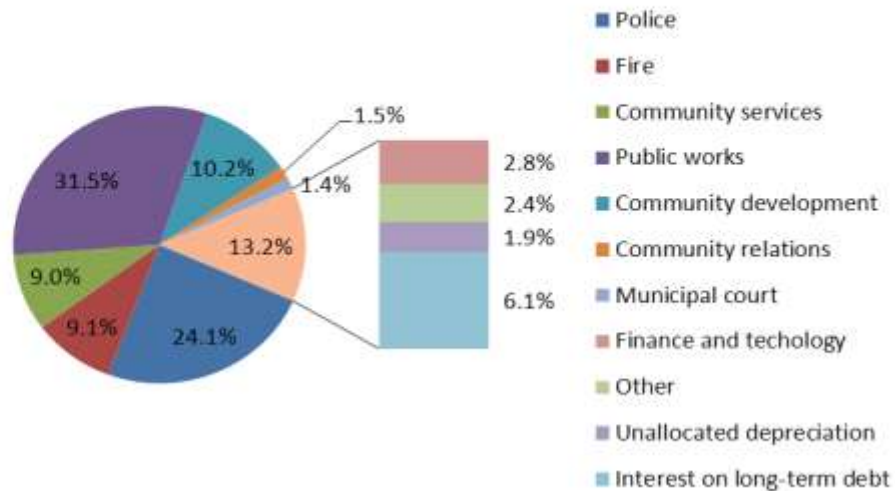
### Fiscal Year 2010-11 Revenues by Source- Governmental Activities



A comparison of expenses by function and the percentage of total expenses, for the largest functions, is presented. In general, the majority of the City's functions implemented a decrease in expenses in response to the anticipated reduction in revenues. In addition, public works experienced a further reduction in expenditures due to the recovery of a prior loss relating to the City's participation in the Valley Metro Rail, Inc. joint venture. Finally, additional measures to reduce expenditures in the Transit special revenue fund were implemented in order to balance the fund.

	Fiscal Year Ended			
	June 30, 2011		June 30, 2010	
Public works	\$94,687,386	31.5%	\$123,392,609	33.8%
Police	72,492,475	24.1	78,283,021	23.0
Community development	30,778,689	10.2	30,601,684	6.9
Fire	27,499,884	9.1	30,542,829	9.0
Community services	27,031,973	9.0	35,020,875	6.4

### Fiscal Year 2010-11 Expenses by Function- Governmental Activities



General revenues such as sales taxes, property taxes, state 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, the increase in sales taxes (\$16.7 million) is due, in part, to the temporary sales tax in effect and the transient lodging (bed) tax increase. The long term impact of the previous years' economic downturn continues to effect the areas of property taxes (\$1.7 million decrease) and state shared income taxes (\$5.3 million decrease). The increase in unrestricted investment earnings is due to the recognition in the prior year of a loss of an investment in the Local Government Investment Pool, a similar loss did not occur in the current year.

	Fiscal Year Ended			
	June 30, 2011		June 30, 2010	
Sales taxes	\$141,844,739	47.4%	\$125,186,698	42.5%
Property taxes	35,501,233	11.9	37,183,541	12.6
State shared income taxes, unrestricted	16,137,383	5.4	21,406,004	7.3
Auto-lieu taxes	5,424,902	1.8	5,560,791	1.9
Franchise taxes	3,821,436	1.3	3,559,615	1.2
Unrestricted investment earnings	1,229,447	0.4	97,660	0.03

**Business-type activities.** Business-type activities increased the City's net assets by \$1.9 million for the year ended June 30, 2011 compared to a decrease of \$4.6 million for the year ended June 30, 2010. The recovery has been primarily from water and wastewater rate increases. The result for the Water and Wastewater Fund was that charges for services increased by \$7.6 million (12.1%) in the current year. In addition, the Water and Wastewater Fund received capital grants and contributions of \$1.7 million.

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

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>

For the Year Ended June 30, 2010					
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 62,511,102	\$ 15,242,801	\$1,574,081	\$ 116,643	\$ 79,444,627
Capital grants and contributions	4,765,839	-	-	-	4,765,839
Unrestricted investment earnings/other	411,786	25,120	3,733	-	440,639
Total	<u>\$ 67,688,727</u>	<u>\$ 15,267,921</u>	<u>\$1,577,814</u>	<u>\$ 116,643</u>	<u>\$ 84,651,105</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 \$67.5 million for the fiscal year, followed by Solid Waste with \$13.8 million, Golf with \$2.0 million and Cemetery with \$0.2 million. Water and Wastewater expenses and Solid Waste expenses increased minimally (less than \$0.1 million) while Golf was able to reduce its expenses by \$0.3 million (11.3%). Cemetery was able to reduce its expenses, but it was due to the public works department absorbing certain maintenance costs.

## 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 \$216.1 million, an increase of \$7.1 million from the prior year. Approximately \$138.4 million of this total amount fit into the category of committed, assigned or unassigned, all of which is available for spending at the City's discretion. The total of these categories compare to prior year's unreserved fund balance. The accumulation of these categories nets a decrease of \$0.3 million over the prior year's unreserved balance of \$138.7 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, 2011 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 balance 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 (\$25.5 million), fire (\$0.2 million), community services (\$3.6 million), public works (\$38.1 million) and community development (\$7.8 million).

Revenues for governmental functions overall totaled \$299.0 million in the fiscal year ended June 30, 2011, which represents a decrease of 2.4% or \$7.3 million from the fiscal year ended June 30, 2010. This decrease is primarily due to the Transit Capital Projects revenue decrease of \$25.8 million which was offset by the General Fund increased revenue of \$12.4 million and the Transit Special Revenue increase of \$2.4 million. This represents an improvement over the prior year's decrease of \$49.0 million (13.8%). 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 \$54.0 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 \$10.2 million during the current fiscal year. The increase is primarily due to revenues exceeding expenditures by \$14.1 million.

	Fiscal Year Ended			
	June 30, 2011		June 30, 2010	
Revenues	\$ 159,827,943		\$ 147,398,236	
Total fund balance	54,038,399	33.8 %	43,813,734	27.9 %
Assigned/designated fund balance	13,783,790	8.6	13,783,790	9.4

Total revenues increased by \$12.4 million from the prior year. Sales tax increased by \$14.2 million over prior year with the City's voter approved temporary sales tax contributing to \$10.0 million of the increase and the bed tax increase resulting in a \$1.6 million increase in additional revenue. The increase was offset with a \$5.3 million decrease 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 recovered in the current year by \$2.4 million. As this fund is primarily sales tax funded, the increase in sales tax collections contributed to the increase in revenues by \$1.1 million. In addition, charges for services increased by \$3.4 million. This is due in part to the operations of the light rail now being in its second full year of operations and ridership continuing to increase. The fund balance totaled \$21.4 million at June 30, 2011, compared to \$24.2 million fund balance at June 30, 2010. The net decrease in total fund balance for the year ended June 30, 2011 was due to expenditures exceeding revenues by \$2.8 million. This is down from prior year's expenditures over revenues of \$11.0 million. The Transit fund is currently in the second year of its three year budget balancing plan.

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) decreased from \$38.1 million at June 30, 2010 to \$34.7 million at June 30, 2011. The change in fund balance is due primarily to a \$3.2 million decrease in secondary property tax revenues. 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) decreased from \$64,482 at June 30, 2010 to a deficit of \$775,691 at June 30, 2011. The deficit will be covered by future anticipated special assessment payments.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system, construction of the Tempe Transportation Center, East Valley Bus Maintenance Facility and other traffic flow improvements. Total fund balance had an increase from \$54.5 million at June 30, 2010 to \$64.9 million at June 30, 2011, a \$10.5 million change. This positive change in fund balance occurred despite a decrease in revenues of \$25.8 million. The decrease in revenues was due to receiving the majority of the light rail federal reimbursements in the prior year. In the prior year, \$30.0 million of these reimbursements were transferred to the Transit Special Revenue Fund. There was a reduction in expenditures by \$8.8 million reflecting decreased light rail construction activity.

## 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, 2011	June 30, 2010
Water and wastewater fund	\$235,060,325	\$234,226,573
Solid waste fund	12,489,370	11,211,792
Golf fund	1,318,207	1,476,426
Cemetery fund	(223,925)	(157,568)
Internal service fund	2,665,431	6,132,653

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 \$0.8 million for the fiscal year ended June 30, 2011 versus a decrease in net assets of \$5.3 million for the fiscal year ended June 30, 2010. This is due primarily to planned increases in charges for services as a result of rate adjustments which increased revenue by \$7.6 million. The rate study calls for phased in rate increases. The second rate increase was implemented November 1, 2010 for this operation. 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.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Revenues over expenditures remained fairly consistent between fiscal years resulting in an increase in net assets for fiscal year ended June 30, 2011 of \$1.3 million compared to \$1.5 million for fiscal year ended June 30, 2010.

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, 2011 which is less than prior year's reduction of \$0.6 million. The decrease in the loss is due to the City changing the golf course operations.

The **Cemetery Fund** was established to account for the improvements, expansion and operations of the Double Butte Cemetery. Reduced demand for cemetery services resulted in a reduction in net assets of \$66,357 during the fiscal year ended June 30, 2011.

The **Internal Service Funds** accounts for the risk management and health insurance activities of the City. The \$3.5 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 \$153.8 million differs from the original budget of \$154.8 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 \$6.0 million (3.9% of total budgeted revenue) in the General Fund. This is due primarily to the increase in sales taxes.

Actual expenditures were less than budgetary estimates by \$5.7 million (3.7% of final budgetary estimates) in the General Fund. This positive variance was attributable to 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, 2011 amount to \$1.259 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$26.5 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2011 and 2010, respectively.

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

Capital Assets, Net of Depreciation- June 30, 2010			
	Governmental Activities	Business-type Activities	Total
Land	\$ 64,319,443	\$ 6,693,377	\$ 71,012,820
Buildings	239,789,213	37,443,345	277,232,558
Infrastructure	395,661,174	121,707,403	517,368,577
Improvements	106,212,327	163,799,558	270,011,885
Machinery and equipment	47,816,947	11,892,230	59,709,177
Construction in progress	27,733,671	9,894,013	37,627,684
Total	\$ 881,532,775	\$ 351,429,926	\$ 1,232,962,701

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

**Governmental Activities**

- During the year ended June 30, 2011, the City reacquired land worth \$25.3 million as a result of a renegotiation of a development agreement involving a special assessment improvement district. In addition, several improvement projects were completed including the \$7.3 million police station renovation, the \$2.8 million replacement of the Town Lake rubber dams, and \$1.1 million in energy retrofits. There were also various infrastructure improvements to roadways, bike paths and street lights.

**Business-type Activities**

- Capital expenditures for the South Tempe Water Treatment Plant continued during the fiscal year. A total of \$26.1 million of improvements were incurred in the current year.
- Infrastructure for several water line projects were completed and capitalized totaling over \$5.2 million.

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 \$846.5 million which is an increase of \$9.1 million over the prior fiscal year. The increase is due in large part to the issuance of bonds for water and wastewater, police and fire, community service, and streets capital projects. In addition, the final drawdown of a loan was received from the Water Infrastructure Financing Authority of Arizona to assist in financing projects such as the Johnny G. Martinez water treatment plant expansion, the Western Canal water transportation project along with various water line projects.

<b>Outstanding Long-term Obligations - June 30, 2011</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
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	<u>431,184,000</u>	<u>336,448,516</u>	<u>767,632,516</u>
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	<u>\$ 504,532,040</u>	<u>\$ 341,988,946</u>	<u>\$ 846,520,986</u>

### Outstanding Long-term Obligations- June 30, 2010

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 172,665,000	\$ 289,895,000	\$ 462,560,000
Special assessment bonds	33,025,000	-	33,025,000
Excise tax obligations	230,470,000	18,144,740	248,614,740
HUD Section 108 loan	6,181,000	-	6,181,000
Capital improvement notes	521,955	-	521,955
WIFA loan	-	13,273,706	13,273,706
Total debt payable	<u>442,862,955</u>	<u>321,313,446</u>	<u>764,176,401</u>
Capital leases	1,776,147	147,089	1,923,236
Compensated absences	20,662,400	-	20,662,400
Claims and judgments	4,877,562	-	4,877,562
Net OPEB obligation	40,664,253	5,070,877	45,735,130
Total long-term obligations	<u>\$ 510,843,317</u>	<u>\$ 326,531,412</u>	<u>\$ 837,374,729</u>

The City's issued \$5.3 million in new general obligation debt during the current fiscal year for public safety, community service and street improvements in the amounts of \$4.0 million, \$0.1 million, and \$1.2 million, respectively. In addition, the City issued \$60.3 million of general obligation refunding bonds. The primary purpose of the refunding 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 \$4.3 million in the City's General Obligation Debt Service and Water/Wastewater funds. Furthermore, the City issued \$39.1 million in excise tax obligations; \$31.4 million was for water and wastewater projects and \$7.7 million was for energy retrofits.

The City's total general obligation bonded debt outstanding decreased by approximately \$22.9 million from the fiscal year ended June 30, 2010 to the fiscal year ended June 30, 2011. 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, 2011	June 30, 2010
Net general bonded debt	\$ 131,961,748	\$ 134,538,607
Net general bonded debt per capita	816	770
Ratio of net general bonded debt to net assessed value	5.3%	4.9%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 0.88	\$ 0.91

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, 2011 is \$142.4 million and \$27.7 million under the 6% and 20% limitation, respectively. 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

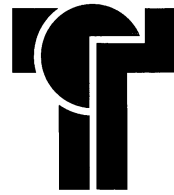
While the requirements of GASB Statements No. 43 and 45, related to financial reporting of other postemployment benefits (OPEB), had a material affect on the financial position of the City beginning with the fiscal year ended June 30, 2008, the Tempe Mayor and Council approved changes to the benefit 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. It has not been determined the effect on the City's OPEB liability. Please refer to Note 15 of the *Notes to the Financial Statements*. An actuarial analysis will be performed in order to determine the financial impact for the fiscal year ending June 30, 2012.

## 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, 2011

City of Tempe, Arizona

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Pooled cash and investments	\$ 209,670,585	\$ 35,070,288	\$ 244,740,873
Receivables:			
Taxes	14,362,939	-	14,362,939
Accounts, net	5,942,703	11,423,166	17,365,869
Accrued interest	248,280	368,170	616,450
Due from other governments	21,180,757	-	21,180,757
Inventories	1,435,102	514,649	1,949,751
Prepaid items	711,739	-	711,739
Restricted cash and investments	37,917,359	58,317,589	96,234,948
Special assessment receivables	30,166,406	-	30,166,406
Capital improvement notes receivable	16,890,074	1,217,216	18,107,290
Equity in joint venture	284,699,325	154,702,528	439,401,853
Capital assets not being depreciated:			
Land	89,605,173	6,693,377	96,298,550
Construction in progress	13,208,314	35,234,289	48,442,603
Capital assets (net of accumulated depreciation):			
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
Total assets	<u>1,516,012,126</u>	<u>628,307,537</u>	<u>2,144,319,663</u>
<b>Liabilities</b>			
Accounts payable	14,712,291	8,863,628	23,575,919
Deposits	6,614,604	381,393	6,995,997
Accrued expenses	13,127,567	4,168,541	17,296,108
Deferred charges	2,941,769	171,112	3,112,881
Liabilities payable from restricted assets	28,264,214	24,089,940	52,354,154
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	2,060,000	-	2,060,000
Due in more than one year	27,815,000	-	27,815,000
Other long-term liabilities:			
Due within one year	36,488,117	19,137,486	55,625,603
Due in more than one year	438,168,923	322,851,460	761,020,383
Total liabilities	<u>570,192,485</u>	<u>379,663,560</u>	<u>949,856,045</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	571,925,061	175,625,967	747,551,028
Restricted for:			
Transit	33,478,773	-	33,478,773
Cultural and recreational	3,606,346	-	3,606,346
Highways and streets	5,794,383	-	5,794,383
Housing assistance	840,759	-	840,759
Capital projects	321,689	-	321,689
Debt service	70,601,938	-	70,601,938
Unrestricted	259,250,692	73,018,010	332,268,702
Total net assets	<u>\$ 945,819,641</u>	<u>\$ 248,643,977</u>	<u>\$ 1,194,463,618</u>

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

# Statement of Activities

For the fiscal year ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 72,492,475	\$ 1,657,335	\$ 2,889,138	\$ -
Fire	27,499,884	2,107,133	865,638	-
Community services	27,031,973	6,453,226	1,436,121	-
Public works	94,687,386	19,582,397	1,129,168	22,375,159
Community development	30,778,689	4,484,572	13,109,106	2,333,158
Community relations	4,463,790	-	2,531,397	-
Mayor and council	316,531	-	-	-
City manager	556,354	-	-	-
Diversity program	447,287	-	-	-
Internal audit/consulting	477,080	-	-	-
Tempe learning center	467,763	-	-	-
City clerk and elections	403,792	-	-	-
City attorney	2,659,312	8,682	49,067	-
Municipal courts	4,179,694	8,413,798	71,885	-
Finance and technology	8,321,853	2,624,190	50,000	-
Human resources	2,037,261	-	-	-
Unallocated depreciation	5,733,128	-	-	-
Interest on long-term debt	18,453,487	-	-	-
Total governmental activities	<u>301,007,739</u>	<u>45,331,333</u>	<u>22,131,520</u>	<u>24,708,317</u>
Business-type activities:				
Water and wastewater	67,505,481	70,094,034	-	1,691,429
Solid waste	13,784,106	15,326,780	-	-
Golf course	2,011,316	1,562,489	-	-
Cemetery	176,553	110,196	-	-
Total business-type activities	<u>83,477,456</u>	<u>87,093,499</u>	<u>-</u>	<u>1,691,429</u>
Total government	<u>\$ 384,485,195</u>	<u>\$ 132,424,832</u>	<u>\$ 22,131,520</u>	<u>\$ 26,399,746</u>

General revenues:

- Sales taxes
- State shared income taxes, unrestricted
- Property taxes
- Franchise taxes
- Auto-lieu taxes
- Unrestricted investment earnings
- Miscellaneous
- Gain (loss) 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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (67,946,002)	\$ -	\$ (67,946,002)
(24,527,113)	-	(24,527,113)
(19,142,626)	-	(19,142,626)
(51,600,662)	-	(51,600,662)
(10,851,853)	-	(10,851,853)
(1,932,393)	-	(1,932,393)
(316,531)	-	(316,531)
(556,354)	-	(556,354)
(447,287)	-	(447,287)
(477,080)	-	(477,080)
(467,763)	-	(467,763)
(403,792)	-	(403,792)
(2,601,563)	-	(2,601,563)
4,305,989	-	4,305,989
(5,647,663)	-	(5,647,663)
(2,037,261)	-	(2,037,261)
(5,733,128)	-	(5,733,128)
(18,453,487)	-	(18,453,487)
<u>(208,836,569)</u>	<u>-</u>	<u>(208,836,569)</u>
-	4,279,982	4,279,982
-	1,542,674	1,542,674
-	(448,827)	(448,827)
-	(66,357)	(66,357)
<u>-</u>	<u>5,307,472</u>	<u>5,307,472</u>
<u>(208,836,569)</u>	<u>5,307,472</u>	<u>(203,529,097)</u>
141,844,739	-	141,844,739
16,137,383	-	16,137,383
35,501,233	-	35,501,233
3,821,436	-	3,821,436
5,424,902	-	5,424,902
1,229,447	459,759	1,689,206
2,991,971	1,976,132	4,968,103
133,677	(5,563,191)	(5,429,514)
293,418	(293,418)	-
<u>207,378,206</u>	<u>(3,420,718)</u>	<u>203,957,488</u>
(1,458,363)	1,886,754	428,391
947,278,004	246,757,223	1,194,035,227
<u>\$ 945,819,641</u>	<u>\$ 248,643,977</u>	<u>\$ 1,194,463,618</u>

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

# Balance Sheet

## Governmental Funds

June 30, 2011

	<u>General</u>	<u>Transit Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Special Assessment Debt Service</u>
<b><u>Assets</u></b>				
Pooled cash and investments	\$ 53,814,924	\$ 13,057,045	\$ 34,642,480	\$ -
Receivables:				
Taxes	9,237,106	2,559,463	1,047,627	-
Accounts	5,690,732	15,000	-	-
Accrued interest	224,702	-	-	-
Due from other funds	1,694,869	-	-	-
Due from other governments	-	13,240,410	-	-
Inventories	320,506	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	2,006,164	3,515,514	16,469,752	729,713
Special assessments	-	-	-	30,166,406
Capital improvement notes receivable	330,000	2,057,306	14,502,768	-
Total assets	<u>\$ 73,319,003</u>	<u>\$ 34,444,738</u>	<u>\$ 66,662,627</u>	<u>\$ 30,896,119</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 2,383,743	\$ 7,357,999	\$ 32,014	\$ 600
Deposits	6,509,946	-	-	-
Accrued expenditures	4,073,476	83,000	-	-
Claims and judgements	991,382	23,514	-	-
Due to other funds	-	-	-	530,668
Deferred revenue	5,322,057	2,057,306	15,439,915	30,410,829
Matured bonds payable	-	2,840,000	12,270,000	-
Matured interest payable	-	675,514	4,202,446	729,713
Total liabilities	<u>19,280,604</u>	<u>13,037,333</u>	<u>31,944,375</u>	<u>31,671,810</u>
<b><u>Fund Balances</u></b>				
Fund balances:				
Non-spendable	650,506	-	-	-
Restricted	-	16,487,760	25,526,885	-
Committed	-	4,220,265	-	-
Assigned	13,783,790	699,380	9,191,367	-
Unassigned	39,604,103	-	-	(775,691)
Total fund balances	<u>54,038,399</u>	<u>21,407,405</u>	<u>34,718,252</u>	<u>(775,691)</u>
Total liabilities and fund balances	<u>\$ 73,319,003</u>	<u>\$ 34,444,738</u>	<u>\$ 66,662,627</u>	<u>\$ 30,896,119</u>

*City of Tempe, Arizona*

<u>Transit Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 61,526,374	\$ 36,096,734	\$ 199,137,557
-	1,518,743	14,362,939
-	236,971	5,942,703
-	23,578	248,280
-	-	1,694,869
4,143,708	3,796,639	21,180,757
-	1,114,596	1,435,102
-	711,739	711,739
-	15,196,216	37,917,359
-	-	30,166,406
-	-	16,890,074
<u>\$ 65,670,082</u>	<u>\$ 58,695,216</u>	<u>\$ 329,687,785</u>
\$ 736,375	\$ 4,029,813	\$ 14,540,544
-	104,658	6,614,604
-	286,949	4,443,425
-	49,379	1,064,275
-	1,164,201	1,694,869
-	3,731,881	56,961,988
-	5,745,000	20,855,000
-	1,801,541	7,409,214
<u>736,375</u>	<u>16,913,422</u>	<u>113,583,919</u>
-	1,826,335	2,476,841
14,933,707	18,327,386	75,275,738
50,000,000	21,225,893	75,446,158
-	723,584	24,398,121
-	(321,404)	38,507,008
<u>64,933,707</u>	<u>41,781,794</u>	<u>216,103,866</u>
<u>\$ 65,670,082</u>	<u>\$ 58,695,216</u>	<u>\$ 329,687,785</u>

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

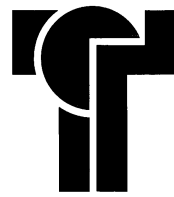
# Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2011

City of Tempe, Arizona

Fund balances- total governmental funds		\$ 216,103,866
<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	1,434,215,303	
Accumulated depreciation	<u>(541,428,446)</u>	892,786,857
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		284,699,325
<p>Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unearned revenue.</p>		
Deferred special assessment revenue	30,410,829	
Deferred tax and other deferred revenue	1,673,512	
Deferred notes receivable revenue	16,518,772	
Deferred court revenue	4,626,994	
Capital grant and contribution monies not received within 60 days	<u>3,731,881</u>	56,961,988
<p>Bond premium net of issuance costs are not financial resources and, therefore, are not reported in the funds.</p>		
		(2,941,770)
<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	(23,731,713)	
Claims and judgments	(4,992,030)	
Other post employment benefits (excluding internal service)	(44,451,578)	
Bonds, capital improvement notes and capital leases	<u>(431,280,735)</u>	(504,456,056)
<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>2,665,431</u>
Net assets of governmental activities		<u>\$ 945,819,641</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, 2011

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
<b>Revenues:</b>				
Taxes:				
Sales taxes	\$ 82,476,886	\$ 29,012,370	\$ -	\$ -
Property taxes	13,301,107	-	21,690,870	-
Franchise taxes	3,821,436	-	-	-
Intergovernmental:				
Federal grants	-	851,945	-	-
State grants	-	-	-	-
State sales tax	12,656,738	-	-	-
State income tax	16,137,383	-	-	-
Auto lieu tax	5,424,902	-	-	-
Other	622,209	-	-	-
Investment income	637,637	544,927	-	-
Charges for services	9,605,746	18,084,457	-	-
Fines and forfeitures	7,576,496	-	-	-
Other entities' participation	-	-	51,853	-
Special assessments	-	-	-	3,867,979
Licenses and permits	1,666,196	-	-	-
Miscellaneous	5,901,207	154,453	-	-
Total revenues	<u>159,827,943</u>	<u>48,648,152</u>	<u>21,742,723</u>	<u>3,867,979</u>
<b>Expenditures:</b>				
Current:				
Police	61,858,255	-	-	-
Fire	24,716,302	-	-	-
Community services	18,753,192	-	-	-
Public works	13,888,197	46,183,425	-	8,431
Community development	7,320,029	-	-	-
Community relations	2,136,142	-	-	-
Mayor and council	318,282	-	-	-
City manager	521,642	-	-	-
Diversity program	427,103	-	-	-
Internal audit/consulting	379,752	-	-	-
Tempe learning center	445,556	-	-	-
City clerk and elections	395,778	-	-	-
City attorney	2,522,358	-	-	-
Municipal court	3,457,401	-	-	-
Finance and technology	6,620,247	-	-	-
Human resources	1,945,518	-	-	-
Debt service:				
Principal retirement	-	2,840,000	14,029,231	3,150,000
Interest and fiscal fees	-	2,434,877	11,335,602	1,549,721
Capital outlay	-	-	-	-
Total expenditures	<u>145,705,754</u>	<u>51,458,302</u>	<u>25,364,833</u>	<u>4,708,152</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>14,122,189</u>	<u>(2,810,150)</u>	<u>(3,622,110)</u>	<u>(840,173)</u>
<b>Other financing sources (uses):</b>				
Transfers in	353,000	-	8,085,937	-
Transfers out	(4,619,000)	-	(8,377,213)	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	2,401,827	-
Capital lease proceeds	110,617	-	-	-
Proceeds from sale of capital assets	257,859	-	-	-
Issuance of refunding bonds	-	-	26,040,000	-
Payment to refunded bonds escrow agent	-	-	(27,936,582)	-
Total other financing sources (uses)	<u>(3,897,524)</u>	<u>-</u>	<u>213,969</u>	<u>-</u>
Net change in fund balances	10,224,665	(2,810,150)	(3,408,141)	(840,173)
Fund balance at beginning of year	43,813,734	24,217,555	38,126,393	64,482
Fund balance (deficit) at end of year	<u>\$ 54,038,399</u>	<u>\$ 21,407,405</u>	<u>\$ 34,718,252</u>	<u>\$ (775,691)</u>

City of Tempe, Arizona

<u>Transit Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 8,195,275	\$ 119,684,531
-	251,389	35,243,366
-	-	3,821,436
4,925,350	19,793,299	25,570,594
140,376	204,535	344,911
-	9,503,470	22,160,208
-	-	16,137,383
-	-	5,424,902
12,663,949	4,256,757	17,542,915
-	47,402	1,229,966
-	2,595,124	30,285,327
-	658,941	8,235,437
25,060	545,630	622,543
-	-	3,867,979
-	-	1,666,196
1,718	1,152,187	7,209,565
<u>17,756,453</u>	<u>47,204,009</u>	<u>299,047,259</u>
-	3,431,740	65,289,995
-	922,986	25,639,288
-	3,256,956	22,010,148
-	7,918,314	67,998,367
-	15,626,220	22,946,249
-	2,196,276	4,332,418
-	-	318,282
-	-	521,642
-	-	427,103
-	-	379,752
-	-	445,556
-	-	395,778
-	41,925	2,564,283
-	594,116	4,051,517
-	-	6,620,247
-	-	1,945,518
-	6,043,000	26,062,231
-	3,669,478	18,989,678
<u>7,355,871</u>	<u>27,992,649</u>	<u>35,348,520</u>
<u>7,355,871</u>	<u>71,693,660</u>	<u>306,286,572</u>
<u>10,400,582</u>	<u>(24,489,651)</u>	<u>(7,239,313)</u>
-	8,473,322	16,912,259
(50,000)	(3,572,628)	(16,618,841)
-	13,146,000	13,146,000
-	-	2,401,827
-	-	110,617
52,745	17,989	328,593
-	-	26,040,000
-	-	(27,936,582)
<u>2,745</u>	<u>18,064,683</u>	<u>14,383,873</u>
10,403,327	(6,424,968)	7,144,560
54,530,380	48,206,762	208,959,306
<u>\$ 64,933,707</u>	<u>\$ 41,781,794</u>	<u>\$ 216,103,866</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, 2011

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ 7,144,560

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	(3,183,781)	
OPEB (excluding internal service)	(3,860,976)	
		(7,044,757)

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	133,617	
Court revenue	1,744,693	
Capital grants and contributions	1,143,803	
Special assessments received/recognized	(2,947,091)	
		75,022

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	35,348,520	
Miscellaneous net capital expenditures	(5,712,184)	
Depreciation expense	(41,302,232)	
		(11,665,896)

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		1,790,029
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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	305,725	
Amortization of bond issuance costs	(230,466)	
		536,191

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	(11,249,418)	
Premium on issuance of debt	(2,401,827)	
Principal payments made	24,824,955	
		11,173,710

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.

(3,467,222)

Changes in net assets of governmental activities \$ (1,458,363)

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, 2011

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 89,278,153	\$ 89,278,153	\$ 99,599,429	\$ 10,321,276
Intergovernmental	35,165,037	35,165,037	34,841,232	(323,805)
Investment income	1,500,000	1,500,000	914,801	(585,199)
Charges for services	11,053,141	11,053,141	9,605,746	(1,447,395)
Fines and forfeitures	10,322,095	10,322,095	7,576,496	(2,745,599)
Licenses and permits	1,714,996	1,714,996	1,666,196	(48,800)
Miscellaneous	5,058,923	5,058,923	5,901,207	842,284
Total revenues	<u>154,092,345</u>	<u>154,092,345</u>	<u>160,105,107</u>	<u>6,012,762</u>
<b>Expenditures</b>				
Police	66,118,010	65,258,984	62,454,622	2,804,362
Fire	25,471,622	25,645,848	24,799,272	846,576
Community services	19,877,191	20,027,142	20,948,668	(921,526)
Public works	16,463,541	15,989,705	14,255,539	1,734,166
Community development	7,486,092	7,403,492	7,356,956	46,536
Community relations	2,274,112	2,316,070	2,131,723	184,347
Mayor and council	317,913	317,413	297,615	19,798
City manager	273,771	273,771	284,123	(10,352)
Diversity program	441,351	457,481	428,071	29,410
Internal audit/consulting	414,920	383,192	381,555	1,637
Tempe learning center	519,984	511,484	447,626	63,858
City clerk and elections	744,628	452,031	397,533	54,498
City attorney	2,532,363	2,508,023	2,530,695	(22,672)
Municipal court	3,605,850	3,524,959	3,383,108	141,851
Finance and technology	30,439,523	18,771,807	17,707,284	1,064,523
Human resources	2,006,752	1,816,552	1,934,813	(118,261)
Interdepartmental charges	(24,176,321)	(11,869,403)	(11,678,801)	(190,602)
Total expenditures	<u>154,811,302</u>	<u>153,788,551</u>	<u>148,060,402</u>	<u>5,728,149</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	353,000	353,000
Transfers to other funds	-	-	(4,619,000)	(4,619,000)
Proceeds from sale of capital assets	120,000	120,000	257,859	137,859
Total other financing sources (uses)	<u>120,000</u>	<u>120,000</u>	<u>(4,008,141)</u>	<u>(4,128,141)</u>
Net change in fund balance	<u>\$ (598,957)</u>	<u>\$ 423,794</u>	<u>8,036,564</u>	<u>\$ 7,612,770</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	(277,164)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	167,837
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	46,400
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	<u>2,251,028</u>
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ 10,224,665</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, 2011

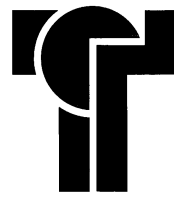
*City of Tempe, Arizona*

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 25,012,100	\$ 25,012,100	\$ 29,012,370	\$ 4,000,270
Intergovernmental revenue	-	-	851,945	851,945
Investment income	212,386	212,386	430,238	217,852
Charges for services	18,613,425	18,613,425	18,084,457	(528,968)
Miscellaneous	-	-	154,453	154,453
Total revenues	<u>43,837,911</u>	<u>43,837,911</u>	<u>48,533,463</u>	<u>4,695,552</u>
<b>Expenditures</b>				
Current:				
Public works	54,476,251	54,476,251	46,223,650	8,252,601
Debt service:				
Principal retirement	2,900,000	2,900,000	2,840,000	60,000
Interest and fiscal fees	6,650,000	6,650,000	2,434,877	4,215,123
Total expenditures	<u>64,026,251</u>	<u>64,026,251</u>	<u>51,498,527</u>	<u>12,527,724</u>
Net change in fund balance	<u><u>\$(20,188,340)</u></u>	<u><u>\$(20,188,340)</u></u>	<u>(2,965,064)</u>	<u><u>\$ 17,223,276</u></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	114,689
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(3,652)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	34,045
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	9,832
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u><u>\$ (2,810,150)</u></u>

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



# Statement of Net Assets

## Proprietary Funds

June 30, 2011

City of Tempe, Arizona

Assets	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Current assets:						
Pooled cash and investments	\$ 26,755,919	\$ 8,238,274	\$ 76,095	\$ -	\$ 35,070,288	\$ 10,533,028
Restricted cash and investments	58,137,891	-	-	179,698	58,317,589	-
Accounts receivable	10,242,203	1,180,963	-	-	11,423,166	-
Accrued interest receivable	330,291	19,430	14,574	3,875	368,170	-
Due from other funds	484,699	-	-	-	484,699	-
Inventories	514,649	-	-	-	514,649	-
Total current assets	<u>96,465,652</u>	<u>9,438,667</u>	<u>90,669</u>	<u>183,573</u>	<u>106,178,561</u>	<u>10,533,028</u>
Noncurrent assets:						
Notes receivable	1,217,216	-	-	-	1,217,216	-
Equity in joint venture	154,702,528	-	-	-	154,702,528	-
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	246,343,246	-	-	-	246,343,246	-
Improvements	223,410,545	-	4,247,980	2,261,330	229,919,855	-
Machinery and equipment	29,208,126	20,005,489	1,322,648	19,449	50,555,712	-
Construction in progress	35,234,289	-	-	-	35,234,289	-
Less accumulated depreciation	(240,624,310)	(14,312,679)	(5,742,146)	(196,148)	(260,875,283)	-
Total capital assets (net of accumulated depreciation)	<u>355,637,014</u>	<u>6,958,593</u>	<u>2,013,693</u>	<u>2,084,631</u>	<u>366,693,931</u>	<u>-</u>
Total noncurrent assets	<u>511,556,758</u>	<u>6,958,593</u>	<u>2,013,693</u>	<u>2,084,631</u>	<u>522,613,675</u>	<u>-</u>
Total assets	<u>\$ 608,022,410</u>	<u>\$ 16,397,260</u>	<u>\$ 2,104,362</u>	<u>\$ 2,268,204</u>	<u>\$ 628,792,236</u>	<u>\$ 10,533,028</u>

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities- Internal Service Funds</b>
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Golf Course</b>	<b>Cemetery</b>	<b>Total</b>	
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	\$ 7,316,962	\$ 1,498,663	\$ 48,003	\$ -	\$ 8,863,628	\$ 171,746
Deposits	380,108	1,285	-	-	381,393	-
Accrued expenses	2,971,110	964,280	233,151	-	4,168,541	7,619,867
Due to other funds	-	-	-	484,699	484,699	-
Deferred revenue	171,112	-	-	-	171,112	-
Accrued interest payable	6,485,934	-	-	44,006	6,529,940	-
General obligation bonds- current	16,895,000	-	-	-	16,895,000	-
Excise tax revenue obligations- current	575,000	-	-	90,000	665,000	-
WIFA loan payable- current	675,446	-	-	-	675,446	-
Capital leases payable- current	-	-	52,086	-	52,086	-
OPEB- current	315,848	126,951	35,839	-	478,638	-
Total current liabilities	<u>35,786,520</u>	<u>2,591,179</u>	<u>369,079</u>	<u>618,705</u>	<u>39,365,483</u>	<u>7,791,613</u>
Noncurrent liabilities:						
General obligation bonds payable	273,000,000	-	-	-	273,000,000	-
Excise tax revenue obligations	46,954,000	-	-	1,785,000	48,739,000	-
WIFA loan payable	13,945,646	-	-	-	13,945,646	-
Capital leases payable	-	-	45,353	-	45,353	-
OPEB obligation	3,275,919	1,316,711	371,723	-	4,964,353	75,984
Unamortized premium	-	-	-	88,424	88,424	-
Total noncurrent liabilities	<u>337,175,565</u>	<u>1,316,711</u>	<u>417,076</u>	<u>1,873,424</u>	<u>340,782,776</u>	<u>75,984</u>
Total liabilities	<u>372,962,085</u>	<u>3,907,890</u>	<u>786,155</u>	<u>2,492,129</u>	<u>380,148,259</u>	<u>7,867,597</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	166,629,913	6,958,593	1,916,254	121,207	175,625,967	-
Unrestricted	68,430,412	5,530,777	(598,047)	(345,132)	73,018,010	2,665,431
Total net assets	<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>

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, 2011

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	\$ 70,094,034	\$ 15,326,780	\$ 1,562,489	\$ 110,196	\$ 87,093,499	\$ 25,411,364
Miscellaneous	1,973,274	2,858	-	-	1,976,132	-
Total operating revenues	<u>72,067,308</u>	<u>15,329,638</u>	<u>1,562,489</u>	<u>110,196</u>	<u>89,069,631</u>	<u>25,411,364</u>
Operating expenses:						
Personnel services	14,635,025	5,521,405	783,931	-	20,940,361	-
Supplies and materials	4,069,201	195,566	288,871	301	4,553,939	-
Fees and services	16,461,841	6,932,010	702,554	-	24,096,405	28,878,586
Depreciation	16,414,839	1,135,125	235,960	90,926	17,876,850	-
Total operating expenses	<u>51,580,906</u>	<u>13,784,106</u>	<u>2,011,316</u>	<u>91,227</u>	<u>67,467,555</u>	<u>28,878,586</u>
Operating income (loss)	20,486,402	1,545,532	(448,827)	18,969	21,602,076	(3,467,222)
Nonoperating revenues (expenses):						
Investment income (loss)	420,210	42,011	(2,462)	-	459,759	-
Interest and fiscal fees	(9,720,695)	-	-	(85,326)	(9,806,021)	-
Gain (loss) on sale of capital asset	(5,603,226)	40,035	-	-	(5,563,191)	-
Net loss from joint venture	<u>(6,203,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,203,880)</u>	<u>-</u>
Income (loss) before contributions and operating transfers	(621,189)	1,627,578	(451,289)	(66,357)	488,743	(3,467,222)
Capital contributions	1,691,429	-	-	-	1,691,429	-
Transfers in	5,868,912	-	293,070	-	6,161,982	-
Transfers out	<u>(6,105,400)</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>(6,455,400)</u>	<u>-</u>
Change in net assets	833,752	1,277,578	(158,219)	(66,357)	1,886,754	(3,467,222)
Total net assets- beginning	<u>234,226,573</u>	<u>11,211,792</u>	<u>1,476,426</u>	<u>(157,568)</u>	<u>246,757,223</u>	<u>6,132,653</u>
Total net assets- ending	<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>

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, 2011

City of Tempe, Arizona

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Cash flows from operating activities:						
Receipts from customers	\$ 74,869,371	\$ 15,199,948	\$ 1,562,489	\$ 110,196	\$ 91,742,004	\$ -
Receipts from other funds	-	-	-	-	-	25,537,532
Payments to employees for services	(16,249,637)	(5,604,741)	(937,187)	(5,105)	(22,796,670)	-
Payments to suppliers for goods and services	(20,573,291)	(5,986,380)	(1,001,907)	(370)	(27,561,948)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(30,883,821)
Net cash provided (used) by operating activities	<u>38,046,443</u>	<u>3,608,827</u>	<u>(376,605)</u>	<u>104,721</u>	<u>41,383,386</u>	<u>(5,346,289)</u>
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	5,153	-	-	(5,153)	-	-
Transfers in	5,868,912	-	293,070	-	6,161,982	-
Transfers out	(6,105,400)	(350,000)	-	-	(6,455,400)	-
Net cash provided (used) by noncapital financing activities	<u>(231,335)</u>	<u>(350,000)</u>	<u>293,070</u>	<u>(5,153)</u>	<u>(293,418)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds	65,594,000	-	-	-	65,594,000	-
Payment to refunded bond escrow agent	(37,078,469)	-	-	-	(37,078,469)	-
Proceeds from loan payable	2,656,596	-	-	-	2,656,596	-
Principal paid on long-term debt	(16,819,210)	-	(2,698)	(90,000)	(16,911,908)	-
Interest and fiscal fees	(6,990,002)	-	-	(93,219)	(7,083,221)	-
Acquisition of capital assets	(31,998,672)	(1,126,257)	-	(62,877)	(33,187,806)	-
Capital contributions	1,691,429	-	-	-	1,691,429	-
Deferred revenue	(2,626,316)	-	-	-	(2,626,316)	-
Loss from the sale of assets	(5,603,226)	40,035	-	-	(5,563,191)	-
Investment in joint venture	(6,071,378)	-	-	-	(6,071,378)	-
Net cash used by capital and related financing activities	<u>(37,245,248)</u>	<u>(1,086,222)</u>	<u>(2,698)</u>	<u>(246,096)</u>	<u>(38,580,264)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	424,765	43,227	(2,652)	-	465,340	-
Collection of notes receivable	(695,261)	-	-	-	(695,261)	-
Net cash provided by investing activities	<u>(270,496)</u>	<u>43,227</u>	<u>(2,652)</u>	<u>-</u>	<u>(229,921)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	299,364	2,215,832	(88,885)	(146,528)	2,279,783	(5,346,289)
Cash and cash equivalents at beginning of year	<u>84,594,446</u>	<u>6,022,442</u>	<u>164,980</u>	<u>326,226</u>	<u>91,108,094</u>	<u>15,879,317</u>
Cash and cash equivalents at end of year	<u>\$ 84,893,810</u>	<u>\$ 8,238,274</u>	<u>\$ 76,095</u>	<u>\$ 179,698</u>	<u>\$ 93,387,877</u>	<u>\$ 10,533,028</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 20,486,402	\$ 1,545,532	\$ (448,827)	\$ 18,969	\$ 21,602,076	\$ (3,467,222)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	16,414,839	1,135,125	235,960	90,926	17,876,850	-
Change in assets and liabilities:						
(Increase) decrease in receivables	2,802,063	(129,690)	-	-	2,672,373	126,168
(Increase) decrease in inventories	255,028	-	-	-	255,028	-
Increase (decrease) in deposits	(6,153)	(284)	-	-	(6,437)	-
Increase (decrease) in payables	(291,124)	1,141,480	(10,482)	(69)	839,805	(519,670)
Increase (decrease) in accrued expenses	(1,870,656)	(184,162)	(168,500)	(5,105)	(2,228,423)	(1,487,897)
Increase (decrease) in net OPEB obligation	256,044	100,826	15,244	-	372,114	2,332
Net cash provided (used) by operating activities	<u>\$ 38,046,443</u>	<u>\$ 3,608,827</u>	<u>\$ (376,605)</u>	<u>\$ 104,721</u>	<u>\$ 41,383,386</u>	<u>\$ (5,346,289)</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	<u>\$ (6,203,880)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,203,880)</u>	<u>\$ -</u>
Total noncash investing, capital, and financing activities:	<u>\$ (6,203,880)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,203,880)</u>	<u>\$ -</u>



# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011

*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, 2011

City of Tempe, Arizona

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Basis of Presentation (Continued)

#### Governmental Funds (Continued)

Governmental Funds include the following fund types:

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

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

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

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

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

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

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

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

#### Proprietary Funds

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Basis of Presentation (Continued)

#### Proprietary Funds (Continued)

Proprietary funds include the following fund types:

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

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

The following enterprise funds are used by the City:

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

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

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

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

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

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

*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, 2011

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

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

*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 2010-11 Expenditure Limitation is \$305,391,699.

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, 2011

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, 2011

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, 2011

*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 2011 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, 2011

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 \$169,448 and the bank balance was <\$241,262>.

### 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.

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.

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$340,806,373
Carrying amount of cash deposits	169,448
Total pooled cash and investments	<u>\$340,975,821</u>
Pooled cash and investments – unrestricted	\$244,740,873
Restricted cash and investments	96,234,948
Total pooled cash and investments	<u>\$340,975,821</u>

The City had a net increase in the fair value of investments during fiscal year 2010-11 of \$536,001. 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, 2011

City of Tempe, Arizona

## NOTE 4 - CASH AND INVESTMENTS (Continued)

### Investments (Continued)

At June 30, 2011, 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	\$ 142,481,006	\$ 96,776,744	\$41,660,588	\$ -
US government agencies	107,817,655	36,273,151	56,424,504	15,120,000
Money market	2,620,684	2,620,684	-	-
Cash held with trustee	41,952,952	41,952,952	-	-
State investment pools	45,934,076	45,934,076	-	-
	<u>\$ 340,806,373</u>	<u>\$ 223,557,607</u>	<u>\$98,085,092</u>	<u>\$ 15,120,000</u>

*Interest rate risk.* One of the ways the City limits its exposure to fair value losses arising from rising interest rates is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City limits all securities to a final maturity of no more than three years and assumes that its callable investments will not be called. 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 A-1+ or AAA and money market funds were rated AAAM by Standard & Poor's. The Arizona Local Government Investment Pool 5 is currently rated AAAs/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, 2011, 6.45% of the City's investments are in Federal Home Loan Bank securities, 20.29% of the City's investments are in Fannie Mae, and 20.64% of the City's investments are in Federal Home Loan Mortgage Corporation Securities.

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

Due to/from other funds consisted of the following at June 30, 2011:

	Due to	Due from
General fund	\$ -	\$ 1,694,869
Special assessment debt service	530,668	-
Non-major governmental	1,164,201	-
Total governmental funds	<u>\$ 1,694,869</u>	<u>\$ 1,694,869</u>
	Due to	Due from
Water and wastewater fund	\$ -	\$ 484,699
Cemetery fund	484,699	-
Total proprietary funds	<u>\$ 484,699</u>	<u>\$ 484,699</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

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

The interfund balances at June 30, 2011 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2011 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	General Obligation Debt Service	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Solid Waste	Total
		General	\$ -	\$ -	\$ -	\$ 270,000	\$ 83,000	\$ -
	General Obligation Debt Service	-	-	-	2,770,000	5,315,937	-	8,085,937
	Non-major Governmental	4,362,962	3,061,276	50,000	212,621	436,463	350,000	8,473,322
	Water and Wastewater	232,968	5,315,937	-	320,007	-	-	5,868,912
	Golf	23,070	-	-	-	270,000	-	293,070
	<b>Total</b>	<b>\$ 4,619,000</b>	<b>\$ 8,377,213</b>	<b>\$ 50,000</b>	<b>\$ 3,572,628</b>	<b>\$ 6,105,400</b>	<b>\$ 350,000</b>	<b>\$23,074,241</b>

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 2010-11 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

## NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE

On November 10, 2004 the City entered into an intergovernmental agreement with the Arizona Tourism and Sports Authority (“TSA”) for the renovation of the Tempe Diablo Stadium Complex. On September 1, 2005, the City funded the project through the issuance of municipal bonds (see note 9). The TSA agreed to reimburse the City \$12,000,000 for their contribution, plus interest at the bond rate (3.50% to 5.00%). A note receivable was recorded in the General Obligation Debt Service Fund for the TSA’s portion. Payments are received semi-annually and any unpaid interest is capitalized. Due to capitalizing interest, at June 30, 2011 the note receivable balance is \$14,502,768.

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 4.5% discount rate. At June 30, 2011 the note receivable balance in the Transit Special Revenue fund is \$2,057,306 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 will receive \$12,324 monthly over a 10 year period with an interest rate of 4.0%. The outstanding notes receivable balance in the Water and Wastewater Enterprise Fund at June 30, 2011 was \$1,217,216.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 7 - JOINT VENTURE

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

### Subregional Operating Group (SROG)

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

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

As of June 30, 2010 (the latest information available), the City has a 15.93% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, excise tax bonds, development fees and grants. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2010 (the latest information available) is as follows (in thousands):

Total assets	\$ 976,261
Total liabilities	(43,434)
Total net assets	<u>\$ 932,827</u>
Total revenues	\$ 108,546
Total expenses	(87,177)
Total non-operating revenues (expenses)	262
Net increase in net assets	<u>\$ 21,631</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, 2011, was \$154,702,528. The City's net loss from joint venture was \$6,203,880 for the fiscal year ended June 30, 2011. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 4041 North Central, Suite 900, Phoenix, Arizona, 85012.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 7 - JOINT VENTURE (Continued)

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

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

As of June 30, 2011, the City has a 24.57% (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, 2010 (the latest information available) is as follows:

Total assets	\$ 1,316,533,813
Total liabilities	<u>(137,801,285)</u>
Total net assets	<u>\$ 1,178,732,528</u>
Total revenues	\$ 174,333,820
Total expenses	(82,190,208)
Total non-operating revenues	9,149,160
Total non-operating expenses	<u>(110,416,910)</u>
Net decrease in net assets	<u>\$ (9,124,138)</u>

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project 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 \$1,864,154 in the fiscal year ended June 30, 2011 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, 2011 was \$284,699,325. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2011 is as follows:

	Balances June 30, 2010	Additions	Retirements	Transfers in (out)	Balances June 30, 2011
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land	\$ 64,319,443	\$25,285,730	\$ -	\$ -	\$ 89,605,173
Construction-in-progress	27,733,671	27,376,121	(1,991,064)	(39,910,414)	13,208,314
Total non-depreciable assets	92,053,114	52,661,851	(1,991,064)	(39,910,414)	102,813,487
Depreciable assets:					
Buildings	298,374,863	-	-	5,810,540	304,185,403
Infrastructure	690,283,121	-	-	13,912,637	704,195,758
Improvements	147,838,034	-	-	14,149,376	161,987,410
Machinery and equipment	155,106,154	2,080,443	(2,191,213)	6,037,861	161,033,245
Total depreciable assets	1,291,602,172	2,080,443	(2,191,213)	39,910,414	1,331,401,816
Accumulated depreciation:					
Buildings	(58,585,650)	(10,689,188)	-	-	(69,274,838)
Infrastructure	(294,621,947)	(15,794,383)	-	-	(310,416,330)
Improvements	(41,625,707)	(5,693,633)	-	-	(47,319,340)
Machinery and equipment	(107,289,207)	(9,125,028)	1,996,297	-	(114,417,938)
Total accumulated depreciation	(502,122,511)	(41,302,232)	1,996,297	-	(541,428,446)
Governmental activities capital assets, net	\$ 881,532,775	\$13,440,062	\$ (2,185,980)	\$ -	\$ 892,786,857

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2010	Additions	Retirements	Transfers in (out)	Balances June 30, 2011
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	9,894,013	38,340,734	(1,056,219)	(11,944,239)	35,234,289
Total non-depreciable assets	16,587,390	38,340,734	(1,056,219)	(11,944,239)	41,927,666
Depreciable assets:					
Buildings	58,822,735	-	-	-	58,822,735
Infrastructure	237,381,550	-	-	8,961,696	246,343,246
Improvements	234,565,125	-	(7,428,671)	2,783,401	229,919,855
Machinery and equipment	49,835,538	1,523,191	(1,002,159)	199,142	50,555,712
Total depreciable assets	580,604,948	1,523,191	(8,430,830)	11,944,239	585,641,548
Accumulated depreciation:					
Buildings	(21,379,390)	(1,389,236)	-	-	(22,768,626)
Infrastructure	(115,674,148)	(6,512,857)	-	-	(122,187,004)
Improvements	(70,765,567)	(7,780,423)	1,782,881	-	(76,763,110)
Machinery and equipment	(37,943,308)	(2,194,334)	981,099	-	(39,156,543)
Total accumulated depreciation	(245,762,413)	(17,876,850)	2,763,980	-	(260,875,283)
Business-type activities capital assets, net	<u>\$351,429,925</u>	<u>\$21,987,075</u>	<u>\$ (6,723,069)</u>	<u>\$ -</u>	<u>\$366,693,931</u>

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

Police	\$ 4,193,746
Fire	2,009,510
Community services	3,760,457
Public works	26,327,265
Community development	1,286,563
Community relations	18,052
City manager	11,127
Diversity program	997
City attorney	3,417
Municipal courts	43,664
Finance and technology	1,164,480
Unallocated depreciation	2,482,954
Total depreciation expense	<u>\$ 41,302,232</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, \$5.375 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, 2011, were as follows:

\$11,045,000 2002 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$1,145,000 through July 1, 2015; interest at 2.25% to 5.00%	\$ 4,165,000
\$44,820,000 2003 Capital Improvement Serial Bonds due in annual installments of \$955,000 to \$3,340,000 through July 1, 2023; interest at 3.50% to 5.00%	15,980,000
\$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%	6,550,000
\$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%	11,525,000
\$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%	40,090,000
\$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%	61,270,000
\$20,690,000 2007 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$20,000 to \$5,860,000 through July 1, 2018; interest at 3.75% to 5.00%	18,310,000
\$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%	65,605,000
\$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%	60,160,000
\$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%	52,335,000
\$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%	15,240,000
\$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%	54,665,000
\$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%	5,375,000
Total general obligation bonds outstanding (excluding current portion of general obligation bonds outstanding)	<u>\$ 439,680,000</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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
2012	\$ 27,715,000	\$ 17,795,439	\$ 45,510,439
2013	27,235,000	16,718,682	43,953,682
2014	28,455,000	15,641,664	44,096,664
2015	29,750,000	14,462,952	44,212,952
2016	27,620,000	13,281,025	40,901,025
2017-2021	143,635,000	48,932,391	192,567,391
2022-2026	122,180,000	19,846,214	142,026,214
2027-2030	33,090,000	2,747,401	35,837,401
	<u>\$ 439,680,000</u>	<u>\$ 149,425,768</u>	<u>\$ 589,105,768</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
2012	\$ 11,485,000	\$ 6,501,687	\$ 17,986,687
2013	11,005,000	6,067,629	17,072,629
2014	11,500,000	5,643,235	17,143,235
2015	11,990,000	5,184,642	17,174,642
2016	10,640,000	4,737,987	15,377,987
2017-2021	52,480,000	17,498,840	69,978,840
2022-2026	40,595,000	7,757,951	48,352,951
2027-2030	16,985,000	1,460,242	18,445,242
	<u>\$ 166,680,000</u>	<u>\$ 54,852,213</u>	<u>\$ 221,532,213</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 16,230,000	\$ 11,293,753	\$ 27,523,753
2013	16,230,000	10,651,053	26,881,053
2014	16,955,000	9,998,429	26,953,429
2015	17,760,000	9,278,310	27,038,310
2016	16,980,000	8,543,038	25,523,038
2017-2021	91,155,000	31,433,551	122,588,551
2022-2026	81,585,000	12,088,263	93,673,263
2027-2030	16,105,000	1,287,159	17,392,159
	<u>\$ 273,000,000</u>	<u>\$ 94,573,556</u>	<u>\$ 367,573,556</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011, the special assessments receivable of \$30,166,406, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest.

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

Special assessment bonds payable with governmental commitment outstanding at June 30, 2011, were as follows:

\$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%	\$ 940,000
\$6,175,000 ID 175 Special Assessment Bonds Payable with Governmental Commitment issued May 6, 1999; maturing January 1, 2015; due in annual installments of \$295,000 to \$555,000; interest at 4.70%	2,080,000
\$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of \$220,000 to \$385,000; interest at 4.10%	3,225,000
\$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>23,630,000</u>
Total special assessment bonds outstanding	<u><u>\$ 29,875,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,060,000	\$ 1,409,611	\$ 3,469,611
2013	2,140,000	1,308,085	3,448,085
2014	1,745,000	1,214,850	2,959,850
2015	1,830,000	1,129,758	2,959,758
2016	1,335,000	1,054,233	2,389,233
2017-2021	7,695,000	4,224,840	11,919,840
2022-2026	7,565,000	2,358,875	9,923,875
2027-2029	<u>5,505,000</u>	<u>421,875</u>	<u>5,926,875</u>
	<u><u>\$29,875,000</u></u>	<u><u>\$13,122,127</u></u>	<u><u>\$42,997,127</u></u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

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

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

\$10,425,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,760,000	\$ 455,238	\$ 2,215,238
2013	1,830,000	384,838	2,214,838
2014	1,905,000	311,638	2,216,638
2015	1,980,000	235,438	2,215,438
2016	-	136,438	136,438
2017-2021	-	682,188	682,188
2022-2023	2,950,000	272,875	3,222,875
	<u>\$10,425,000</u>	<u>\$ 2,478,653</u>	<u>\$12,903,653</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, 2011

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

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

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

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

\$ 24,760,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,225,000	\$ 1,299,900	\$ 3,524,900
2013	2,340,000	1,183,088	3,523,088
2014	2,460,000	1,060,238	3,520,238
2015	2,590,000	931,088	3,521,088
2016	2,725,000	795,112	3,520,112
2017-2020	<u>12,420,000</u>	<u>1,672,128</u>	<u>14,092,128</u>
	<u>\$24,760,000</u>	<u>\$ 6,941,554</u>	<u>\$ 31,701,554</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

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

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

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

\$ 19,060,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 410,000	\$ 924,875	\$ 1,334,875
2013	425,000	909,500	1,334,500
2014	450,000	888,250	1,338,250
2015	460,000	870,250	1,330,250
2016	1,390,000	851,850	2,241,850
2017-2021	7,980,000	3,222,250	11,202,250
2022-2025	7,945,000	1,017,750	8,962,750
	<u>\$19,060,000</u>	<u>\$ 8,684,725</u>	<u>\$ 27,744,725</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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
2012	\$ 315,000	\$ 840,013	\$ 1,155,013
2013	325,000	828,200	1,153,200
2014	345,000	811,950	1,156,950
2015	355,000	798,150	1,153,150
2016	1,280,000	783,950	2,063,950
2017-2021	7,345,000	2,965,000	10,310,000
2022-2025	7,310,000	936,250	8,246,250
	<u>\$17,275,000</u>	<u>\$ 7,963,513</u>	<u>\$ 25,238,513</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 95,000	\$ 84,863	\$ 179,863
2013	100,000	81,300	181,300
2014	105,000	76,300	181,300
2015	105,000	72,100	177,100
2016	110,000	67,900	177,900
2017-2021	635,000	257,250	892,250
2022-2025	635,000	81,500	716,500
	<u>\$1,785,000</u>	<u>\$ 721,213</u>	<u>\$ 2,506,213</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, 2011

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Obligations (Continued)

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

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

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

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

\$ 10,970,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,015,000	\$ 477,888	\$ 2,492,888
2013	2,100,000	392,250	2,492,250
2014	2,190,000	303,000	2,493,000
2015	2,280,000	209,926	2,489,926
2016	2,385,000	107,326	2,492,326
	<u>\$10,970,000</u>	<u>\$1,490,390</u>	<u>\$12,460,390</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011 there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

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

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

\$60,675,000 2006 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$890,000 to \$3,385,000 through July 1, 2036.

\$54,990,000

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011 was 0.25%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2011 of 0.10%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,320,000	\$ 54,990	\$ 1,374,990
2013	1,375,000	53,670	1,428,670
2014	1,430,000	52,296	1,482,296
2015	1,485,000	50,866	1,535,866
2016	1,545,000	49,380	1,594,380
2017-2021	8,695,000	222,472	8,917,472
2022-2026	10,585,000	175,362	10,760,362
2027-2031	12,880,000	118,018	12,998,018
2032-2036	15,675,000	48,252	15,723,252
	<u>\$54,990,000</u>	<u>\$825,306</u>	<u>\$55,815,306</u>

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 9 - LONG-TERM DEBT (Continued)

### Excise Tax Revenue Refunding Obligations (Continued)

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

\$21,210,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 400,000	\$ 1,016,350	\$ 1,416,350
2013	420,000	1,000,350	1,420,350
2014	435,000	983,550	1,418,550
2015	455,000	966,150	1,421,150
2016	2,550,000	947,950	3,497,950
2017-2021	14,185,000	2,695,250	16,880,250
2022	2,765,000	124,425	2,889,425
	<u>\$21,210,000</u>	<u>\$ 7,734,025</u>	<u>\$ 28,944,025</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, 2011, there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

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

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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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. \$46,340,000

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2011 was 0.25%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2011 of 0.10%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,045,000	\$ 46,340	\$ 1,091,340
2013	1,085,000	45,296	1,130,296
2014	1,130,000	44,210	1,174,210
2015	1,175,000	43,080	1,218,080
2016	1,225,000	41,906	1,266,906
2017-2021	6,890,000	190,166	7,080,166
2022-2026	8,385,000	152,832	8,537,832
2027-2031	10,205,000	107,418	10,312,418
2032-2036	12,410,000	52,152	12,462,152
2037	2,790,000	2,790	2,792,790
	<u>\$46,340,000</u>	<u>\$ 726,190</u>	<u>\$ 47,066,190</u>

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

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

\$30,170,000 2008 Excise Tax Revenue Obligations due in annual installments of \$480,000 to \$1,120,000 through July 1, 2038; interest at 3.50% to 5.00% \$28,575,000

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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
2012	\$ 585,000	\$ 1,307,069	\$ 1,892,069
2013	605,000	1,286,594	1,891,594
2014	630,000	1,265,419	1,895,419
2015	650,000	1,241,794	1,891,794
2016	675,000	1,217,419	1,892,419
2017-2021	3,810,000	5,659,294	9,469,294
2022-2026	4,680,000	4,793,706	9,473,706
2027-2031	5,890,000	3,571,500	9,461,500
2032-2036	7,515,000	1,955,438	9,470,438
2037-2038	3,535,000	253,888	3,788,888
	<u>\$28,575,000</u>	<u>\$22,552,121</u>	<u>\$51,127,121</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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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%	\$ 12,715,000
\$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>\$ 22,030,000</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
2012	\$ 840,000	\$ 953,422	\$ 1,793,422
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
2017-2021	5,585,000	3,367,419	8,952,419
2022-2026	7,005,000	1,950,170	8,955,170
2027-2029	4,940,000	423,134	5,363,134
	<u>\$22,030,000</u>	<u>\$ 10,193,345</u>	<u>\$ 32,223,345</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
2012	\$ 245,000	\$ 278,273	\$ 523,273
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
2017-2021	1,630,000	982,717	2,612,717
2022-2026	2,045,000	569,226	2,614,226
2027-2029	1,440,000	123,370	1,563,370
	<u>\$ 6,430,000</u>	<u>\$ 2,974,933</u>	<u>\$ 9,404,933</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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
2012	\$ 595,000	\$ 675,148	\$ 1,270,148
2013	610,000	657,299	1,267,299
2014	640,000	626,809	1,266,809
2015	660,000	607,604	1,267,604
2016	680,000	586,140	1,266,140
2017-2021	3,955,000	2,384,702	6,339,702
2022-2026	4,960,000	1,380,943	6,340,943
2027-2029	3,500,000	299,764	3,799,764
	<u>\$ 15,600,000</u>	<u>\$ 7,218,409</u>	<u>\$22,818,409</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.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

*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%	\$ 31,825,000
\$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	7,300,000
Total	\$ 39,125,000

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
2012	\$ 1,030,000	\$ 1,609,855	\$ 2,639,855
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
2017-2021	6,825,000	6,379,590	13,204,590
2022-2026	15,925,000	4,419,032	20,344,032
2027-2031	10,795,000	1,671,750	12,466,750
	\$39,125,000	\$ 20,086,409	\$ 59,211,409

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
2012	\$ 25,000	\$ 121,500	\$ 146,500
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
2017-2021	165,000	557,590	722,590
2022-2026	7,466,000	414,182	7,880,182
	\$ 7,771,000	\$ 1,561,454	\$ 9,332,454

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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
2012	\$ 1,005,000	\$ 1,488,356	\$ 2,493,356
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
2017-2021	6,660,000	5,822,000	12,482,000
2022-2026	8,459,000	4,004,850	12,463,850
2027-2031	10,795,000	1,671,750	12,466,750
	<u>\$ 31,354,000</u>	<u>\$ 18,524,956</u>	<u>\$49,878,956</u>

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

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

\$ 5,883,000

The following discloses debt service requirements as of June 30, 2011 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 311,000	\$ 321,912	\$ 632,912
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
2017-2021	2,119,000	927,461	3,046,461
2022-2025	2,062,000	253,037	2,315,037
	<u>\$ 5,883,000</u>	<u>\$ 2,623,087</u>	<u>\$ 8,506,087</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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%

\$ 1,743,013

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2011 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
2012	\$ 74,013	\$ 53,406	\$ 127,419
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
2017-2021	457,533	179,561	637,094
2022-2026	532,056	105,038	637,094
2027-2029	359,975	22,281	382,256
	<u>\$ 1,743,013</u>	<u>\$ 550,526</u>	<u>\$ 2,293,539</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%

\$ 12,878,079

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2011 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
2012	\$ 601,433	\$ 257,562	\$ 858,995
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
2017-2021	3,455,644	839,331	4,294,975
2022-2026	3,815,310	479,664	4,294,974
2027-2029	2,477,242	99,744	2,576,986
	<u>\$ 12,878,079</u>	<u>\$ 2,583,831</u>	<u>\$ 15,461,910</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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 as follows:

	Amount
Equipment	\$ 142,670
Total	\$ 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, 2011. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2012	\$ 38,074
	2013	38,074
	2014	31,079
Total minimum lease payments		107,227
Less: interest at 4.84% to 11.85%		(10,492)
Present value of future minimum lease payments		\$ 96,735

The proprietary assets acquired through capital leases are as follows:

	Amount
Equipment	\$ 246,841
Total	\$ 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, 2011. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2012	\$ 55,627
	2013	46,356
Total minimum lease payments		101,983
Less: interest at 4.66%		(4,544)
Present value of future minimum lease payments		\$ 97,439

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011, the 20 percent debt limitation was \$502,599,094 with \$474,887,545 of outstanding debt. This provided a 20 percent debt margin of \$27,711,549. The 6 percent debt limitation was \$150,779,728 with \$8,330,000 of outstanding debt. This provided a 6 percent debt margin of \$142,449,728. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2011, was \$166,841,294.

**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, 2011. 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 \$166,680,000 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 83.7% of total 2010-11 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$221,532,213. Principal and interest paid for the current year and total ad valorem tax revenues were \$18,146,948 and \$21,690,870, 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 \$273,000,000 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 41.7% of 2010-11 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$367,573,556. Principal and interest paid for the current year and water and wastewater system revenues were \$28,658,192 and \$70,094,034, respectively.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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 \$63,111,000 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 4.2% of total 2010-11 pledged excise taxes. The total principal and interest remaining to be paid on the bonds is \$85,823,574. Principal and interest (net of Federal subsidy) paid for the current year and total pledged excise taxes were \$5,315,937 and \$128,942,018, 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 \$48,739,000 in outstanding business-type activities excise tax obligations. Proceeds of the bonds were used for improvements to the Double Butte Cemetery and for improvements and expansions to the City's water and wastewater system. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 1.2% of total 2010-11 excise taxes. The total principal and interest remaining to be paid on the bonds is \$75,203,578. Principal and interest paid for the current year and total excise taxes were \$1,445,422 and \$128,942,018, 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 \$129,905,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 14.8% of total 2010-11 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$154,008,615. Principal and interest paid for the current year and transit excise taxes were \$4,270,450 and \$29,012,370, 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 \$35,730,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be 100.6% of total 2010-11 performing arts excise taxes. This difference will be covered by utilizing performing arts special revenue fund balance. The total principal and interest remaining to be paid on the bonds is \$44,161,944. Principal and interest paid for the current year and total available excise taxes were \$6,016,226 and \$128,905,692, respectively.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011 (the ending balance does not include 7/1/2011 "matured" payment for general or excise tax obligations):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Debt payable:					
General obligation bonds payable	\$172,665,000	\$31,415,000	\$ (37,400,000)	\$166,680,000	\$11,485,000
Special assessments	33,025,000	-	(3,150,000)	29,875,000	2,060,000
2000A Excise tax obligations	360,000	-	(360,000)	-	-
2003 Excise tax refunding obligations	12,100,000	-	(1,675,000)	10,425,000	1,760,000
2004 Excise tax obligations	26,875,000	-	(2,115,000)	24,760,000	2,225,000
2005 Excise tax obligations	17,580,000	-	(305,000)	17,275,000	315,000
2006 Excise tax obligations	12,905,000	-	(1,935,000)	10,970,000	2,015,000
2006 Variable rate demand excise tax obligations	56,260,000	-	(1,270,000)	54,990,000	1,320,000
2007 Excise tax refunding obligations	21,235,000	-	(25,000)	21,210,000	400,000
2007 Variable rate demand excise tax obligations	47,345,000	-	(1,005,000)	46,340,000	1,045,000
2008 Excise tax obligations	29,140,000	-	(565,000)	28,575,000	585,000
2009 Excise tax obligations	6,670,000	-	(240,000)	6,430,000	245,000
2011 Excise tax obligations	-	7,771,000	-	7,771,000	25,000
2004 HUD Section 108 loan	6,181,000	-	(298,000)	5,883,000	311,000
Capital improvement notes payable	521,955	-	(521,955)	-	-
	<u>442,862,955</u>	<u>39,186,000</u>	<u>(50,864,955)</u>	<u>431,184,000</u>	<u>23,791,000</u>
Capital leases	1,776,147	110,617	(1,790,029)	96,735	32,561
Compensated absences	20,662,400	10,902,273	(7,832,960)	23,731,713	7,788,868
Claims and judgments	4,877,562	3,675,555	(3,561,087)	4,992,030	3,020,090
Net OPEB obligation	40,664,253	8,943,336	(5,080,027)	44,527,562	3,915,598
Governmental activities long-term	<u>\$510,843,317</u>	<u>\$62,817,781</u>	<u>\$(69,129,058)</u>	<u>\$504,532,040</u>	<u>\$38,548,117</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$289,895,000	\$34,240,000	\$(51,135,000)	\$273,000,000	\$16,230,000
2005 Excise tax obligations	1,875,000	-	(90,000)	1,785,000	95,000
2005 Excise tax obligation premium amortization	94,740	-	(6,316)	88,424	6,316
2009 Excise tax obligations	16,175,000	-	(575,000)	15,600,000	595,000
2011 Excise tax obligations	-	31,354,000	-	31,354,000	1,005,000
2010 WIFA Loan	1,157,247	727,256	(141,490)	1,743,013	74,013
2010 WIFA Loan	12,116,459	1,929,340	(1,167,720)	12,878,079	601,433
Capital leases	147,089	-	(49,650)	97,439	52,086
Net OPEB obligation	5,070,877	1,189,213	(817,099)	5,442,991	478,638
Total debt payable	<u>\$326,531,412</u>	<u>\$69,439,809</u>	<u>\$(53,982,275)</u>	<u>\$341,988,946</u>	<u>\$19,137,486</u>

The long-term liabilities at June 30, 2011 have been reduced by deposits made with the City's fiscal agent for July 1, 2011 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, 2011

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 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 (the difference between the present values of the debt service payment on the old and new debt) of \$4,342,453.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2011 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
Total bonds advance refunded	<u>\$40,740,000</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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.

As of June 30, 2011, the fund balance details by classification are listed as follows:

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 11 – FUND BALANCE CLASSIFICATIONS (Continued)

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service	Transit Capital Projects	Total Other Governmental Funds	Total Governmental Funds
<b>Fund balances:</b>							
<b>Non-spendable:</b>							
Inventories	\$ 320,506	\$ -	\$ -	\$ -	\$ -	\$ 1,114,596	\$ 1,435,102
Prepaid items	-	-	-	-	-	711,739	711,739
Capital improvements notes receivable	330,000	-	-	-	-	-	330,000
	650,506	-	-	-	-	1,826,335	2,476,841
<b>Restricted:</b>							
Debt service reserve	-	-	25,526,885	-	-	-	25,526,885
Fire	-	-	-	-	-	245,340	245,340
Community services	-	-	-	-	-	3,606,346	3,606,346
Public works	-	16,487,760	-	-	14,933,707	6,699,941	38,121,408
Community development	-	-	-	-	-	7,775,759	7,775,759
	-	16,487,760	25,526,885	-	14,933,707	18,327,386	75,275,738
<b>Committed to:</b>							
Police	-	-	-	-	-	3,189,566	3,189,566
Fire	-	-	-	-	-	1,408,154	1,408,154
Community services	-	-	-	-	-	690,101	690,101
Public works	-	-	-	-	-	4,870,922	4,870,922
Community development	-	-	-	-	-	11,049,693	11,049,693
Municipal court	-	-	-	-	-	17,457	17,457
Debt service	-	4,220,265	-	-	50,000,000	-	54,220,265
	-	4,220,265	-	-	50,000,000	21,225,893	75,446,158
<b>Assigned to:</b>							
Self-insurance purposes	8,841,391	-	-	-	-	-	8,841,391
Capital projects	1,321,408	-	-	-	-	723,584	2,044,992
Rio Salado	3,120,991	-	-	-	-	-	3,120,991
Arbitrage rebate	500,000	-	-	-	-	-	500,000
Transit	-	699,380	-	-	-	-	699,380
SRP in-lieu	-	-	9,191,367	-	-	-	9,191,367
	13,783,790	699,380	9,191,367	-	-	723,584	24,398,121
<b>Unassigned:</b>							
	39,604,103	-	-	(775,691)	-	(321,404)	38,507,008
Total fund balances	\$54,038,399	\$21,407,405	\$34,718,252	\$ (775,691)	\$ 64,933,707	\$ 41,781,794	\$ 216,103,866

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, 2011, the aggregate balance is 33.4% of General Fund revenues.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011 the City's construction commitments are as follows:

	<u>Commitment</u>	<u>Construction in Progress</u>
<b>Governmental funds:</b>		
Transit	\$ 1,007,024	\$ 6,318,234
Streets	615,079	40,507
Police	1,123,993	-
Fire	896	34,697
Storm drains	19,975	4,027
Parks	159,483	792,575
Rio Salado	2,137,740	5,115,689
Community development	8,261,671	834,208
Signals	81,619	68,377
	<u>\$ 13,407,480</u>	<u>\$ 13,208,314</u>
	<u>Commitment</u>	<u>Construction in Progress</u>
<b>Proprietary funds:</b>		
Water/wastewater	<u>\$ 12,666,522</u>	<u>\$ 35,234,289</u>
	<u>\$ 12,666,522</u>	<u>\$ 35,234,289</u>

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

	<u>Commitment</u>
<b>Governmental funds:</b>	
General	\$ 46,400
Transit special revenue	34,045
Non-major special revenue	651,073
	<u>\$ 731,518</u>
	<u>Commitment</u>
<b>Proprietary funds:</b>	
Water/wastewater	\$ 399,654
Solid waste	250,534
Internal service	26,108
	<u>\$ 676,296</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2011 were \$281,207.

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

Fiscal Year Ending June 30,	Amount
2012	\$ 198,030
2013	191,832
2014	152,637
2015	35,052
2016	15,141
Total minimum payments required	<u>\$ 592,692</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 7.65 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's current aggregate contribution rate for fire is 24.21 percent of annual covered payroll, of which 0.45 percent was the health insurance premium portion. The current aggregate contribution rate for police is 21.87 percent of annual covered payroll, of which 0.46 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, 2011

City of Tempe, Arizona

## NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

### C. Annual Pension Cost

Police personnel contributed \$2,003,309 and fire personnel \$898,058 during fiscal year 2010-11. For 2011, the City's annual pension cost was \$5,727,106 for police and \$2,842,089 for fire and was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation determining contribution requirements for fiscal year 2010-11, using the projected unit credit method. The actuarial assumptions included (a) 8.50% investment rate of return (b) projected salary increases of 5.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 5.50% to 8.50% per year, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 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, 2010 was 26 years.

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

#### Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2008 (Pension)	\$ 4,531,992	100%	-
2008 (Health)	429,196	100	-
2009 (Pension)	6,912,410	100	-
2009 (Health)	499,327	100	-
2010 (Pension)	6,415,283	100	-
2010 (Health)	401,144	100	-

#### Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2008 (Pension)	\$ 2,245,903	100%	-
2008 (Health)	261,528	100	-
2009 (Pension)	3,097,098	100	-
2009 (Health)	243,925	100	-
2010 (Pension)	2,949,541	100	-
2010 (Health)	230,094	100	-

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

#### Police

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2008	\$ 87,441,985	\$ 147,095,432	59.4%	\$ 59,653,447	\$ 28,052,053	212.7
2009	93,234,582	153,895,111	60.6	60,660,529	29,489,537	205.7
2010	96,465,397	164,091,514	58.8	67,626,117	28,315,537	238.8

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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
2008	\$ 66,550,238	\$ 92,632,556	71.8%	\$ 26,082,318	\$ 12,573,469	207.4
2009	70,387,821	96,683,646	72.8	26,295,825	12,351,485	212.9
2010	70,868,109	102,307,685	69.3	31,439,576	11,965,093	262.8

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

#### A. Plan Description

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

#### 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, 2011 were 9.85 percent (9.6 percent for retirement and 0.25 percent for long-term disability) for active members and the City was required to contribute 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium and 0.25 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2011, 2010, and 2009 were \$6,586,650, \$7,190,912, and \$7,247,303 respectively, equal to the annual required contributions for each year.

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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 7.0 percent of their annual covered salary. The employer rate for 2010-11 was 29.79 percent of the members' annual covered payroll, of which 0.85 percent was the health insurance premium portion. The City's contributions to EORP for the fiscal years ended June 30, 2011, 2010 and 2009 were \$65,673, \$57,841, and \$59,306 respectively, equal to the annual required contributions for each year. The City's employees contributed \$15,432, \$15,424 and \$14,826 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, 2011, 824 retirees meet those eligibility requirements to receive postemployment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	778
Active employees eligible	<u>1,620</u>
Total	<u><u>2,398</u></u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

### B. Benefits Provided

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

### C. Funding Policy

The plan premium rates are determined annually by the City's Human Resources Department. Premiums for retirees and active employees are calculated on an "unblended" basis, which means that the retirees and active rates are determined separately, based on their own demographics and historical experience. This eliminates any implicit rate subsidies. The City has not advance-funded any portion of the retiree health plan and covers the cost of the program on a pay-as-you-go basis.

Both the Arizona State Retirement and Arizona Public Safety Personnel Retirement systems subsidize the health insurance premium of eligible retirees depending on type of health plan chosen, coverage selected, and years of service. Approximately 42% of retiree premiums were subsidized by the City during the fiscal year resulting in expenditures of \$8,011,989 that were recognized for post retirement health care.

### D. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

Annual OPEB cost	\$ 10,132,549
Contributions made	(5,897,126)
Increase in net OPEB obligation	4,235,423
Net OPEB obligation – beginning of year	45,735,130
Net OPEB obligation – end of year	<u>\$ 49,970,553</u>

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

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, 2009, 2010 and 2011 are as follows.

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 10,443,525	\$2,420,155	23.2%	\$41,799,405
2010	\$ 9,821,574	\$5,885,849	59.9%	\$45,735,130
2011	\$ 10,132,549	\$5,897,126	58.2%	\$49,970,553

### E. Health Care Cost Trend Rate

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

Benefit	Select	Ultimate
Medical/Rx Post 65	9.0%	5.0%
Administrative	5.0%	5.0%
Stop Loss	11.0%	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
7/1/2007	\$ -	\$ 398,306,209	\$398,306,209	0.0%	\$100,141,047	397.7%
7/1/2008	-	159,149,836	159,149,836	0.0%	51,388,438	309.7%
7/1/2009	-	154,671,513	154,671,513	0.0%	51,923,274	297.9%

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, 2011

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, 2009
Actuarial cost method	Entry age normal
Remaining amortization period	28 years, closed
Asset valuation method	N/A
Actuarial assumptions:	
Healthcare inflation rate	9.0% initial 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 (internal service fund) to account for and finance its uninsured risks of loss. Amounts are paid into the internal service fund by all other funds and are available to pay claims and to fund claim reserves. As with any risk retention program, the City is contingently liable in respect to claims beyond those actuarially projected. These interfund premiums are used to reduce the amount of claim expenditures reported in the internal service fund.

The City is a self insured entity with excess commercial insurance coverage purchased for general and automobile liability, property, workers' compensation/employers' liability, crime and group health coverage. The coverage is 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 \$815.4 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

# Notes to the Financial Statements

For Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

## NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

workers' compensation requirements and \$2.0 million per occurrence in employer's liability; and for group health the self-insurance retention is \$225,000 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, 2011, 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, 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>

	June 30, 2009	Claims Incurred Net of Change in Estimates	Payments	June 30, 2010
General liability	\$ 6,858,870	\$ 359,650	\$ (141,174)	\$ 7,077,346
Automobile liability	596,578	112,884	(538,192)	171,270
Property liability	45,888	591,446	(585,477)	51,857
Workers' compensation	1,680,816	2,234,920	(2,111,677)	1,804,059
Health insurance	1,901,708	19,369,644	(19,376,054)	1,895,298
	<u>\$ 11,083,860</u>	<u>\$ 22,668,544</u>	<u>\$(22,752,574)</u>	<u>\$ 10,999,830</u>

At June 30, 2011, the Risk Management Internal Service Fund accrued expenses totaled \$7,619,867. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$7,587,871 and other accrued expenses of \$31,996. The health claims liability at June 30, 2011 of \$1,306,341 are deemed due and payable at June 30, 2011 and recorded as accrued expenditures/expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2011, 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, 2011

*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.

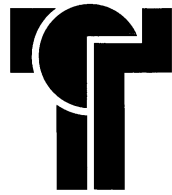
## **NOTE 20 - DEFICIT IN FUND BALANCE/NET ASSETS**

The Special Assessment Debt Service Fund had a deficit fund balance of \$775,691 at June 30, 2011. The deficit will be covered by anticipated assessment payments. The Community Development Special Revenue Fund had a deficit fund balance of \$321,404 at June 30, 2011. The deficit will be covered by future revenues. The Cemetery Fund had a negative net asset balance of \$223,925 at June 30, 2011. The deficit will be covered by future transfers from operating funds. The Risk Management Fund had a negative net asset balance of \$73,652. The deficit will be covered by future contributions to the fund.

## **NOTE 21 – SUBSEQUENT EVENTS**

In October 2011, the City 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. The effect of these changes on the City's OPEB liability has not been determined (see note 15). An actuarial analysis will be performed in order to determine the financial impact for the fiscal year ending June 30, 2012.

In August 2011, the City issued \$18.3 million in Performing Arts Center Excise Tax Revenue Refunding Obligations. The purpose of the issuance was to take advantage of lower interest rates, thereby reducing future debt service in the Performing Arts Fund.



**Combining Fund Financial Statements**

**NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

**NON-MAJOR GOVERNMENTAL FUNDS (continued)**

**CAPITAL PROJECTS FUNDS**

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

- **Streets Fund.** Used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- **Police Fund.** Used for purchasing, constructing and equipping public safety buildings.
- **Fire Fund.** Used for purchasing, constructing and equipping fire stations.
- **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, 2011

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<b>Assets</b>				
Pooled cash and investments	\$ 3,959,260	\$ 4,227,959	\$ 1,273,041	\$ -
Receivables:				
Taxes	526,153	826,329	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	186,774	-	1,372,208
Inventories	-	1,114,596	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	5,033,113	-	-	15,909
Total assets	<u>\$ 9,518,526</u>	<u>\$ 6,355,658</u>	<u>\$ 1,273,041</u>	<u>\$ 1,388,117</u>
<b>Liabilities</b>				
Accounts payable	\$ 63,194	\$ 412,125	\$ -	\$ 89,839
Deposits	-	-	-	-
Accrued expenditures	115,844	81,370	-	15,709
Claims and judgements	9,928	39,451	-	-
Due to other funds	-	-	-	1,164,201
Deferred revenue	-	186,774	-	302,538
Matured bonds payable	4,050,000	-	-	-
Matured interest payable	983,113	-	-	137,234
Total liabilities	<u>5,222,079</u>	<u>719,720</u>	<u>-</u>	<u>1,709,521</u>
<b>Fund Balances</b>				
Fund balance (deficit):				
Non-spendable	-	1,114,596	-	-
Restricted	3,606,346	4,521,342	1,273,041	-
Committed	690,101	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(321,404)
Total fund balances (deficit)	<u>4,296,447</u>	<u>5,635,938</u>	<u>1,273,041</u>	<u>(321,404)</u>
Total liabilities and fund balances	<u>\$ 9,518,526</u>	<u>\$ 6,355,658</u>	<u>\$ 1,273,041</u>	<u>\$ 1,388,117</u>

**Special Revenue**

<b>Housing Assistance</b>	<b>Rio Salado</b>	<b>Grants and Court Awards</b>	<b>Community Facilities District</b>	<b>Total</b>
\$ 874,998	\$ 2,121,310	\$ 1,592,919	\$ 125,296	\$ 14,174,783
-	166,261	-	-	1,518,743
37,589	-	170,888	28,494	236,971
-	23,578	-	-	23,578
-	-	1,772,460	-	3,331,442
-	-	-	-	1,114,596
711,739	-	-	-	711,739
-	-	-	2,376,194	7,425,216
<u>\$ 1,624,326</u>	<u>\$ 2,311,149</u>	<u>\$ 3,536,267</u>	<u>\$ 2,529,984</u>	<u>\$ 28,537,068</u>
\$ 1,927	\$ 31,419	\$ 167,672	\$ 153,790	\$ 919,966
-	-	104,658	-	104,658
69,901	214	3,911	-	286,949
-	-	-	-	49,379
-	-	-	-	1,164,201
-	-	3,242,569	-	3,731,881
-	-	-	1,695,000	5,745,000
-	-	-	681,194	1,801,541
<u>71,828</u>	<u>31,633</u>	<u>3,518,810</u>	<u>2,529,984</u>	<u>13,803,575</u>
711,739	-	-	-	1,826,335
840,759	-	-	-	10,241,488
-	2,279,516	17,457	-	2,987,074
-	-	-	-	-
-	-	-	-	(321,404)
<u>1,552,498</u>	<u>2,279,516</u>	<u>17,457</u>	<u>-</u>	<u>14,733,493</u>
<u>\$ 1,624,326</u>	<u>\$ 2,311,149</u>	<u>\$ 3,536,267</u>	<u>\$ 2,529,984</u>	<u>\$ 28,537,068</u>

(continued)

# Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2011

	<b>Capital Projects</b>				
	<u>Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Storm Sewers</u>	<u>Parks</u>
<b><u>Assets</u></b>					
Pooled cash and investments	\$ 2,767,823	\$ 3,654,941	\$ 1,684,089	\$ 1,766,992	\$ 2,229,219
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	99,428	75,749	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 2,867,251</u>	<u>\$ 3,730,690</u>	<u>\$ 1,684,089</u>	<u>\$ 1,766,992</u>	<u>\$ 2,229,219</u>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 1,439,171	\$ 504,634	\$ 30,595	\$ 4,012	\$ 164,549
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>1,439,171</u>	<u>504,634</u>	<u>30,595</u>	<u>4,012</u>	<u>164,549</u>
<b><u>Fund Balances</u></b>					
Fund balance (deficit):					
Nonspendable	-	-	-	-	-
Restricted	829,209	-	245,340	-	76,349
Committed	206,068	3,189,566	1,408,154	1,761,780	1,967,052
Assigned	392,803	36,490	-	1,200	21,269
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>1,428,080</u>	<u>3,226,056</u>	<u>1,653,494</u>	<u>1,762,980</u>	<u>2,064,670</u>
Total liabilities and fund balances	<u>\$ 2,867,251</u>	<u>\$ 3,730,690</u>	<u>\$ 1,684,089</u>	<u>\$ 1,766,992</u>	<u>\$ 2,229,219</u>

**Capital Projects**

<u>Rio Salado</u>	<u>Community Development</u>	<u>Signals</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,517,894	\$ 7,285,723	\$ 1,015,270	\$ 21,921,951	\$ 36,096,734
-	-	-	-	1,518,743
-	-	-	-	236,971
-	-	-	-	23,578
290,020	-	-	465,197	3,796,639
-	-	-	-	1,114,596
-	-	-	-	711,739
-	7,771,000	-	7,771,000	15,196,216
<u>\$ 1,807,914</u>	<u>\$ 15,056,723</u>	<u>\$ 1,015,270</u>	<u>\$ 30,158,148</u>	<u>\$ 58,695,216</u>
\$ 511,756	\$ 395,289	\$ 59,841	\$ 3,109,847	\$ 4,029,813
-	-	-	-	104,658
-	-	-	-	286,949
-	-	-	-	49,379
-	-	-	-	1,164,201
-	-	-	-	3,731,881
-	-	-	-	5,745,000
-	-	-	-	1,801,541
<u>511,756</u>	<u>395,289</u>	<u>59,841</u>	<u>3,109,847</u>	<u>\$ 16,913,422</u>
-	-	-	-	1,826,335
-	6,935,000	-	8,085,898	18,327,386
1,296,158	7,474,019	936,022	18,238,819	21,225,893
-	252,415	19,407	723,584	723,584
-	-	-	-	(321,404)
<u>1,296,158</u>	<u>14,661,434</u>	<u>955,429</u>	<u>27,048,301</u>	<u>41,781,794</u>
<u>\$ 1,807,914</u>	<u>\$ 15,056,723</u>	<u>\$ 1,015,270</u>	<u>\$ 30,158,148</u>	<u>\$ 58,695,216</u>

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2011

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<b>Revenues:</b>				
Sales taxes	\$ 5,979,900	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	2,715,276
State grants	-	-	-	-
State sales tax	-	9,503,470	-	-
Other	-	-	-	92,062
Investment income	20,341	-	-	40
Charges for services	635,935	50,783	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	6,731	1,253	-	628,496
Total revenues	<u>6,642,907</u>	<u>9,555,506</u>	<u>-</u>	<u>3,435,874</u>
<b>Expenditures:</b>				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	2,261,400	-	-	-
Public works	-	7,827,865	-	-
Community development	-	-	-	3,116,296
Community relations	-	-	-	-
City attorney	-	-	-	-
Municipal court	-	-	-	-
Debt service:				
Principal retirement	4,050,000	-	-	298,000
Interest and fiscal fees	1,972,706	-	-	330,496
Capital outlay	-	-	-	-
Total expenditures	<u>8,284,106</u>	<u>7,827,865</u>	<u>-</u>	<u>3,744,792</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(1,641,199)</u>	<u>1,727,641</u>	<u>-</u>	<u>(308,918)</u>
<b>Other financing sources (uses):</b>				
Transfers in:				
General fund	-	1,096,113	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	350,000	-	-
Transfers out:				
General fund	-	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	(2,770,000)	-	-
Capital projects funds	-	(10,107)	-	-
Enterprise funds	-	(309,865)	-	-
Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	17,989	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,625,870)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,641,199)	101,771	-	(308,918)
Fund balance (deficit) at beginning of year	5,937,646	5,534,167	1,273,041	(12,486)
Fund balance (deficit) at end of year	<u>\$ 4,296,447</u>	<u>\$ 5,635,938</u>	<u>\$ 1,273,041</u>	<u>\$ (321,404)</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 2,215,375	\$ -	\$ -	\$ 8,195,275
-	251,389	-	-	251,389
9,760,470	-	2,689,159	-	15,164,905
-	-	108,011	-	108,011
-	-	-	-	9,503,470
-	-	4,164,695	-	4,256,757
1,357	25,145	519	-	47,402
-	1,736	458,133	974,516	2,121,103
17,952	-	640,989	-	658,941
-	-	-	-	-
11,306	42,891	394,593	56,400	1,141,670
9,791,085	2,536,536	8,456,099	1,030,916	41,448,923
-	189,030	3,242,710	-	3,431,740
-	-	922,986	-	922,986
-	-	995,556	-	3,256,956
-	-	90,449	-	7,918,314
8,935,521	1,026,624	252,871	2,294,908	15,626,220
-	-	2,196,276	-	2,196,276
-	-	41,925	-	41,925
-	-	594,116	-	594,116
-	-	-	1,695,000	6,043,000
-	-	-	1,366,276	3,669,478
-	-	-	-	-
8,935,521	1,215,654	8,336,889	5,356,184	43,701,011
855,564	1,320,882	119,210	(4,325,268)	(2,252,088)
-	-	-	1,249,163	2,345,276
-	-	-	-	-
-	-	-	3,061,276	3,061,276
-	-	-	14,829	14,829
-	-	-	-	350,000
-	(20,000)	-	-	(20,000)
-	-	-	-	-
-	-	-	-	(2,770,000)
-	(1,000)	-	-	(11,107)
-	-	-	-	(309,865)
-	-	-	-	-
-	-	-	-	17,989
-	(21,000)	-	4,325,268	2,678,398
855,564	1,299,882	119,210	-	426,310
696,934	979,634	(101,753)	-	14,307,183
\$ 1,552,498	\$ 2,279,516	\$ 17,457	\$ -	\$ 14,733,493

(continued)

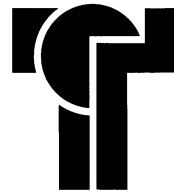
# Combining Statement of Revenues, Expenditures and Changes in Fund Balance

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2011

	<b>Capital Projects</b>				
	<b>Streets</b>	<b>Police</b>	<b>Fire</b>	<b>Storm Sewers</b>	<b>Parks</b>
<b>Revenues:</b>					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Intergovernmental:					
Federal grants	1,574,925	-	-	-	-
State grants	-	-	-	-	96,524
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	-	-	-	-	-
Charges for services	164,017	-	273,814	-	36,190
Fines and forfeitures	-	-	-	-	-
Other entities' participation	-	-	-	-	103,033
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,738,942</u>	<u>-</u>	<u>273,814</u>	<u>-</u>	<u>235,747</u>
<b>Expenditures:</b>					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Community development	-	-	-	-	-
Community relations	-	-	-	-	-
City attorney	-	-	-	-	-
Municipal court	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	3,884,508	4,614,431	5,377,645	29,112	2,332,221
Total expenditures	<u>3,884,508</u>	<u>4,614,431</u>	<u>5,377,645</u>	<u>29,112</u>	<u>2,332,221</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(2,145,566)</u>	<u>(4,614,431)</u>	<u>(5,103,831)</u>	<u>(29,112)</u>	<u>(2,096,474)</u>
<b>Other financing sources (uses):</b>					
Transfers in:					
General fund	-	-	552,186	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	61,322	25,363	-	-	-
Enterprise funds	-	-	-	-	-
Transfers out:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service fund	-	-	-	-	-
Capital projects funds	(150,000)	-	-	-	(11,322)
Enterprise funds	(10,142)	-	-	-	-
Issuance of debt	1,240,000	2,890,000	1,130,000	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>1,141,180</u>	<u>2,915,363</u>	<u>1,682,186</u>	<u>-</u>	<u>(11,322)</u>
Net change in fund balances	(1,004,386)	(1,699,068)	(3,421,645)	(29,112)	(2,107,796)
Fund balance (deficit) at beginning of year	2,432,466	4,925,124	5,075,139	1,792,092	4,172,466
Fund balance (deficit) at end of year	<u>\$ 1,428,080</u>	<u>\$ 3,226,056</u>	<u>\$ 1,653,494</u>	<u>\$ 1,762,980</u>	<u>\$ 2,064,670</u>

Capital Projects				
Rio Salado	Community Development	Signals	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,195,275
-	-	-	-	251,389
2,121,168	475,604	456,697	4,628,394	19,793,299
-	-	-	96,524	204,535
-	-	-	-	9,503,470
-	-	-	-	4,256,757
-	-	-	-	47,402
-	-	-	474,021	2,595,124
-	-	-	-	658,941
250,000	98,407	94,190	545,630	545,630
-	10,517	-	10,517	1,152,187
<u>2,371,168</u>	<u>584,528</u>	<u>550,887</u>	<u>5,755,086</u>	<u>47,204,009</u>
-	-	-	-	3,431,740
-	-	-	-	922,986
-	-	-	-	3,256,956
-	-	-	-	7,918,314
-	-	-	-	15,626,220
-	-	-	-	2,196,276
-	-	-	-	41,925
-	-	-	-	594,116
-	-	-	-	6,043,000
-	-	-	-	3,669,478
<u>6,999,330</u>	<u>4,099,767</u>	<u>655,635</u>	<u>27,992,649</u>	<u>27,992,649</u>
<u>6,999,330</u>	<u>4,099,767</u>	<u>655,635</u>	<u>27,992,649</u>	<u>71,693,660</u>
<u>(4,628,162)</u>	<u>(3,515,239)</u>	<u>(104,748)</u>	<u>(22,237,563)</u>	<u>(24,489,651)</u>
427,000	1,038,500	-	2,017,686	4,362,962
1,000	-	10,107	11,107	11,107
-	-	-	-	3,061,276
-	-	150,000	236,685	251,514
-	436,463	-	436,463	786,463
(250,000)	-	-	(250,000)	(270,000)
(14,829)	-	-	(14,829)	(14,829)
-	-	-	-	(2,770,000)
-	(25,363)	-	(186,685)	(197,792)
-	-	-	(10,142)	(320,007)
-	7,886,000	-	13,146,000	13,146,000
-	-	-	-	17,989
<u>163,171</u>	<u>9,335,600</u>	<u>160,107</u>	<u>15,386,285</u>	<u>18,064,683</u>
(4,464,991)	5,820,361	55,359	(6,851,278)	(6,424,968)
5,761,149	8,841,073	900,070	33,899,579	48,206,762
<u>\$ 1,296,158</u>	<u>\$ 14,661,434</u>	<u>\$ 955,429</u>	<u>\$ 27,048,301</u>	<u>\$ 41,781,794</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, 2011

City of Tempe, Arizona

	Risk Management	Health	Total
<b><u>Assets</u></b>			
Current assets:			
Pooled cash and investments	\$ 7,674,246	\$ 2,858,782	\$ 10,533,028
Total assets	<u>7,674,246</u>	<u>2,858,782</u>	<u>10,533,028</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	52,047	119,699	171,746
Accrued expenses and claims payable	7,619,867	-	7,619,867
Total current liabilities	<u>7,671,914</u>	<u>119,699</u>	<u>7,791,613</u>
Noncurrent liabilities:			
Net OPEB obligation	75,984	-	75,984
Total noncurrent liabilities	<u>75,984</u>	<u>-</u>	<u>75,984</u>
Total liabilities	<u>7,747,898</u>	<u>119,699</u>	<u>7,867,597</u>
<b><u>Net Assets</u></b>			
Unrestricted	(73,652)	2,739,083	2,665,431
Total net assets	<u>\$ (73,652)</u>	<u>\$ 2,739,083</u>	<u>\$ 2,665,431</u>

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

## Internal Service Funds

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 3,424,513	\$ 21,986,851	\$ 25,411,364
Total operating revenues	<u>3,424,513</u>	<u>21,986,851</u>	<u>25,411,364</u>
Operating expenses:			
Fees and services	3,424,513	25,454,073	28,878,586
Total operating expenses	<u>3,424,513</u>	<u>25,454,073</u>	<u>28,878,586</u>
Changes in net assets	-	(3,467,222)	(3,467,222)
Total net assets- beginning	(73,652)	6,206,305	6,132,653
Total net assets- ending	<u>\$ (73,652)</u>	<u>\$ 2,739,083</u>	<u>\$ 2,665,431</u>

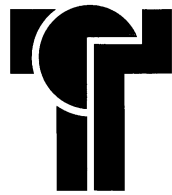
## Combining Statement of Cash Flows

### Internal Service Funds

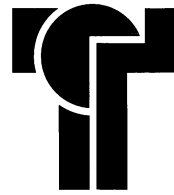
For the Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 3,424,513	\$ 22,113,019	\$ 25,537,532
Payments for settlement of claims	(4,930,313)	(25,953,508)	(30,883,821)
Net cash provided by operating activities	<u>(1,505,800)</u>	<u>(3,840,489)</u>	<u>(5,346,289)</u>
Net decrease in cash and cash equivalents	(1,505,800)	(3,840,489)	(5,346,289)
Cash and cash equivalents, beginning of year	<u>9,180,046</u>	<u>6,699,271</u>	<u>15,879,317</u>
Cash and cash equivalents, end of year	<u>\$ 7,674,246</u>	<u>\$ 2,858,782</u>	<u>\$ 10,533,028</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ -	\$ (3,467,222)	\$ (3,467,222)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	126,168	126,168
Increase (decrease) in accounts payable	(20,235)	(499,435)	(519,670)
Increase (decrease) in accrued expenses	(1,487,897)	-	(1,487,897)
Increase (decrease) in net OPEB obligation	2,332	-	2,332
Net cash used operating activities	<u>\$ (1,505,800)</u>	<u>\$ (3,840,489)</u>	<u>\$ (5,346,289)</u>



**Other Supplementary Information**



**BUDGETARY COMPARISON SCHEDULES**



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

## General, Debt Service, Special Revenue and Enterprise Fund Types

For the Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 143,544,592	\$ 158,749,333	\$ 15,204,741
Intergovernmental	79,632,238	57,764,455	(21,867,783)
Investment income	2,983,439	2,141,817	(841,622)
Charges for services	93,747,396	113,375,022	19,627,626
Fines and forfeitures	10,579,830	7,576,496	(3,003,334)
Licenses and permits	1,714,996	1,666,196	(48,800)
Miscellaneous	5,889,573	8,830,722	2,941,149
Total revenues	<u>338,092,064</u>	<u>350,104,041</u>	<u>12,011,977</u>
<b>Expenditures</b>			
Current:			
Police	65,258,984	62,454,622	2,804,362
Fire	25,645,848	24,799,272	846,576
Community services	22,478,270	23,213,750	(735,480)
Public works	134,893,213	117,141,667	17,751,546
Community development	27,737,578	22,929,709	4,807,869
Community relations	2,316,070	2,131,723	184,347
Mayor and council	317,413	297,615	19,798
City manager	273,771	284,123	(10,352)
Diversity program	457,481	428,071	29,410
Internal audit/consulting	383,192	381,555	1,637
Tempe learning center	511,484	447,626	63,858
City clerk and elections	452,031	397,533	54,498
City attorney	2,508,023	2,530,695	(22,672)
Municipal court	3,524,959	3,383,108	141,851
Finance and technology	18,771,807	17,707,284	1,064,523
Human resources	1,816,552	1,934,813	(118,261)
Interdepartmental charges	(11,869,403)	(11,678,801)	(190,602)
Debt Service:			
Principal	38,798,500	41,781,441	(2,982,941)
Interest and fiscal fees	34,011,880	30,025,152	3,986,728
Total expenditures	<u>368,287,653</u>	<u>340,590,958</u>	<u>27,696,695</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	3,555,824	20,372,300	16,816,476
Transfers to other funds	(3,516,325)	(22,541,585)	(19,025,260)
Proceeds of refunding bonds	-	26,040,000	26,040,000
Payment to refunded bond escrow agent	-	(27,936,582)	(27,936,582)
Proceeds (loss) from sale of capital assets	170,000	(5,305,332)	(5,475,332)
Total other financing sources (uses)	<u>209,499</u>	<u>(6,969,372)</u>	<u>(7,178,871)</u>
Net change in fund balance	<u>\$ (29,986,090)</u>	<u>\$ 2,543,711</u>	<u>\$ 32,529,801</u>

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

### General Obligation Debt Service Fund

For the Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 22,164,620	\$ 21,690,870	\$ (473,750)
Other entities' participation	16,520	51,853	35,333
Total revenues	<u>22,181,140</u>	<u>21,742,723</u>	<u>(438,417)</u>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	12,462,500	14,029,231	(1,566,731)
Interest and fiscal fees	9,600,000	11,335,602	(1,735,602)
Total expenditures	<u>22,062,500</u>	<u>25,364,833</u>	<u>(3,302,333)</u>
Excess (deficiency) of revenues over expenditures	118,640	(3,622,110)	(3,740,750)
<b>Other financing sources (uses):</b>			
Transfers in	2,770,000	8,085,937	5,315,937
Transfers out	(49,000)	(8,377,213)	(8,328,213)
Premium on issuance of debt	-	2,401,827	2,401,827
Proceeds of refunding bonds	-	26,040,000	26,040,000
Payment to refunded bond escrow agent	-	(27,936,582)	(27,936,582)
Total other financing sources (uses)	<u>\$ 2,721,000</u>	<u>\$ 213,969</u>	<u>\$ (2,507,031)</u>
Net change in fund balance	<u>\$ 2,839,640</u>	<u>\$ (3,408,141)</u>	<u>\$ (6,247,781)</u>

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

### Performing Arts Fund

For the Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 5,175,519	\$ 5,979,900	\$ 804,381
Investment income	45,349	47,435	2,086
Charges for services	572,250	635,935	63,685
Miscellaneous	3,250	6,731	3,481
Total revenues	<u>5,796,368</u>	<u>6,670,001</u>	<u>873,633</u>
Expenditures:			
Current:			
Community services	2,451,128	2,265,082	186,046
Debt service:			
Principal retirement	4,050,000	4,050,000	-
Interest and fiscal fees	2,010,000	1,972,706	37,294
Total expenditures	<u>8,511,128</u>	<u>8,287,788</u>	<u>223,340</u>
 Net change in fund balance	 <u>\$ (2,714,760)</u>	 <u>\$ (1,617,787)</u>	 <u>\$ 1,096,973</u>

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

### Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Intergovernmental:			
State sales tax	\$ 9,445,879	\$ 9,503,470	\$ 57,591
Charges for services	-	50,783	50,783
Miscellaneous	75,000	1,253	(73,747)
Total revenues	<u>9,520,879</u>	<u>9,555,506</u>	<u>34,627</u>
<b>Expenditures:</b>			
Current:			
Public works	8,577,689	7,726,395	851,294
Total expenditures	<u>8,577,689</u>	<u>7,726,395</u>	<u>851,294</u>
Excess of revenues over expenditures	943,190	1,829,111	885,921
<b>Other financing sources (uses):</b>			
Transfers in	785,824	1,446,113	660,289
Transfers out	(3,079,862)	(3,089,972)	(10,110)
Proceeds from sale of capital assets	50,000	17,989	(32,011)
Total other financing sources (uses)	<u>(2,244,038)</u>	<u>(1,625,870)</u>	<u>618,168</u>
Net change in fund balance	<u>\$ (1,300,848)</u>	<u>\$ 203,241</u>	<u>\$ 1,504,089</u>

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

## Community Development Fund For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 5,769,897	\$ 2,715,276	\$(3,054,621)
Other	25,000	92,062	67,062
Investment income	-	40	40
Miscellaneous	-	628,496	628,496
Total revenues	<u>5,794,897</u>	<u>3,435,874</u>	<u>(2,359,023)</u>
Expenditures:			
Current:			
Community development	5,794,897	3,116,236	2,678,661
Debt service:			
Principal retirement	-	298,000	(298,000)
Interest and fiscal fees	-	330,496	(330,496)
Total expenditures	<u>5,794,897</u>	<u>3,744,732</u>	<u>2,050,165</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (308,858)</u>	<u>\$ (308,858)</u>

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

## Housing Assistance Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 10,613,000	\$ 9,760,470	\$ (852,530)
Charges for services	10,052	17,952	7,900
Investment income	-	1,357	1,357
Miscellaneous	-	11,306	11,306
Total revenues	<u>10,623,052</u>	<u>9,791,085</u>	<u>(831,967)</u>
Expenditures:			
Current:			
Community development	<u>10,623,052</u>	<u>8,934,833</u>	<u>1,688,219</u>
Total expenditures	<u>10,623,052</u>	<u>8,934,833</u>	<u>1,688,219</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 856,252</u>	 <u>\$ 856,252</u>

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

### Rio Salado Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 1,739,200	\$ 2,215,375	476,175
Property taxes	175,000	251,389	76,389
Investment income	95,000	32,109	(62,891)
Charges for services	-	1,736	1,736
Miscellaneous	107,930	42,891	(65,039)
Total revenues	<u>2,117,130</u>	<u>2,543,500</u>	<u>426,370</u>
Expenditures:			
Current:			
Community development	<u>1,379,543</u>	<u>1,226,776</u>	<u>152,767</u>
Total expenditures	<u>1,379,543</u>	<u>1,226,776</u>	<u>152,767</u>
 Net change in fund balance	 <u>\$ 737,587</u>	 <u>\$ 1,316,724</u>	 <u>\$ 579,137</u>

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

## Community Facilities District Fund For the Fiscal Year Ended June 30, 2011

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>			
Charges for services	\$ 1,062,773	\$ 974,516	\$ (88,257)
Miscellaneous	53,450	56,400	2,950
Total revenues	<u>1,116,223</u>	<u>1,030,916</u>	<u>(85,307)</u>
<b>Expenditures:</b>			
Current:			
Community development	2,536,594	2,294,908	241,686
Debt service:			
Principal	1,695,000	1,695,000	-
Interest and fiscal fees	1,361,880	1,366,276	(4,396)
Total expenditures	<u>5,593,474</u>	<u>5,356,184</u>	<u>237,290</u>
Deficiency of revenues over expenditures	(4,477,251)	(4,325,268)	151,983
<b>Other financing sources:</b>			
Transfers in	-	4,325,268	4,325,268
Total other financing sources	<u>-</u>	<u>4,325,268</u>	<u>4,325,268</u>
Net change in fund balance	<u>\$ (4,477,251)</u>	<u>\$ -</u>	<u>\$ 4,477,251</u>

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

### Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 64,721,072	\$67,115,697	\$ 2,394,625
Investment income	671,769	562,217	(109,552)
Miscellaneous	574,500	1,973,274	1,398,774
Total revenues	<u>65,967,341</u>	<u>69,651,188</u>	<u>3,683,847</u>
Expenditures:			
Current:			
Public works	40,003,659	34,564,563	5,439,096
Debt service:			
Principal	17,600,000	18,779,210	(1,179,210)
Interest and fiscal fees	14,300,000	12,496,686	1,803,314
Total expenditures	<u>71,903,659</u>	<u>65,840,459</u>	<u>6,063,200</u>
Excess (deficiency) of revenues over expenditures	(5,936,318)	3,810,729	9,747,047
Other financing sources (uses):			
Transfers in	-	5,868,912	5,868,912
Transfers out	(436,463)	(6,105,400)	(5,668,937)
Proceeds from sale of capital assets	-	(5,603,226)	(5,603,226)
Total other financing sources (uses)	<u>(436,463)</u>	<u>(5,839,714)</u>	<u>(5,403,251)</u>
Net change in fund balance	<u>\$ (6,372,781)</u>	<u>\$ (2,028,985)</u>	<u>\$ 4,343,796</u>

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

### Solid Waste Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 46,580	\$ 46,580
Charges for services	15,189,163	15,326,780	137,617
Miscellaneous	-	2,858	2,858
Total revenues	<u>15,189,163</u>	<u>15,376,218</u>	<u>187,055</u>
Expenditures:			
Current:			
Public works	14,114,556	12,606,249	1,508,307
Total expenditures	<u>14,114,556</u>	<u>12,606,249</u>	<u>1,508,307</u>
Excess of revenues over expenditures	1,074,607	2,769,969	1,695,362
Other financing sources (uses):			
Transfers out	-	(350,000)	(350,000)
Proceeds from sale of capital assets	-	40,035	40,035
Total other financing sources (uses)	<u>-</u>	<u>(309,965)</u>	<u>(309,965)</u>
Net change in fund balance	<u>\$ 1,074,607</u>	<u>\$ 2,460,004</u>	<u>\$ 1,385,397</u>

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

### Golf Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 1,711,195	\$ 1,561,420	(149,775)
Total revenues	<u>1,711,195</u>	<u>1,561,420</u>	<u>(149,775)</u>
Expenditures:			
Current:			
Public works	1,731,353	1,763,735	(32,382)
Total expenditures	<u>1,731,353</u>	<u>1,763,735</u>	<u>(32,382)</u>
Deficiency of revenues over expenditures	(20,158)	(202,315)	(182,157)
Other financing sources:			
Transfers in	-	293,070	293,070
Total other financing sources	<u>-</u>	<u>293,070</u>	<u>293,070</u>
Net change in fund balance	<u>\$ (20,158)</u>	<u>\$ 90,755</u>	<u>\$ 110,913</u>

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

### Cemetery Fund

For the Fiscal Year Ended June 30, 2011

*City of Tempe, Arizona*

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Charges for services	\$ 144,420	\$ 107,040	\$ (37,380)
Total revenues	<u>144,420</u>	<u>107,040</u>	<u>(37,380)</u>
Expenditures:			
Current:			
Public works	-	1,536	(1,536)
Debt service:			
Principal	91,000	90,000	1,000
Interest and fiscal fees	90,000	88,509	1,491
Total expenditures	<u>181,000</u>	<u>180,045</u>	<u>955</u>
 Net change in fund balance	 <u>\$ (36,580)</u>	 <u>\$ (73,005)</u>	 <u>\$ (36,425)</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, 2011

City of Tempe, Arizona

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<b><u>Assets</u></b>		
111	Cash - unrestricted	\$ 248,444
113	Cash - other restricted	591,682
115	Cash- restricted for payment of current liabilities	34,872
128	Accounts receivable - fraud recovery	37,589
142	Prepaid Expense	711,739
	Total assets	<u>\$ 1,624,326</u>
<b><u>Liabilities</u></b>		
312	Accounts payable <= 90 days	\$ 1,927
321	Accrued wage/payroll taxes payable	20,028
345	Other current liabilities	15,001
353	Non-current liabilities	34,872
	Total liabilities	<u>71,828</u>
<b><u>Equity</u></b>		
509	Fund balance reserved	591,682
511.2	Unreserved, designated fund balance	710,604
512	Undesignated fund balance	250,212
513	Total equity	<u>1,552,498</u>
600	Total liabilities and equity	<u>\$ 1,624,326</u>

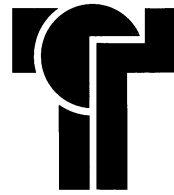
**Other Supplementary Information - Financial Data Schedule  
Revenues and Expenses**

**Housing Assistance Fund**

For the Fiscal Year ended June 30, 2011

*City of Tempe, Arizona*

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<b><u>Revenues</u></b>		
706	HUD PHA grants	\$ 9,760,470
714	Fraud Recovery	17,952
715	Other revenue	11,306
711	Investment income - unrestricted	503
720	Investment income - restricted	854
	Total revenues	9,791,085
<b><u>Expenses</u></b>		
911	Administrative salaries	403,481
912	Auditing fees	4,792
914	Advertising and Marketing	441
915	Employee benefit contributions - administrative	138,470
916	Other operating - administrative	132,933
925	Tenant Services	80,102
973	Housing assistance payments	8,175,302
	Total expenses	8,935,521
	Excess of revenues over expenses	\$ 855,564
<b><u>Memo Account Information</u></b>		
1120	Unit months available	12,984
1121	Number of unit months leased	12,543
1117	Administrative Fee Equity	\$ 250,211
1118	Housing Assistance Payments Equity	\$ 591,682



# 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.

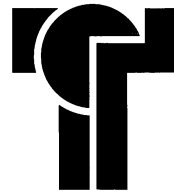
## STATISTICAL SECTION

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.

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



## Net Assets by Component (Exhibit S-1)

### Last Ten Fiscal Years

Accrual Basis of Accounting

City of Tempe, Arizona

	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 433,414,734	\$ 440,494,223	\$ 426,857,287	\$ 425,257,427	\$ 388,629,882	\$ 397,087,925	\$ 597,765,255	\$ 574,872,877	\$ 562,958,494	\$ 571,925,061
Restricted (A)	122,572,053	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
Unrestricted	102,002,207	73,239,199	91,829,853	153,918,478	226,533,760	414,023,370	277,055,145	237,470,312	241,371,774	259,250,692
Total governmental activities net assets	<u>\$ 657,988,994</u>	<u>\$ 649,047,546</u>	<u>\$ 662,410,879</u>	<u>\$ 716,359,646</u>	<u>\$ 789,492,445</u>	<u>\$ 926,029,552</u>	<u>\$ 1,014,214,328</u>	<u>\$ 993,584,291</u>	<u>\$ 947,278,004</u>	<u>\$ 945,819,641</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 173,224,647	\$ 171,881,978	\$ 174,841,674	\$ 191,670,395	\$ 174,110,077	\$ 177,682,915	\$ 154,867,017	\$ 151,096,394	\$ 144,245,429	\$ 175,625,967
Unrestricted	82,578,913	89,985,585	89,162,318	74,678,567	88,802,930	88,554,746	103,816,965	100,251,937	102,511,794	73,018,010
Total business-type activities net assets	<u>\$ 255,803,560</u>	<u>\$ 261,867,563</u>	<u>\$ 264,003,992</u>	<u>\$ 266,348,962</u>	<u>\$ 262,913,007</u>	<u>\$ 266,237,661</u>	<u>\$ 258,683,982</u>	<u>\$ 251,348,331</u>	<u>\$ 246,757,223</u>	<u>\$ 248,643,977</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 606,639,381	\$ 612,376,201	\$ 601,698,961	\$ 616,927,822	\$ 562,739,959	\$ 574,770,840	\$ 752,632,272	\$ 725,969,271	\$ 707,203,923	\$ 747,551,028
Restricted (A)	132,637,849	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
Unrestricted	174,515,324	155,093,989	171,978,347	228,597,045	315,336,690	502,578,116	380,872,110	337,722,249	343,883,568	332,268,702
Total primary government net assets	<u>\$ 913,792,554</u>	<u>\$ 910,915,109</u>	<u>\$ 926,414,871</u>	<u>\$ 982,708,608</u>	<u>\$ 1,052,405,452</u>	<u>\$ 1,192,267,213</u>	<u>\$ 1,272,898,310</u>	<u>\$ 1,244,932,622</u>	<u>\$ 1,194,035,227</u>	<u>\$ 1,194,463,618</u>

(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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>Expenses</b>										
Governmental activities:										
Police	\$ 45,265,995	\$ 47,729,305	\$ 49,973,991	\$ 51,928,073	\$ 59,957,698	\$ 60,929,075	\$ 83,613,800	\$ 86,126,079	\$ 78,283,021	\$ 72,492,475
Fire	15,988,363	15,103,049	16,990,382	17,679,667	20,098,598	22,563,083	30,133,124	30,850,700	30,542,829	27,499,884
Community services	20,874,630	20,307,801	20,629,836	21,116,067	22,205,153	16,072,936	24,070,427	30,402,447	21,891,886	27,031,973
Parks and recreation (A)	-	-	-	-	-	20,015,034	20,521,457	20,431,433	21,238,479	-
Public works	57,047,822	57,917,031	61,814,870	61,853,194	67,537,876	56,869,440	82,727,089	101,674,714	115,283,119	94,687,386
Community development	2,485,774	3,245,906	4,021,965	3,187,992	30,358,768	21,444,736	20,037,984	20,445,243	23,494,471	30,778,689
Community relations	2,212,271	2,845,176	2,472,966	2,312,548	2,499,978	2,816,030	3,179,145	3,137,349	4,210,261	4,463,790
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281	547,453	418,851	387,723	316,531
City manager	1,414,543	918,556	209,830	312,882	412,936	445,531	488,323	265,531	369,153	556,354
Diversity program	-	-	505,865	544,872	534,950	548,552	687,926	583,563	531,651	447,287
Internal audit/consulting	-	-	440,660	446,333	460,824	476,089	558,706	484,460	427,828	477,080
Tempe learning center (D)	-	-	-	-	-	-	-	-	-	467,763
City clerk and elections	784,099	433,922	652,442	443,255	752,336	528,493	870,815	684,875	739,884	403,792
City attorney	2,420,285	2,027,045	2,087,009	2,262,903	2,348,553	2,903,028	3,641,333	2,933,734	3,101,845	2,659,312
Municipal court	3,325,642	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
Development services (B)	16,808,229	18,760,209	19,111,722	21,449,181	4,492,161	8,611,601	8,596,785	6,338,984	7,107,213	-
Finance and technology	-	-	-	-	-	-	-	-	-	8,321,853
Financial services (C)	4,906,157	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	4,058,772	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
Information technology (C)	804,751	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	7,594,725	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
Interest on long-term debt	6,588,170	6,956,107	8,974,827	9,033,035	10,821,420	13,996,681	12,091,111	16,247,598	16,185,139	18,453,487
<b>Total governmental activities expenses</b>	<b>193,097,127</b>	<b>208,259,773</b>	<b>210,630,073</b>	<b>212,040,319</b>	<b>241,754,773</b>	<b>249,782,061</b>	<b>313,195,035</b>	<b>337,252,966</b>	<b>340,940,020</b>	<b>301,007,739</b>
Business-type activities:										
Water/Wastewater	38,892,299	38,417,396	42,739,236	47,156,603	53,588,122	53,688,700	64,954,769	64,720,725	73,045,936	67,505,481
Solid waste	10,294,641	10,205,570	10,912,307	11,413,402	11,836,691	12,403,387	15,130,899	14,499,308	13,730,227	13,784,106
Golf course	2,441,907	2,435,783	2,353,586	2,442,925	2,375,802	2,225,214	2,667,539	2,324,208	2,269,182	2,011,316
Cemetery	-	-	-	-	152,717	171,817	251,743	218,447	312,525	176,553
<b>Total business-type activities expenses</b>	<b>51,628,847</b>	<b>51,058,749</b>	<b>56,005,129</b>	<b>61,012,930</b>	<b>67,953,332</b>	<b>68,489,118</b>	<b>83,004,950</b>	<b>81,762,688</b>	<b>89,357,870</b>	<b>83,477,456</b>
<b>Total primary government expenses</b>	<b>\$ 244,725,974</b>	<b>\$ 259,318,522</b>	<b>\$ 266,635,202</b>	<b>\$ 273,053,249</b>	<b>\$ 309,708,105</b>	<b>\$ 318,271,179</b>	<b>\$ 396,199,985</b>	<b>\$ 419,015,654</b>	<b>\$ 430,297,890</b>	<b>\$ 384,485,195</b>

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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Police	\$ 28,181	\$ 833,378	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973	\$ 1,110,714	\$ 1,201,962	\$ 1,052,723	\$ 1,657,335
Fire	43,782	334,773	305,964	41,561	566,505	1,116,101	303,824	314,969	912,000	2,107,133
Community services	4,586,011	4,996,644	5,213,032	5,045,852	5,098,319	5,353,815	6,924,685	7,122,650	6,173,870	6,453,226
Parks and recreation (B)	-	-	-	-	-	30,053	27,844	9,348	126,455	-
Public works	3,343,519	4,112,610	5,261,301	9,904,057	6,594,229	7,940,104	11,305,217	20,461,847	19,596,611	19,582,397
Community development	-	-	-	-	637,445	526,893	451,535	592,236	1,938,184	4,484,572
Community relations	-	-	-	-	-	-	-	24,070	-	-
City attorney	-	-	-	-	-	-	-	-	-	8,682
Municipal court	6,382,786	2,711,225	5,857,804	6,497,384	7,179,554	7,687,007	8,211,574	8,912,739	5,868,369	8,413,798
Development services (C)	1,859,012	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)	179,726	238,226	238,417	325,191	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	-	-	-	-	2,624,190
Financial services (D)	2,007,179	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	115,498	83,938	59,598	78,767	92,827	284,084	79,536	130,492	-	-
Operating grants and contributions	11,782,757	13,490,697	14,346,903	16,245,880	19,903,398	18,812,530	15,625,633	16,052,299	18,222,849	22,131,520
Capital grants and contributions	9,376,155	5,098,677	12,589,817	33,688,443	54,935,929	103,412,667	79,670,490	35,955,254	38,709,299	24,708,317
<b>Total governmental activities program revenues</b>	<b>39,704,606</b>	<b>36,178,199</b>	<b>48,968,220</b>	<b>77,972,071</b>	<b>103,384,883</b>	<b>153,787,214</b>	<b>131,615,487</b>	<b>97,649,955</b>	<b>98,308,486</b>	<b>92,171,170</b>
Business-type activities:										
Charges for services:										
Water and wastewater	40,890,844	43,315,681	42,604,532	44,443,764	47,012,596	50,922,496	53,208,327	55,504,216	62,511,102	70,094,034
Solid waste	9,979,359	10,496,774	11,014,949	12,054,563	12,989,827	13,820,128	14,669,542	15,130,988	15,242,801	15,326,780
Golf course	2,124,037	1,920,699	2,020,132	1,954,278	1,971,031	1,912,286	1,984,429	1,813,578	1,574,081	1,562,489
Cemetery	-	-	-	-	18,943	18,339	231,960	98,356	116,643	110,196
Capital grants and contributions	2,033,578	179,754	751,525	2,835,223	506,593	4,782,425	472,928	59,867	4,765,839	1,691,429
<b>Total business-type activities program revenues</b>	<b>55,027,818</b>	<b>55,912,908</b>	<b>56,391,138</b>	<b>61,287,828</b>	<b>62,498,990</b>	<b>71,455,674</b>	<b>70,567,186</b>	<b>72,607,005</b>	<b>84,210,466</b>	<b>88,784,928</b>
<b>Total primary government program revenues</b>	<b>\$ 94,732,424</b>	<b>\$ 92,091,107</b>	<b>\$ 105,359,358</b>	<b>\$ 139,259,899</b>	<b>\$ 165,883,873</b>	<b>\$ 225,242,888</b>	<b>\$ 202,182,673</b>	<b>\$ 170,256,960</b>	<b>\$ 182,518,952</b>	<b>\$ 180,956,098</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (153,392,521)	\$ (172,081,574)	\$ (161,661,853)	\$ (134,068,248)	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)	\$ (239,603,011)	\$ (242,631,534)	\$ (208,836,569)
Business-type activities	3,398,971	4,854,159	386,009	274,898	(5,454,342)	2,966,556	(12,437,764)	(9,155,683)	(5,147,404)	5,307,472
<b>Total primary government net expense</b>	<b>\$ (149,993,550)</b>	<b>\$ (167,227,415)</b>	<b>\$ (161,275,844)</b>	<b>\$ (133,793,350)</b>	<b>\$ (143,824,232)</b>	<b>\$ (93,028,291)</b>	<b>\$ (194,017,312)</b>	<b>\$ (248,758,694)</b>	<b>\$ (247,778,938)</b>	<b>\$ (203,529,097)</b>

(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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10 (A)	Fiscal Year 2010-11
<b>General revenues and other changes in net assets</b>										
Governmental activities:										
General revenues:										
Sales taxes	\$ 111,538,072	\$ 112,724,512	\$ 120,075,959	\$ 131,256,519	\$ 145,109,192	\$ 157,488,587	\$ 150,687,016	\$ 134,382,181	\$ 125,186,698	\$ 141,844,739
State shared income taxes, unrestricted	16,544,791	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759	23,332,475	24,832,128	21,406,004	16,137,383
Property taxes	20,375,185	21,269,140	22,580,678	24,872,388	27,532,893	26,826,227	32,447,203	35,891,803	37,183,541	35,501,233
Franchise taxes	1,810,590	1,476,718	1,457,085	1,678,437	1,858,851	2,693,256	3,424,561	3,976,956	3,559,615	3,821,436
Auto-lieu taxes	5,233,512	6,247,543	6,427,396	6,791,043	7,527,675	6,870,739	6,655,516	6,024,595	5,560,791	5,424,902
Unrestricted investment earnings	11,223,592	2,898,356	2,336,129	4,537,422	8,038,565	13,337,247	14,041,876	7,410,643	97,660	1,229,447
Miscellaneous	1,444,812	1,469,345	1,681,895	2,126,029	1,864,289	2,780,229	2,879,878	4,348,126	3,429,435	2,991,971
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
Transfers	(68,770)	171,977	(199,750)	168,734	1,149,970	3,711,910	149,242	615,463	(115,657)	293,418
Total governmental activities	<u>168,101,784</u>	<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>
Business-type activities:										
Unrestricted investment earnings	3,745,272	900,524	959,081	1,408,251	1,909,727	3,305,406	4,618,383	1,940,956	10,698	459,759
Miscellaneous	325,906	481,297	567,189	438,447	993,233	716,338	344,449	262,728	332,955	1,976,132
Gain (loss) on sale of capital assets	408,156	-	24,400	392,108	265,397	48,264	70,495	231,811	96,986	(5,563,191)
Transfers	68,770	(171,977)	199,750	(168,734)	(1,149,970)	(3,711,910)	(149,242)	(615,463)	115,657	(293,418)
Total business-type activities	<u>4,548,104</u>	<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>
Total primary government	<u>\$ 172,649,888</u>	<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>
<b>Changes in net assets</b>										
Governmental activities	\$ 14,709,263	\$ (8,941,448)	\$ 13,363,333	\$ 53,948,767	\$ 73,132,799	\$ 136,537,107	\$ 88,184,776	\$ (20,630,037)	\$ (46,306,287)	\$ (1,458,363)
Business-type activities	7,947,075	6,064,003	2,136,429	2,344,970	(3,435,955)	3,324,654	(7,553,679)	(7,335,651)	(4,591,108)	1,886,754
Total primary government	<u>\$ 22,656,338</u>	<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>

(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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>General fund</b>										
Reserved	\$ 2,201,123	\$ 2,949,516	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060	\$ 4,449,843	\$ 1,322,728	\$ 981,529	\$ -
Unreserved	75,249,138	63,670,728	72,823,641	78,064,176	94,648,961	96,883,636	92,432,479	75,647,216	42,832,205	-
Nonspendable	-	-	-	-	-	-	-	-	-	650,506
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	13,783,790
Unassigned	-	-	-	-	-	-	-	-	-	39,604,103
Total general fund	<u>\$ 77,450,261</u>	<u>\$ 66,620,244</u>	<u>\$ 74,786,670</u>	<u>\$ 81,340,119</u>	<u>\$ 97,025,779</u>	<u>\$ 101,182,696</u>	<u>\$ 96,882,322</u>	<u>\$ 76,969,944</u>	<u>\$ 43,813,734</u>	<u>\$ 54,038,399</u>
<b>All other governmental funds</b>										
Reserved	\$ 32,891,864	\$ 42,004,605	\$ 36,882,416	\$ 76,440,839	\$ 71,648,277	\$ 58,559,662	\$ 69,814,938	\$ 59,067,648	\$ 69,324,494	\$ -
Unreserved, reported in:										
Debt service funds (A)	-	-	-	-	-	(66,826)	-	(45,374)	-	-
Special revenues funds	59,551,110	67,312,797	64,835,343	55,470,121	66,938,765	65,022,802	36,228,348	23,220,030	32,742,748	-
Capital projects funds	39,530,059	29,984,703	36,375,643	21,153,248	53,752,477	17,044,525	28,848,898	71,685,317	63,078,330	-
Nonspendable	-	-	-	-	-	-	-	-	-	1,826,335
Restricted	-	-	-	-	-	-	-	-	-	75,275,738
Committed	-	-	-	-	-	-	-	-	-	75,446,158
Assigned	-	-	-	-	-	-	-	-	-	10,614,331
Unassigned	-	-	-	-	-	-	-	-	-	(1,097,095)
Total all other governmental funds	<u>\$ 131,973,033</u>	<u>\$ 139,302,105</u>	<u>\$ 138,093,402</u>	<u>\$ 153,064,208</u>	<u>\$ 192,339,519</u>	<u>\$ 140,560,163</u>	<u>\$ 134,892,184</u>	<u>\$ 153,927,621</u>	<u>\$ 165,145,572</u>	<u>\$ 162,065,467</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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>Revenues:</b>										
Taxes	\$ 111,252,263	\$ 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
Intergovernmental	65,143,039	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
Investment earnings	11,223,592	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
Charges for services	6,550,017	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
Fines and forfeitures	4,980,777	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
Other entities' participation	817,041	394,803	-	78,433	2,382,056	2,074,553	1,412,155	1,600,100	328,147	622,543
Special assessments	2,845,691	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
Licenses and permits	1,105,145	1,263,163	1,131,517	1,250,205	1,389,130	1,524,891	1,592,521	1,546,287	1,670,698	1,666,196
Miscellaneous	3,676,606	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
<b>Total revenues</b>	<b>207,594,171</b>	<b>202,998,697</b>	<b>219,142,412</b>	<b>261,089,868</b>	<b>300,353,988</b>	<b>340,566,686</b>	<b>321,317,169</b>	<b>355,388,527</b>	<b>306,341,925</b>	<b>299,047,259</b>
<b>Expenditures:</b>										
Police	44,524,665	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
Fire	14,903,901	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
Community services	19,353,717	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
Parks and recreation (A)	-	-	-	-	-	15,166,076	15,826,217	17,583,861	16,880,739	-
Public works	41,042,674	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
Community development	2,445,475	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
Community relations	2,126,245	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
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281	367,250	386,483	388,486	318,282
City manager	1,464,931	944,568	254,578	293,964	383,025	440,915	294,042	347,556	330,992	521,642
Diversity program	-	-	472,233	544,032	520,748	542,292	641,719	555,034	520,731	427,103
Internal audit/consulting	-	-	408,862	420,449	450,650	462,751	491,057	506,621	514,069	379,752
Tempe learning center (D)	-	-	-	-	-	-	-	-	-	445,556
City clerk and elections	774,756	442,615	641,753	440,041	747,588	484,894	748,371	633,640	799,975	395,778
City attorney	2,437,072	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
Municipal court	3,261,268	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
Development services (B)	15,815,204	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
Financial services (C)	4,747,540	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	4,049,591	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
Information technology (C)	600,852	990,568	633,533	537,006	-	-	-	-	-	-
Non-departmental	1,412,665	9,197,356	3,440,150	4,433,871	3,937,911	6,031,097	3,407,427	395,648	-	-
Debt service:										
Principal retirement	10,884,500	8,105,000	10,345,000	10,470,000	14,580,000	15,765,000	18,121,865	19,656,531	22,212,157	26,062,231
Interest and fiscal fees	6,460,321	7,296,250	8,470,153	9,472,601	12,016,680	15,239,760	16,636,211	17,153,400	16,656,095	18,989,678
Capital outlay	36,318,048	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
<b>Total expenditures</b>	<b>213,140,324</b>	<b>243,313,888</b>	<b>240,516,693</b>	<b>280,771,411</b>	<b>377,547,027</b>	<b>448,690,748</b>	<b>413,277,173</b>	<b>413,246,473</b>	<b>355,350,965</b>	<b>306,286,572</b>
Deficiency of revenues over expenditures before other financing sources (uses)	(5,546,153)	(40,315,191)	(21,374,281)	(19,681,543)	(77,193,039)	(108,124,062)	(91,960,004)	(57,857,946)	(49,009,040)	(7,239,313)

(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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>Other financing sources (uses):</b>										
Transfers in	54,810,989	32,447,621	35,261,611	40,964,257	23,839,365	37,963,787	71,362,599	64,230,445	59,305,503	16,912,259
Transfers out	(54,879,759)	(32,275,644)	(35,461,361)	(40,795,523)	(22,689,395)	(34,250,777)	(71,213,357)	(63,614,982)	(59,421,161)	(16,618,841)
Issuance of debt	8,000,000	35,220,000	30,560,000	17,680,000	125,845,000	55,640,000	71,170,000	45,980,000	26,040,000	13,146,000
Premium on issuance of debt	-	-	1,861,088	-	1,847,396	1,746,522	1,242,369	807,728	755,553	2,401,827
Capital lease proceeds	686,109	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
Proceeds from loan	-	-	-	7,000,000	-	-	-	-	-	-
Issuance of refunding bonds	5,970,000	40,931,700	24,945,000	-	-	31,655,000	-	-	-	26,040,000
Payment to refunded bond escrow agent	(5,948,430)	(40,500,000)	(24,145,002)	-	-	(33,017,976)	-	-	-	(27,936,582)
Total other financing sources (uses)	<u>8,638,909</u>	<u>36,814,246</u>	<u>42,147,736</u>	<u>27,390,066</u>	<u>132,154,010</u>	<u>60,501,623</u>	<u>81,991,651</u>	<u>56,981,005</u>	<u>27,070,781</u>	<u>14,383,873</u>
<b>Net change in fund balances</b>	<u>\$ 3,092,756</u>	<u>\$ (3,500,945)</u>	<u>\$ 20,773,455</u>	<u>\$ 7,708,523</u>	<u>\$ 54,960,971</u>	<u>\$ (47,622,439)</u>	<u>\$ (9,968,353)</u>	<u>\$ (876,941)</u>	<u>\$ (21,938,259)</u>	<u>\$ 14,383,873</u>
Debt service as a percentage of noncapital expenditures	9.8%	8.3%	10.0%	10.2%	11.9%	12.1%	12.6%	12.0%	13.1%	16.6%

## 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
2001-02	\$ 2,742,441,556	\$ 941,832,389	\$ 499,078,556	\$ 382,886,889	\$ 333,773,611	\$ 103,032,222	\$ 81,622,056	\$ 85,321,167	\$ 5,169,988,446	1.80 %
2002-03	2,719,123,222	906,578,056	467,647,889	368,798,222	296,740,778	106,429,056	91,584,111	92,733,667	5,049,635,001	1.80
2003-04	2,859,897,505	899,687,556	497,207,351	377,852,500	340,484,056	107,090,645	85,961,444	98,812,889	5,266,993,946	1.80
2004-05	3,143,763,590	917,707,487	501,110,558	412,292,532	410,634,122	122,425,842	97,748,939	109,532,310	5,715,215,380	1.80
2005-06	3,602,528,301	997,198,126	545,661,301	465,230,507	523,679,355	136,971,401	95,180,579	109,300,426	6,475,749,996	1.80
2006-07	3,732,944,444	1,085,111,111	571,722,222	484,500,000	784,444,444	132,888,889	82,277,778	116,722,222	6,990,611,110	1.80
2007-08	3,511,222,222	1,174,055,556	608,388,889	519,555,556	738,611,111	150,222,222	84,222,222	100,722,222	6,887,000,000	1.80
2008-09	3,050,222,222	1,203,888,889	590,555,556	504,611,111	631,555,556	123,611,111	87,777,778	88,166,667	6,280,388,890	1.80
2009-10	2,976,388,889	1,136,888,889	536,611,111	472,666,667	400,000,000	110,944,444	96,166,667	66,055,556	5,795,722,223	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

#### Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2001-02	53.05 %	18.22 %	9.65 %	7.41 %	6.46 %	1.99 %	1.58 %	1.64 %	100 %
2002-03	53.85	17.95	9.26	7.30	5.88	2.11	1.81	1.84	100
2003-04	54.30	17.08	9.44	7.17	6.46	2.03	1.63	1.89	100
2004-05	55.01	16.06	8.77	7.21	7.18	2.14	1.71	1.92	100
2005-06	55.63	15.40	8.43	7.18	8.09	2.12	1.47	1.68	100
2006-07	53.40	15.52	8.18	6.93	11.22	1.90	1.18	1.67	100
2007-08	50.98	17.05	8.83	7.54	10.72	2.18	1.22	1.48	100
2008-09	48.57	19.17	9.40	8.03	10.06	1.97	1.40	1.40	100
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

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
2001-02	1.80 %	0.70 %	5.60 %	8.10 %
2002-03	1.80	0.70	5.60	8.10
2003-04	1.80	0.70	5.60	8.10
2004-05	1.80	0.70	5.60	8.10
2005-06	1.80	0.70	5.60	8.10
2006-07	1.80	0.70	5.60	8.10
2007-08	1.80	0.70	5.60	8.10
2008-09	1.80	0.70	5.60	8.10
2009-10	1.80	0.70	6.60	9.10
2010-11	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

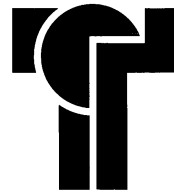
The sale of delinquent tax bills is begun on a date not earlier than February 1 nor later than March 1 following the May 1 date upon which the second half taxes become delinquent. The sale is made at public auction in the office of the County Treasurer. Tax bills are sold to the highest bidder who offers 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
2001-02	Primary	\$ 834,642,415	\$ 31,186,396	\$ 374,437,089	\$ 123,377,474	\$ 1,710,226
	Secondary	887,301,591	38,657,266	388,110,036	135,780,153	1,811,596
2002-03	Primary	915,869,448	30,810,942	384,928,341	130,945,963	1,639,351
	Secondary	981,176,470	38,767,071	388,897,351	136,567,526	1,737,214
2003-04	Primary	935,290,666	28,432,421	461,432,599	139,596,174	1,695,416
	Secondary	1,016,813,162	40,528,635	466,917,457	153,014,453	1,829,752
2004-05	Primary	1,013,975,894	28,432,421	461,432,599	146,840,125	2,973,252
	Secondary	1,094,932,248	37,741,236	472,792,985	152,253,913	3,347,552
2005-06	Primary	1,245,827,301	238,624,198	499,989,878	163,440,750	2,770,242
	Secondary	1,303,026,577	282,897,988	528,444,640	175,658,220	3,046,217
2006-07	Primary	1,306,192,761	249,763,558	515,469,816	175,924,392	3,008,952
	Secondary	1,392,698,031	335,482,079	523,973,749	182,197,200	3,198,718
2007-08	Primary	1,369,975,785	287,255,556	587,620,345	191,632,935	3,284,085
	Secondary	1,487,353,047	386,956,732	782,035,308	240,647,400	3,652,041
2008-09	Primary	1,416,640,407	326,359,399	674,491,736	218,810,180	3,043,548
	Secondary	1,605,563,621	439,585,924	901,618,735	291,324,398	3,447,472
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

Source: Maricopa County Assessor's Office

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 2001-02 through 2004-05.

*City of Tempe, Arizona*

Non-commercial Historic Property	Less: Tax-Exempt Property (A)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 4,667,240	\$ N/A	\$ 1,370,020,840	\$ 0.53	\$ 9,756,507,857	14.04 %
4,700,975	N/A	1,456,361,617	0.82	9,197,839,943	15.83
9,336,275	N/A	1,473,530,320	0.52	10,505,677,932	14.03
9,346,662	N/A	1,556,492,294	0.83	9,669,307,443	16.10
9,128,538	N/A	1,575,575,814	0.55	11,424,612,316	13.79
9,348,956	N/A	1,688,452,415	0.80	10,779,997,040	15.66
7,538,097	N/A	1,661,192,388	0.53	12,379,112,416	13.42
7,809,451	N/A	1,768,877,385	0.82	11,034,323,885	16.03
1,229,232	350,861,051	1,801,020,550	0.52	13,289,932,548	13.55
1,426,854	390,074,308	1,904,426,188	0.88	14,207,441,131	13.40
1,341,770	356,496,779	1,895,204,470	0.52	13,995,714,438	13.54
1,448,936	432,295,381	2,006,703,332	0.88	15,035,677,275	13.35
5,569,454	413,757,218	2,031,580,942	0.51	15,428,450,636	13.17
6,404,967	505,151,029	2,401,898,466	0.89	18,964,996,979	12.66
5,628,185	480,062,120	2,164,911,335	0.51	17,268,165,844	12.54
7,346,018	591,937,974	2,656,948,194	0.89	21,784,820,579	12.20
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

## 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		
2001-02	Primary	0.53	2.08	3.41	-	1.18	0.96
	Secondary	0.82	1.11	1.00	0.06	0.09	0.15
	Total	1.35	3.19	4.41	0.06	1.27	1.11
2002-03	Primary	0.52	2.19	3.32	-	1.21	0.96
	Secondary	0.83	1.13	0.95	0.06	0.08	0.15
	Total	1.35	3.32	4.27	0.06	1.29	1.11
2003-04	Primary	0.55	2.24	3.10	-	1.21	0.94
	Secondary	0.80	1.05	1.10	0.05	0.07	0.14
	Total	1.35	3.29	4.20	0.05	1.28	1.08
2004-05	Primary	0.53	2.05	2.90	-	1.21	0.92
	Secondary	0.82	0.99	1.09	0.05	-	0.12
	Total	1.35	3.04	3.99	0.05	1.21	1.04
2005-06	Primary	0.52	1.73	2.90	-	1.20	0.89
	Secondary	0.88	0.92	1.08	0.06	-	0.14
	Total	1.40	2.65	3.98	0.06	1.20	1.03
2006-07	Primary	0.52	1.74	2.61	-	1.18	0.88
	Secondary	0.88	0.89	1.38	0.05	-	0.18
	Total	1.40	2.63	3.99	0.05	1.18	1.06
2007-08	Primary	0.51	1.75	2.59	-	1.10	0.82
	Secondary	0.89	0.76	1.23	0.05	-	0.15
	Total	1.40	2.51	3.82	0.05	1.10	0.97
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

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 \$9.75, \$10.29 or \$11.76, 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
0.50	-	-	-	-	-	8.66
-	0.23	0.13	0.01	0.04	-	3.64
0.50	0.23	0.13	0.01	0.04	-	12.30
0.49	-	-	-	-	-	8.69
-	0.21	0.13	0.01	0.04	-	3.59
0.49	0.21	0.13	0.01	0.04	-	12.28
0.47	-	-	-	-	-	8.51
-	0.21	0.12	0.01	0.05	-	3.60
0.47	0.21	0.12	0.01	0.05	-	12.11
0.46	-	-	-	-	-	8.07
-	0.21	0.12	0.01	0.05	-	3.46
0.46	0.21	0.12	0.01	0.05	-	11.53
0.44	-	-	-	-	-	7.68
-	0.21	0.12	0.01	0.05	0.12	3.59
0.44	0.21	0.12	0.01	0.05	0.12	11.27
-	-	-	-	-	-	6.93
-	0.20	0.12	0.01	0.05	0.12	3.88
-	0.20	0.12	0.01	0.05	0.12	10.81
-	-	-	-	-	-	6.77
-	0.15	0.10	0.01	0.04	0.09	3.47
-	0.15	0.10	0.01	0.04	0.09	10.24
-	-	-	-	-	-	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

## 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		
2001-02	Primary	\$ 7,288,511	\$ 50,998,246	\$ 38,038,775	\$ -	\$ 252,676,223	\$ 204,648,094
	Secondary	11,913,038	28,778,881	11,823,692	6,258,774	20,071,906	34,930,475
	Total	<u>19,201,549</u>	<u>79,777,127</u>	<u>49,862,467</u>	<u>6,258,774</u>	<u>272,748,129</u>	<u>239,578,569</u>
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>

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

## 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
2001-02	\$ 19,127,781	\$ (231,396)	\$ 18,896,386	\$ 18,543,839	96.9 %	\$ 322,263	\$ 18,866,101	99.8
2002-03	20,453,121	(380,418)	20,072,703	19,789,415	96.8	254,749	20,044,164	99.9
2003-04	22,154,599	(564,888)	21,589,712	21,283,933	96.1	276,408	21,560,341	99.9
2004-05	23,739,716	(676,646)	23,063,070	23,122,629	97.4	(81,396)	23,041,233	99.9
2005-06	26,366,507	(947,724)	25,418,783	25,519,585	96.8	(127,426)	25,392,159	99.9
2006-07	27,385,069	(857,294)	26,527,775	26,185,044	95.6	318,162	26,503,206	99.9
2007-08	31,520,944	(321,729)	31,199,214	30,686,950	97.4	497,301	31,184,252	100.0
2008-09	35,130,400	(291,576)	34,838,824	33,987,393	96.7	799,577	34,786,970	99.9
2009-10	37,081,738	(489,398)	36,592,340	35,581,096	96.0	941,743	36,522,840	99.8
2010-11	34,455,730	(229,335)	34,226,395	33,299,312	96.6	-	33,299,312	97.3

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 2010-11			Fiscal Year 2001-02		
	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	\$ 39,107,974	1	1.56 %	\$ 24,886,431	3	1.71 %
Arizona Public Service Company	21,974,623	2	0.87	18,638,492	4	1.28
Qwest Corporation (formerly US West)	19,193,511	3	0.76	29,805,596	2	2.05
Honeywell	16,500,274	4	0.66	-	-	-
Tempe Fountainhead Corporate LLC	14,111,013	5	0.56	-	-	-
State Farm Mutual Auto Insurance	13,655,256	6	0.54	10,346,243	6	0.71
Verizon Wireless	12,142,093	7	0.48	-	-	-
St. Paul Properties	11,420,499	8	0.45	-	-	-
Fly (CD) LLC / AWHQ LLC	10,226,585	9	0.41	-	-	-
Breof Bnk2 Southwest LLC	9,639,000	10	0.38	-	-	-
Motorola, Incorporated	-	-	-	35,078,202	1	2.41
Britcher Arizona	-	-	-	14,444,750	5	0.99
Safeway Stores	-	-	-	9,666,654	7	0.66
Microchip Technology	-	-	-	9,501,053	8	0.65
Allied Signal	-	-	-	8,641,079	9	0.59
Tempe Commerce Park	-	-	-	7,667,095	10	0.53
<b>Total</b>	<b>\$ 167,970,828</b>		<b>6.69 %</b>	<b>\$ 168,675,595</b>		<b>11.58 %</b>

Source 2010-11: RBC Capital Markets

Source 2001-02: 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>	Fiscal Year 2010-11			Fiscal Year 2001-02		
		<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	\$ 4,880,674	1	13.75 %	\$ 3,233,861	1	3.65 %
Taxpayer B	Grocery Stores	2,794,195	2	7.87	2,341,421	2	2.64
Taxpayer C	Petroleum Products	2,343,853	3	1.74			
Taxpayer D	Mixed Retail	2,233,102	4	6.29			
Taxpayer E	Mixed Retail	2,024,110	5	5.70			
Taxpayer F	Mixed Retail	1,933,721	6	5.45	1,496,487	7	1.69
Taxpayer G	Electronics/Software	1,877,817	7	5.29			
Taxpayer H	Auto Sales	1,525,196	8	4.30	1,852,725	4	2.09
Taxpayer I	Electronics/Software	1,396,938	9	3.93	1,723,149	5	1.94
Taxpayer J	Construction	1,389,376	10	3.91			
Taxpayer K	Auto Sales				1,894,398	3	2.14
Taxpayer L	Auto Sales				1,597,785	6	1.80
Taxpayer M	Telecommunications				1,087,732	8	1.23
Taxpayer N	Auto Sales				1,056,543	9	1.19
Taxpayer O	Auto Sales				1,019,013	10	1.15
<b>Total</b>		<b>\$ 22,398,982</b>		<b>58.23 %</b>	<b>\$ 17,303,114</b>		<b>19.52 %</b>

Source: City of Tempe, Arizona Tax and License Division

**Notes:** 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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
Privilege and use tax (A)	\$ 59,299,061	\$ 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
State shared sales tax	12,148,438	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
State shared income tax	16,544,791	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
Franchise tax	2,545,346	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
Permits and Fees (B)	3,081,194	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
Fines and forfeitures	4,601,758	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
<b>Total</b>	<b>\$ 98,220,588</b>	<b>\$ 99,441,547</b>	<b>\$ 101,591,009</b>	<b>\$ 110,783,762</b>	<b>\$ 126,353,704</b>	<b>\$ 138,546,380</b>	<b>\$ 141,601,237</b>	<b>\$ 132,726,935</b>	<b>\$ 119,456,216</b>	<b>\$ 128,942,018</b>

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	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
2001-02	\$ 75,535,000	\$ 12,123,427	\$ 63,411,573	\$ 1,456,361,617	4.4	159,435	\$ 397.73
2002-03	90,395,000	13,471,704	76,923,296	1,556,492,294	4.9	159,425	482.50
2003-04	91,640,000	13,335,706	78,304,294	1,688,452,415	4.6	159,615	490.58
2004-05	99,880,000	15,991,147	83,888,853	1,768,877,385	4.7	160,820	521.63
2005-06	117,610,000	18,547,848	99,062,152	1,904,426,188	5.2	165,796	597.49
2006-07	116,500,000	17,607,767	98,892,233	2,006,703,332	4.9	166,625	593.50
2007-08	125,075,000	23,858,992	101,216,008	2,401,898,466	4.2	167,458	604.43
2008-09	156,265,000	31,844,188	124,420,812	2,656,948,194	4.7	172,641	720.69
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

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	2010-11 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2010-11 Secondary Tax Rate Per \$100 Assessed
			Percent	Amount	
<b>Net Direct</b>					
City of Tempe - General (net)	\$ 2,512,995,468	\$ 131,961,748 (A)	100.00 %	\$ 131,961,748	\$ 0.88
<b>Overlapping</b>					
State of Arizona	75,664,423,588	None	N/A	None	N/A
Maricopa County	49,707,952,123	None	N/A	None	N/A
Maricopa County Community College	49,707,952,123	737,930,000	5.06	37,339,258	0.97
Tempe Elementary School District No. 3	2,076,984,341	139,120,000	82.07	114,175,784	3.60
Mesa Unified School District No. 4	3,941,158,715	271,845,000	0.73	1,984,469	5.22
Kyrene Elementary School District No. 28	2,544,397,180	137,785,000	29.98	41,307,276	3.20
Scottsdale Unified School District No. 48	6,319,354,438	298,630,000	0.27	80,301	3.75
Tempe Union High School District No. 213	4,621,381,521	85,410,000	53.39	45,599,089	2.30
East Valley Institute of Technology	21,940,476,566	None	11.45	None	0.05
Total overlapping debt		<u>1,670,720,000</u>		<u>240,486,177</u>	
Total net direct and overlapping debt		<u>\$ 1,802,681,748</u>		<u>\$ 372,447,925</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 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
<b>Assessed Valuation</b>	<u>\$ 1,456,361,617</u>	<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>
<b>20% Limitation</b>										
Debt limit equal to 20% of assessed valuation	\$ 291,272,323	\$ 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
Total net debt applicable to 20% limit	<u>113,225,000</u>	<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>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 178,047,323</u>	<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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	38.87%	41.63%	42.11%	49.26%	57.62%	92.68%	88.40%	86.99%	88.92%	94.49%
<b>6% Limitation</b>										
Debt limit equal to 6% of assessed valuation	\$ 87,381,697	\$ 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
Total net debt applicable to 6% limit	<u>52,315,000</u>	<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>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 35,066,697</u>	<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>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	59.87%	74.28%	64.84%	69.29%	80.78%	2.55%	1.01%	0.88%	4.99%	5.52%

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

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

## Remaining General Obligation Bond Authorizations (Exhibit S-17)

*City of Tempe, Arizona*

2006	Authorization	Prior Issues	Current Year Issue	WIFA Funding	Remaining Authorization
Water / Wastewater	\$ 172,000,000	\$ 172,000,000	\$ -	\$ -	\$ -
Streets / Transportation	8,000,000	7,765,000	235,000	-	-
Police Protection	14,000,000	14,000,000	-	-	-
Fire Protection	2,500,000	1,620,000	880,000	-	-
Community Services/Park Improvements	14,000,000	13,885,000	115,000	-	-
Subtotal	210,500,000	209,270,000	1,230,000	-	-
<b>2008 Program</b>					
Water / Wastewater	113,300,000	36,095,000	-	15,930,302	61,274,698
Streets / Transportation/Storm Drains	44,200,000	75,000	1,005,000	-	43,120,000
Public Safety - Police/Fire	32,010,000	5,855,000	3,140,000	-	23,015,000
Community Services/Park Improvements	51,800,000	15,025,000	-	-	36,775,000
	241,310,000	57,050,000	4,145,000	15,930,302	164,184,698
	<u>\$ 451,810,000</u>	<u>\$ 266,320,000</u>	<u>\$ 5,375,000</u>	<u>\$ 15,930,302</u>	<u>\$ 164,184,698</u>

Source: City of Tempe, Arizona Finance and Technology Department

## Pledged-Revenue Coverage (Exhibit S-18)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Special Assessment Bonds			Excise Tax Revenue Obligations		
	Special Assessment Collections	Debt Service (D)	Coverage	Excise Tax Revenue Collections (A)	Debt Service (D)	Coverage
2001-02	\$ 2,849,998	\$ 2,908,056	0.98	\$ 98,220,588	\$ 7,505,627	13.09
2002-03	2,839,171	2,861,902	0.99	99,441,547	3,457,746	28.76
2003-04	2,781,576	2,821,905	0.99	101,591,009	4,497,682	22.59
2004-05	2,709,851	2,704,827	1.00	110,783,762	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

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
2001-02	\$ 5,006,344	\$ -	-	\$ 25,229,927	\$ -	-
2002-03	5,010,393	891,432	5.62	25,140,826	-	-
2003-04	5,279,580	710,448	7.43	26,740,623	-	-
2004-05	5,768,058	3,524,316	1.64	28,848,493	-	-
2005-06	6,480,218	6,017,247	1.08	32,440,082	-	-
2006-07	7,007,790	6,021,476	1.16	34,971,294	3,301,829	10.59
2007-08	6,820,193	6,009,925	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

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		
	2010-11 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)
2010-11	\$ 128,942,018	\$ 6,761,359	19.07	\$ 128,160,559	\$ 6,016,226	21.30
2011-12		9,399,739	13.72		6,017,788	21.30
2012-13		9,397,167	13.72		6,015,338	21.31
2013-14		9,405,367	13.71		6,013,238	21.31
2014-15		9,398,017	13.72		6,011,014	21.32
2015-16		10,301,029	12.52		6,012,438	21.32
2016-17		10,302,129	12.52		3,522,050	36.39
2017-18		10,305,829	12.51		3,521,376	36.40
2018-19		10,304,579	12.51		3,522,826	36.38
2019-20		10,308,829	12.51		3,525,876	36.35
2020-21		9,700,329	13.29		-	-
2021-22		9,692,054	13.30		-	-
2022-23		9,755,529	13.22		-	-
2023-24		6,674,567	19.32		-	-
2024-25		13,967,167	9.23		-	-
2025-26		4,284,935	30.09		-	-
2026-27		4,283,465	30.10		-	-
2027-28		4,278,960	30.13		-	-
2028-29		4,281,959	30.11		-	-
2029-30		2,491,750	51.75		-	-
2030-31		2,493,750	51.71		-	-

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in fiscal year 2010-11. 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 \$10,425,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2005, currently outstanding in the principal amount of \$19,060,000 and the City of Tempe, Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$21,210,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009A+B, currently outstanding in the principal amount of \$22,030,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2011A+B, currently outstanding in the principal amount of \$39,125,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2010-11 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 2010-11.
- (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 \$24,760,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2006, currently outstanding in the principal amount of \$10,970,000. 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

<b>Senior Excise Tax Obligations</b>			
<b>Fiscal Year</b>	<b>2010 Pledged Excise Tax Revenues (A)</b>	<b>Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)</b>	<b>Outstanding Senior Excise Tax Obligations Coverage (C)</b>
2010-11	\$ 29,012,370	\$ 4,270,450	6.79
2011-12		4,358,399	6.66
2012-13		4,450,560	6.52
2013-14		4,551,925	6.37
2014-15		4,645,740	6.24
2015-16		4,753,705	6.10
2016-17		4,858,935	5.97
2017-18		4,972,859	5.83
2018-19		5,085,665	5.70
2019-20		5,207,155	5.57
2020-21		5,342,319	5.43
2021-22		5,474,299	5.30
2022-23		5,604,245	5.18
2023-24		5,751,449	5.04
2024-25		5,896,752	4.92
2025-26		6,045,156	4.80
2026-27		6,210,312	4.67
2027-28		6,377,796	4.55
2028-29		6,542,360	4.43
2029-30		6,729,006	4.31
2030-31		6,912,462	4.20
2031-32		7,107,726	4.08
2032-33		7,314,540	3.97
2033-34		7,522,646	3.86
2034-35		7,740,786	3.75
2035-36		7,970,144	3.64
2036-37		4,685,703	6.19
2037-38		1,895,975	15.30

Source: City of Tempe, Arizona Accounting Division

- (A) Excise Tax Revenues received by the City in Fiscal Year 2010-11.
- (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 \$54,990,000 and \$46,340,000 respectively. Interest is assumed at a rate of 0.10% 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 \$28,575,000. Debt service requirements do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2010-11 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		
2001-02	\$ 75,535,000	\$ 20,250,000	\$ 3,810,000	\$ 47,380,000	\$ -	\$ 3,980,206	\$ 7,861,086	\$ 158,816,292		
2002-03	90,395,000	18,520,000	3,335,000	60,650,000	-	3,654,755	7,436,279	183,991,034		
2003-04	91,640,000	16,725,000	2,840,000	81,910,000	-	3,258,112	7,186,712	203,559,824		
2004-05	99,880,000	19,345,000	2,320,000	78,780,000	7,000,000	2,845,604	7,209,396	217,380,000		
2005-06	117,610,000	17,490,000	1,780,000	174,710,000	7,000,000	2,416,596	6,732,171	327,738,767		
2006-07	116,500,000	15,345,000	1,220,000	218,480,000	7,000,000	1,970,427	4,923,764	365,439,191		
2007-08	125,075,000	38,310,000	625,000	241,125,000	6,739,000	1,506,411	3,351,733	416,732,144		
2008-09	156,265,000	36,095,000	-	239,560,000	6,466,000	1,023,835	1,888,630	441,298,465		
2009-10	172,665,000	33,025,000	-	230,470,000	6,181,000	521,955	1,776,147	444,639,102		
2010-11	166,680,000	29,875,000	-	228,746,000	5,883,000	-	96,735	431,280,735		

Business-Type Activities										
Fiscal Year	General Obligation Bonds	Municipal Property Corporation Bonds	Excise Tax Revenue Bonds	Capital Improvement Notes	WIFA Loans	Capital Leases	Total Business Type Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2001-02	\$ 78,595,000	\$ 630,000	\$ -	\$ 129,393	\$ -	\$ -	\$ 79,354,393	\$ 238,170,685	6.65 %	\$ 1,494
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	767,826,690	14.96	4,748

## 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)
2001-02	159,435	\$ 3,583,620,495	\$ 22,477	N/A	N/A	26,056	47,359	3.30 %
2002-03	159,425	3,626,440,475	22,747	N/A	N/A	26,380	49,980	4.50
2003-04	159,615	3,673,858,455	23,017	N/A	N/A	26,960	52,265	4.20
2004-05	160,820	3,745,015,340	23,287	N/A	N/A	26,787	49,171	3.40
2005-06	165,796	3,906,153,760	23,560	58,000	30.9	26,800	61,033	3.50
2006-07	166,625	4,097,808,625	24,593	59,936	31.3	26,292	63,278	3.00
2007-08	167,458	4,387,734,516	26,202	66,864	29.7	25,929	64,394	2.80
2008-09	172,641	4,131,989,694	23,934	63,866	31.6	25,780	67,082	4.20
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

Source: (A) Estimate from City of Tempe, Arizona Budget Division  
 (B) Amount is calculated using population times per capita personal income  
 (C) Estimate from Sites USA for 2010 (latest available)  
 (D) Arizona Department of Education (Azed.gov)  
 (E) ASU Enrollment History  
 (F) Employment Trends, Arizona Department of Commerce

## Principal Employers (Exhibit S-23)

### Current Fiscal Year and Nine Years Prior

*City of Tempe, Arizona*

Employers	Fiscal Year 2010-11			Fiscal Year 2001-02		
	Employees (A)	Rank	Employment	Employees (B)	Rank	Employment
Arizona State University	10,089	1	25.74 %	12,569	1	34.10 %
Maricopa Community Colleges	4,703	2	12.00	-	-	-
Wells Fargo	4,236	3	10.81	4,168	2	11.31
Safeway Inc.	3,996	4	10.20	-	-	-
SRP	3,331	5	8.50	3,331	3	9.04
Motorola	3,000	6	7.66	2,604	5	7.06
Honeywell	3,000	7	7.66	3,000	4	8.14
Kyrene School District	2,559	8	6.53	2,205	8	5.98
Chase Manhattan Corporation	2,377	9	6.07	2,377	7	6.45
US Airways	1,898	10	4.84	-	-	0.00
Bank One Telephone Banking Division	-	-	-	2,000	10	5.43
Wells Fargo Banking Division	-	-	-	2,433	6	6.60
Motorola SPS Division	-	-	-	2,175	9	5.90
<b>Total</b>	<b>39,189</b>		<b>100.00 %</b>	<b>36,862</b>		<b>100.00 %</b>

Source: (A) City of Tempe, Arizona Community Development Department, Major 100 Employers List  
 (B) City of Tempe, Arizona Comprehensive Annual Financial Report, 2001-02

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

### Last Eight 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
Police	522	522	535	530	577	580	568	499
Fire	157	157	171	160	187	187	185	182
Community services	305	308	340	234	230	232	308	289
Parks and recreation	-	-	-	208	208	210	-	-
Public works	377	377	380	307	323	330	535	489
Community relations	20	18	18	20	20	20	27	25
Mayor and council	7	7	7	7	7	7	7	7
City manager	3	3	4	4	4	4	3	4
Diversity program	3	4	4	4	5	5	4	3
Internal audit/consulting	4	4	4	4	4	4	4	3
Tempe learning center	-	-	-	-	-	-	-	3
City clerk and elections	5	5	5	5	5	5	5	5
City attorney	25	25	26	29	29	29	25	25
Municipal court	37	38	41	41	46	46	42	42
Development services	87	89	52	63	63	62	-	-
Community development	-	-	53	60	62	62	106	88
Economic development	12	13	-	-	-	-	-	-
Finance and technology	-	-	-	-	-	-	-	132
Financial services	70	69	69	72	72	73	139	-
Human resources	19	19	19	21	23	24	20	17
Information technology	73	72	72	73	76	76	-	-
Water/wastewater	131	131	135	136	138	143	-	-
<b>Total</b>	<b>1,857</b>	<b>1,861</b>	<b>1,935</b>	<b>1,978</b>	<b>2,079</b>	<b>2,097</b>	<b>1,977</b>	<b>1,813</b>

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

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

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 Six 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
<b>Police</b>						
Crime rate (per 100,000 population)	8,269	8,000	6,700	6,100	5,500 (A)	5,898 (B)
Traffic accidents	5,562	6,729	5,895	4,920	4,595	4,693
Emergency service average response time (minimum)	4:43	5:01	5:07	5:08	5:17 (A)	5:30 (B)
Citizen calls for police service	124,923	123,847	112,409	106,317	86,074 (A)	85,673 (B)
Operating expenditures per citizen calls	\$391.87	\$353.37	\$415.22	\$443.34	\$432.95 (A)	\$748.69 (B)
<b>Fire</b>						
Firefighters per capita (10,000)	8.52	8.24	9.43	9.37	9.13 (A)	8.95 (B)
No. of fire calls	2,097	2,148	1,964	2,414	2,144	2,208
No. of medical calls	13,059	13,469	13,255	15,199	15,413	15,264
No. of other assistance calls	1,722	2,429	2,708	1,260	1,253	1,275
Emergency service average response time (minimum)	4:25	4:17	4:22	4:20	4:20 (A)	4:20 (B)
% of emergency responses taking 5.0 minutes or less	70%	72%	71%	72%	74%	74% (B)
<b>Transportation</b>						
On-time performance (bus)	94%	92%	89%	90%	94%	95%
Annual boardings (bus)	6,805,383	8,156,782	7,387,024	9,157,912	8,877,964	7,971,817
Number of square yards repaired	1,884,102	1,136,956	1,391,711	2,090,504	74,471	478 (D)
<b>Library</b>						
Registered borrowers	141,509	142,323	142,524	142,500	147,914 (A)	140,600 (B)
Circulation	1,404,318	1,246,650	1,257,336	1,250,000	1,089,174 (A)	937,500 (B)
<b>Development services</b>						
# of permits issued for commercial /industrial	69	69	46	21	18	8
Valuation of commercial/industrial permits	\$83,599,700	\$170,983,900	\$ 88,143,100	\$ 109,851,600	\$ 86,704,700	\$ 6,874,200
# of permits issued for residential	1,061	700	675	508	425	314
Valuation of residential permits	\$250,869,200	\$ 152,320,600	\$ 96,512,400	\$ 161,914,600	\$ 27,741,900	\$ 18,260,624
# of permits issued other	715	673	653	577	534	521
Valuation of other permits	\$119,168,700	\$89,884,365	\$188,916,700	\$105,413,500	\$68,502,500	\$77,951,841
<b>Water/wastewater</b>						
Number of customer accounts	42,059	42,261	42,494	42,686	42,453	42,218
Total water gallons treated (million gallons - mg)	17,589 (C)	16,686 (C)	17,135 (C)	15,774 (C)	15,606 (C)	15,877
O&M per customer account	\$221	\$317	\$251	\$256	\$181 (A)	\$217 (B)
Service calls responded to within 30 min. and repaired in 24 hours	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 (C)	18.6
<b>Solid waste collection</b>						
Residential container/recycling cost per ton	\$73	\$70	\$102	\$71	\$114 (A)	\$112 (B)
# of residential accounts	33,021	33,056	32,964	32,916	32,886	33,927
Residential recycling diversion rate	34%	29%	28%	28%	28% (A)	29% (B)
# of commercial accounts	1,976	1,861	1,942	1,875	1,837	1,940
Commercial collection cost per ton	\$57	\$52	\$59	\$59	\$77 (A)	\$73 (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 2010-11
- (B) Numbers are estimates as shown in City of Tempe, Arizona Annual Budget 2010-11
- (C) Numbers revised by department to reflect change in methodology in tracking.
- (D) Number changed due to decrease in CIP Budget

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

### Last Six Fiscal Years

*City of Tempe, Arizona*

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