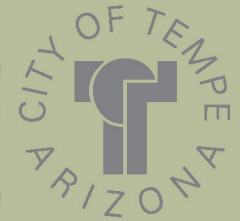


COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010



City of Tempe, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2010



City Council:

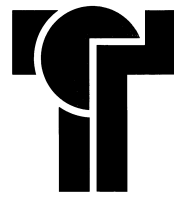
Hugh Hallman, Mayor
Shana Ellis, Vice Mayor
P. Ben Arredondo
Mark Mitchell
Joel Navarro
Onnie Shekerjian
Corey Woods

Administrative Staff:

Charles W. Meyer, City Manager

Presented by:

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



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		7
Certificate of Achievement for Excellence in Financial Reporting		12
List of Principal Officials		13
City Organizational Chart		14
FINANCIAL SECTION		
Independent Auditors' Report		15
Management's Discussion and Analysis (required supplementary information)		17
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets		33
Statement of Activities		34
Fund Financial Statements:		
Balance Sheet - Governmental Funds		36
Reconciliation of the Balance Sheet to the Statement of Net Assets		38
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities		42
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund		43
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Transit Special Revenue Fund		44
Statement of Net Assets - Proprietary Funds		46
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds		48
Statement of Cash Flows - Proprietary Funds		49
Notes to the Financial Statements		51
Combining Fund Financial Statements:		
Non-Major Governmental Funds:		
Combining Balance Sheet		104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		108
Internal Service Funds:		
Combining Statement of Net Assets		114
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets		115
Combining Statement of Cash Flows		116

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION (CONTINUED)		
Other Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual:		
General, Debt Service, Special Revenue and Enterprise Fund Types		121
General Obligation Debt Service Fund		122
Performing Arts Fund		123
Highway User Revenue Fund		124
Local Transportation Assistance Fund		125
Community Development Fund		126
Housing Assistance Fund		127
Rio Salado Fund		128
Community Facilities District Fund		129
Water and Wastewater Fund		130
Solid Waste Fund		131
Golf Fund		132
Cemetery Fund		133
Financial Data Schedules:		
Housing Assistance Fund		
Balance Sheet		136
Revenues and Expenses		137
STATISTICAL SECTION		
Net Assets by Component - Last Nine Fiscal Years (accrual basis of accounting)	S-1	141
Changes in Net Assets - Last Nine Fiscal Years (accrual basis of accounting)	S-2	142
Fund Balances, Governmental Funds - Last Nine Fiscal Years (modified accrual basis of accounting)	S-3	145
Changes in Fund Balance, Governmental Funds – Last Nine Fiscal Years (modified accrual basis of accounting)	S-4	146
Taxable Sales and Percentage of Taxable Sales by Category – Last Ten Fiscal Years (cash basis)	S-5	148
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	S-6	149
General Property Tax Information	S-7	151
Primary and Secondary Assessed Value and Estimated Actual Value of Taxable Property - Last Nine Fiscal Years	S-8	152
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	S-9	154
Property Tax Levies – All Direct and Overlapping Governments – Last Ten Fiscal Years	S-10	156
Property Tax Levies and Collections - Last Ten Fiscal Years	S-11	158
Principal Tax Payers – Current Year and Nine Years Prior	S-12	159
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	S-13	161

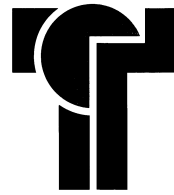
Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
STATISTICAL SECTION (CONTINUED)		
Percent of Net Direct Debt to Assessed Valuation and Net Direct Debt Per Capita - Last Ten Fiscal Years	S-14	162
Net Direct and Overlapping General Obligation Bonded Debt	S-15	163
Legal Debt Margin Information – Last Ten Fiscal Years	S-16	164
Remaining General Obligation Bond Authorizations	S-17	165
Pledged-Revenue Coverage – Last Ten Fiscal Years	S-18	166
Pledged Revenue, Projected Debt Service and Estimated Coverage – Excise Tax Obligation	S-19	167
Pledged Revenue, Projected Debt Service and Estimated Coverage – Transit Excise Tax Obligations	S-20	168
Excise Tax Collections – Last Ten Fiscal Years	S-21	169
Demographic and Economic Statistics - Last Ten Fiscal Years	S-22	170
Principal Employers – Current Fiscal Year and Nine Years Prior	S-23	171
Full-Time Equivalent City Government Employees by Function - Last Seven Fiscal Years	S-24	172
Operating Indicators by Function/Program - Last Five Fiscal Years	S-25	173
Capital Asset Statistics by Function/Program - Last Five Fiscal Years	S-26	174



Introductory Section

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

November 29, 2010

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, 2010 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 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 175,000 residents. Tempe offers more than 330 days of sunshine each year with rainfall amounts of approximately 7 inches a year. The City is located in Maricopa County, Arizona and is bordered by the cities of Phoenix, Scottsdale, Mesa, Chandler and the Town of Guadalupe. Tempe is surrounded by five major freeways and is only minutes away from Phoenix Sky Harbor International Airport, making it the most accessible city in the metropolitan Phoenix area.

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

Budgetary Controls - The City maintains budgetary controls 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 & LONG-TERM FINANCIAL PLANNING

The City continues to face unprecedented financial challenges in the wake of the most severe economic recession experienced in nearly a century. For the second consecutive fiscal year, due to broad-based structural problems in both the national and state economies, the city experienced significant declines in some of its major revenues sources including local sales taxes, state shared revenues, and investment earnings. Total taxable sales were 8.5% below the prior year reflecting continued weakness in retail sales and construction activity. General Fund sales tax revenues declined by \$5.4 million (compared to a \$9.5 million decline the prior year); state shared income tax decreased by \$3.4 million; investment earnings decreased by \$5.5 million.

This in turn has led to the need for planned service delivery reductions across several of the City's operating funds due to a sustained environment of reduced operating revenues as reflected in our long term projections. In particular, for those operating funds that rely on sales taxes as a major source of revenue (General Fund, Transit Special Revenue Fund and Performing Arts Special Revenue Fund), the City continued to develop strategies centered on long-term financial sustainability.

In an effort to address the significant financial issues and attempt to minimize the impact on service levels, the City again proceeded with putting together a comprehensive plan to address the budgetary challenges. The City Council held a number of special budget meetings to set financial policy and identify City Council priorities to properly size operations. A series of public meetings was also held to provide residents the opportunity to propose solutions and/or communicate priorities. As part of this effort, a number of Budget Results Teams were organized for the purpose of identifying budget balancing recommendations for consideration as follows:

- Alternative Services Delivery Team
- Employee/Community Input Team
- Health Care Team
- Operational Reduction Team
- Organizational Consolidation Team

In addition to recommendations from the Budget Results Teams, City departments were also tasked with developing budget balancing solutions necessary to achieve their designated budgetary reduction targets. All of these efforts resulted in a set of comprehensive budget balancing plans covering each of the major operating funds of the City. These plans were reviewed and approved by the City Council and subsequently incorporated as part of the adopted budget for fiscal year (FY) 2010/11.

Key components of the budget balancing plan adopted as part of the FY 2010/11 budget for the General Fund are as follow:

- Continuation of a freeze of employee compensation and benefits at fiscal year 2008-09 levels
- Consolidation of the city organizational structure from 13 to 9 departments
- Employee furloughs
- Elimination or transfer of 125 positions
- Generation of additional revenues through new and increased fees
- Reduction of non-personnel operating budgets
- Deferral of other post-employment benefit (OPEB) contributions
- Temporary increase in the local sales tax rate from 1.8% to 2%

In the General Fund, the City Council has established a reserve coverage (the amount of General Fund unreserved fund balance) ratio of 25% of fund revenues but allows for a range of 20% to 30% to adjust to economic uncertainty. At June 30, 2010, the General Fund unreserved, undesignated fund balance totaled \$29.0 million (19.7% of total General Fund revenues). In addition to the 25% reserve policy, the City has designated financial reserves to absorb other potential obligations. At June 30, 2010, the General Fund unreserved, designated fund balance totaled \$13.8 million. Included in this amount are capital projects reserves (\$1.3 million), self-insurance reserves (\$8.8 million) and other reserves (\$3.6 million). Total fund balance for the General Fund is \$43.8 million at June 30, 2010. We believe these fund balances are sufficient to help the City in its continuing response to the challenging economic conditions.

MAJOR INITIATIVES

The City continues its efforts to make significant investments in its transportation infrastructure to improve transportation flow and spur economic development. In December 2008, construction on the initial 20-mile **Light Rail** project was completed. The system serves downtown Tempe, Arizona State University and the Apache Boulevard area and has enjoyed continuing growth in ridership since the inception of service. The City is in the early planning stages for a modern streetcar (**the Mill Avenue Modern Streetcar**) that will run for 2.6 miles. The streetcar is expected to:

- Increase transit ridership along the Mill Avenue corridor
- Connect neighborhoods to downtown Tempe
- Encourage redevelopment of underutilized parcels
- Encourage reinvestment in neighborhoods
- Stimulate an urban living environment
- Attract a new rider market
- Provide seamless connection to the existing transit network
- Enhance mobility of employees, students, visitors and special event-attendees

Construction of the modern streetcar is estimated to cost \$163 million with funding coming from a mix of regional, Proposition 400 sales tax revenue, as designated in the Regional Transportation Plan, and a matching level of federal grant money. If constructed, it would be the start of a streetcar network in the metropolitan area.

Tempe Town Lake provides both recreational and business opportunities for residents and visitors. Approximately 65% of Town Lake is dedicated to park space, open space and wildlife habitat. 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.

Tempe is home to **Arizona State University**, the largest educational institution in Arizona and one of the largest in the United States. ASU has in excess of 55,000 students at the local campus and is the largest employer in the City. Due to the selection of Phoenix metropolitan area as the headquarters for the International Genomics Consortium and Translational Research Institute, the Arizona State University campus is the site of the Arizona Biodesign Institute. The Institute's goal is to improve human health and quality of life through biosystems research. The institute has generated millions of research dollars and launched hundreds of research projects. Additionally, the recently established Global Institute of Sustainability conducts research, education, and problem-solving related to sustainability, with a special focus on urban environments. Issues such as sustainable water supplies, energy independence and climate change are addressed at the institute.

Despite the recent slowing economy and the fact that the City is approaching build-out, the City's economic development and redevelopment efforts continue to be a priority. Therefore, higher density and in-fill development/redevelopment is predominant. As a result of this development approach, Tempe did not experience as large an increase in single family housing valuations during the recent housing boom as did some parts of the metropolitan area. Conversely, Tempe has not experienced as drastic a valuation decline in the ensuing regional housing market crash. However, the current economic conditions have significantly curtailed development activities causing many planned projects to be deferred. Notable developments occurring during the year include the following:

- **American Traffic Solutions**, a leading provider of technology and business solutions for road safety camera and electronic toll enforcement programs worldwide, relocated to the city bringing over 600 jobs to the area.
- **The Dump**, a discount furniture store that occupies a 104,000 square foot retail store with an additional 125,000 warehouse located near the store, opened during the year along the Elliot corridor and adds to the mix of furniture retailers in the area. This store provides over 125 jobs to the city.
- The **Sea Life Aquarium** opened during the year in Tempe's Arizona Mills Mall. The aquarium is a 26,000 square foot development with 12 different habitat zones housing over 30 separate display tanks.
- **Aurora Behavioral Healthcare** opened a new, 65,534 square foot facility in Tempe offering a variety of inpatient and outpatient services along with aftercare and 12 Step programs. This facility provides approximately 100 jobs to the city.
- **Total Wine and Spirits** opened their Tempe location at Emerald Center and is the largest independent fine wine retailer in the country and is the only major fine wine company to operate in multiple states.

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

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

- The **Tempe Public Library** is one of the busiest libraries in the Phoenix metropolitan area. A \$7.8 million renovation was completed during the year.
- A \$4 million renovation of the **Tempe Historical Museum** was completed and included the 8,000 square foot exhibit gallery and addition of 4,000 square feet of artifact storage.

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

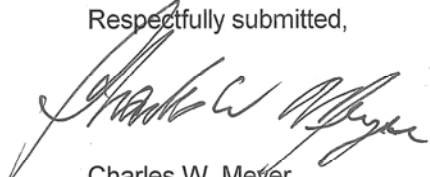
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious 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-four consecutive years (fiscal years 1975-76 through 2008-09). 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 2009-10 annual budget and the National Purchasing Institute's certificate of **Achievement of Excellence in Procurement Award** for 2010.

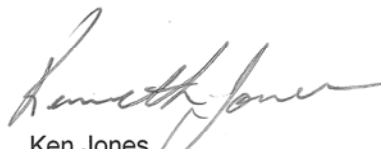
Acknowledgment

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, 2009

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, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Emmer".

Executive Director



For the Fiscal Year
Ended June 30, 2010

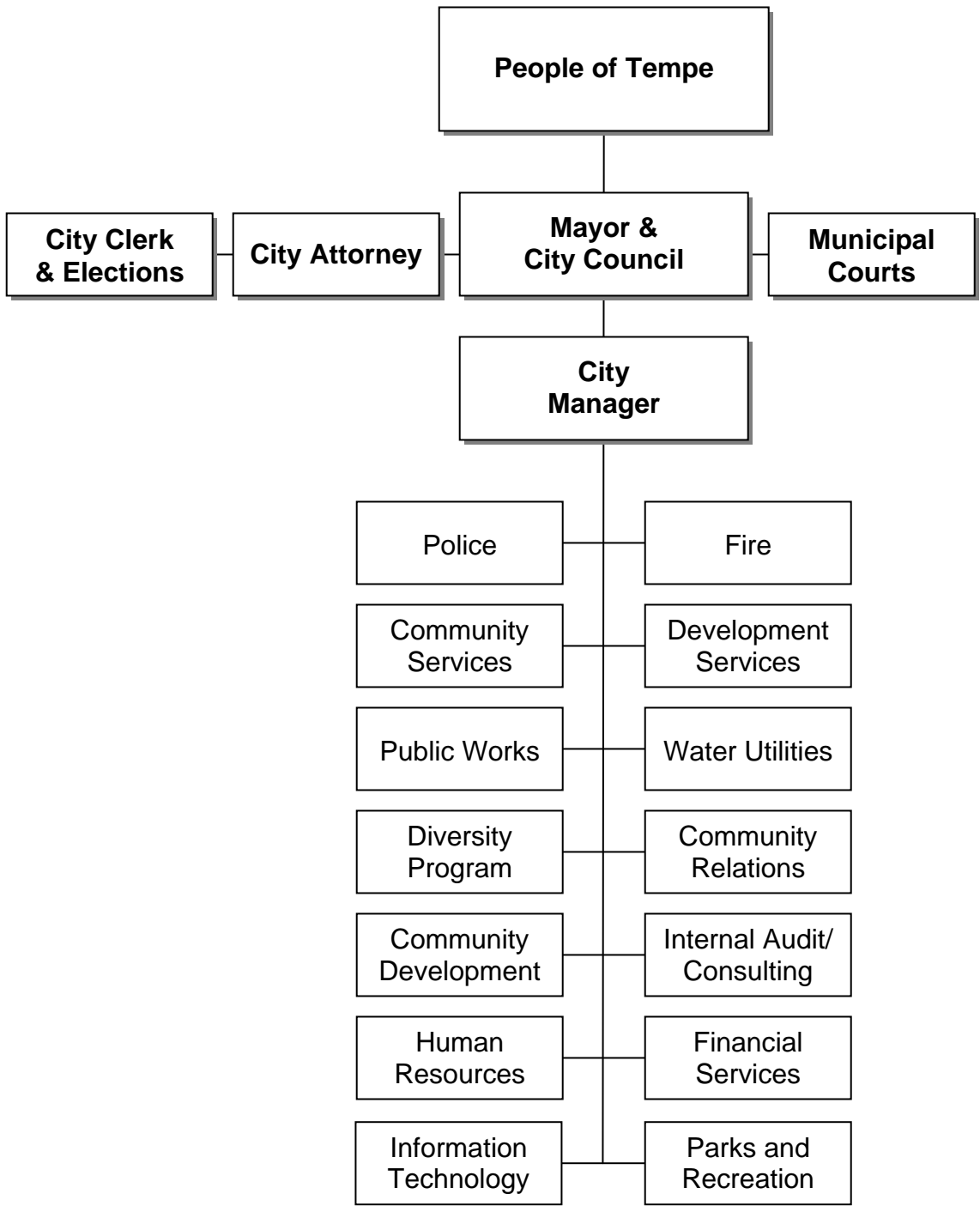
City of Tempe, Arizona List of Principal Officials

City Council

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

Administrative Staff

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



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

Financial Section



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tempe, Arizona (the City), as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, 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 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 29, 2010

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, 2010. 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, \$343.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$50.9 million during the fiscal year compared to a decrease of \$28.0 million in the prior year. Due to the prolonged economic downturn, revenues continued to decline during the year while expenses increased, both of which contributed to a further decrease in net assets. In addition, 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.
- For the fiscal year ended June 30, 2010, revenues decreased by \$11.6 million primarily due to reductions in a) citywide sales tax revenue, b) state shared income tax revenue, and c) unrestricted investment earnings. In response, expenses for most functions were reduced. The net \$11.3 million increase in expenses was due predominately to an increase in the cost of providing services in the public works (predominately relating to light rail operations), community development, and water/wastewater functions.
- At June 30, 2010, the City's governmental funds reported combined ending fund balances of \$209.0 million. Approximately 66.4% of this total amount (\$138.7 million) is unreserved fund balance available for spending at the government's discretion.
- At June 30, 2010, total unreserved fund balance for the General Fund was \$42.8 million which represents a decrease of \$32.8 million from the prior year. This reduction was due primarily to a combination of a) a decrease in sales taxes of \$5.4 million, b) a \$5.5 million decrease in unrestricted investment earnings, c) a \$3.4 million decrease in state shared income taxes, and d) \$9.0 million of proceeds from the sale of City owned land that was recognized in the prior year and not in the current year. The undesignated portion of unreserved fund balance is \$29.0 million, which is 19.7% of total General Fund revenues of \$147.4 million.
- At June 30, 2010, the City's proprietary funds reported combined total net assets of \$246.8 million, and total unrestricted net assets of \$102.5 million. \$99.2 million of the unrestricted net assets are in the Water and Wastewater Fund.
- At June 30, 2010, the total long-term obligations of the City increased by \$23.2 million due primarily to a) the issuance of \$45.2 million in bonds for water/wastewater, public safety, community service/park and street improvements and b) a \$13.3 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, parks and recreation, public works, community relations, mayor and council, city manager, diversity program, internal audit/consulting, city clerk and elections, city attorney, municipal courts, development services, community development, financial services, human resources, and information technology. The business-type activities of the City include water and wastewater, solid waste, golf and cemetery operations.

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

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following two categories: **governmental** funds and **proprietary** funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

COMBINING STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

Net Assets- June 30, 2010			
	Governmental Activities	Business-type Activities	Total
Assets			
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	<u>1,529,080,630</u>	<u>613,133,971</u>	<u>2,142,214,601</u>
Liabilities			
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	<u>581,802,626</u>	<u>366,376,748</u>	<u>948,179,374</u>
Net Assets			
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	<u>\$ 947,278,004</u>	<u>\$ 246,757,223</u>	<u>\$ 1,194,035,227</u>

Net Assets- June 30, 2009			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 696,490,701	\$ 271,915,643	\$ 968,406,344
Capital assets, net	873,531,065	320,718,647	1,194,249,712
Total assets	<u>1,570,021,766</u>	<u>592,634,290</u>	<u>2,162,656,056</u>
Liabilities			
Long-term liabilities	504,708,001	309,446,067	814,154,068
Other liabilities	71,729,474	31,839,892	103,569,366
Total liabilities	<u>576,437,475</u>	<u>341,285,959</u>	<u>917,723,434</u>
Net Assets			
Invested in capital assets, net of related debt	574,872,877	151,096,394	725,969,271
Restricted	181,241,102	-	181,241,102
Unrestricted	237,470,312	100,251,937	337,722,249
Total net assets	<u>\$ 993,584,291</u>	<u>\$ 251,348,331</u>	<u>\$ 1,244,932,622</u>

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 and \$1.245 billion at June 30, 2010 and 2009, respectively. The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment and construction in progress) less any related debt used to acquire those assets. The net assets invested in capital assets, net of related debt were \$707.2 million and \$726.0 million at June 30, 2010 and 2009, respectively. These totals represent 59.2% and 58.3% of total net assets at June 30, 2010 and 2009, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The net assets subject to external restrictions were \$142.9 million (12.0% of total net assets) and \$181.2 million (14.6% of total net assets) at June 30, 2010 and 2009, respectively. These restrictions are imposed by laws or regulations set by the City (transit and cultural and recreation), the State of Arizona (highways and streets and debt service) and federal agencies (housing assistance). The remaining balance of net assets is unrestricted, and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of unrestricted net assets was \$343.9 million (28.8% of total net assets) and \$337.7 million (27.1% of total net assets) at June 30, 2010 and 2009, respectively.

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

ANALYSIS OF CHANGE IN NET ASSETS

The City's net assets decreased by \$50.9 million during the current fiscal year. These changes in net assets are explained in the governmental and business-type activities discussion below.

Changes in Net Assets- June 30, 2010			
	Governmental Activities	Business-type Activities	Total
Revenues			
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, unrestricted	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	<u>294,749,390</u>	<u>84,651,105</u>	<u>379,400,495</u>

Expenses

Police	78,283,021	-	78,283,021
Fire	30,542,829	-	30,542,829
Community services	21,891,886	-	21,891,886
Parks and recreation	21,238,479	-	21,238,479
Public works	115,283,119	-	115,283,119
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
City clerk and elections	739,884	-	739,884
City attorney	3,101,845	-	3,101,845
Municipal courts	5,245,105	-	5,245,105
Development services	7,107,213	-	7,107,213
Community development	23,494,471	-	23,494,471
Financial services	3,923,486	-	3,923,486
Human resources	3,443,660	-	3,443,660
Information technology	2,149,363	-	2,149,363
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	<u>\$ 947,278,004</u>	<u>\$ 246,757,223</u>	<u>\$1,194,035,227</u>

Changes in Net Assets- June 30, 2009

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 45,642,402	\$ 72,547,138	\$ 118,189,540
Operating grants and contributions	16,052,299	-	16,052,299
Capital grants and contributions	35,955,254	59,867	36,015,121
General revenues:			
Sales taxes	134,382,181	-	134,382,181
State shared income taxes	24,832,128	-	24,832,128
Property taxes	35,891,803	-	35,891,803
Franchise taxes	3,976,956	-	3,976,956
Auto-lieu taxes	6,024,595	-	6,024,595

Unrestricted investment earnings	7,410,643	1,940,956	9,351,599
Miscellaneous	4,348,126	262,728	4,610,854
Gain on sale of capital assets	1,491,079	231,811	1,722,890
Total revenues	<u>316,007,466</u>	<u>75,042,500</u>	<u>391,049,966</u>

Expenses

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

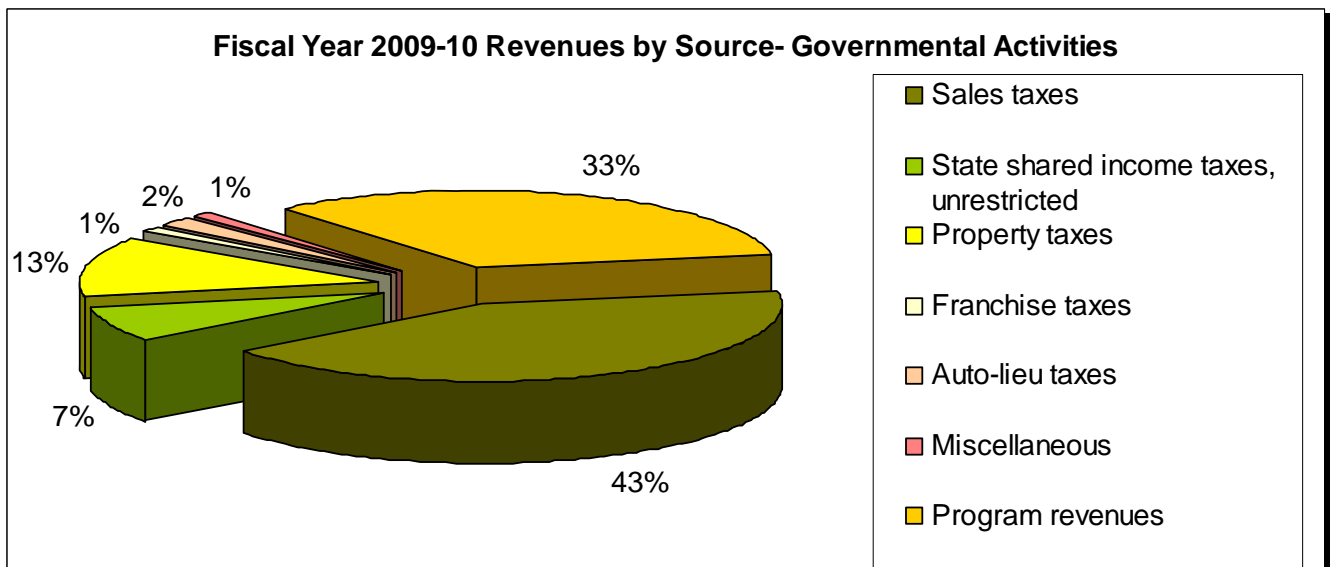
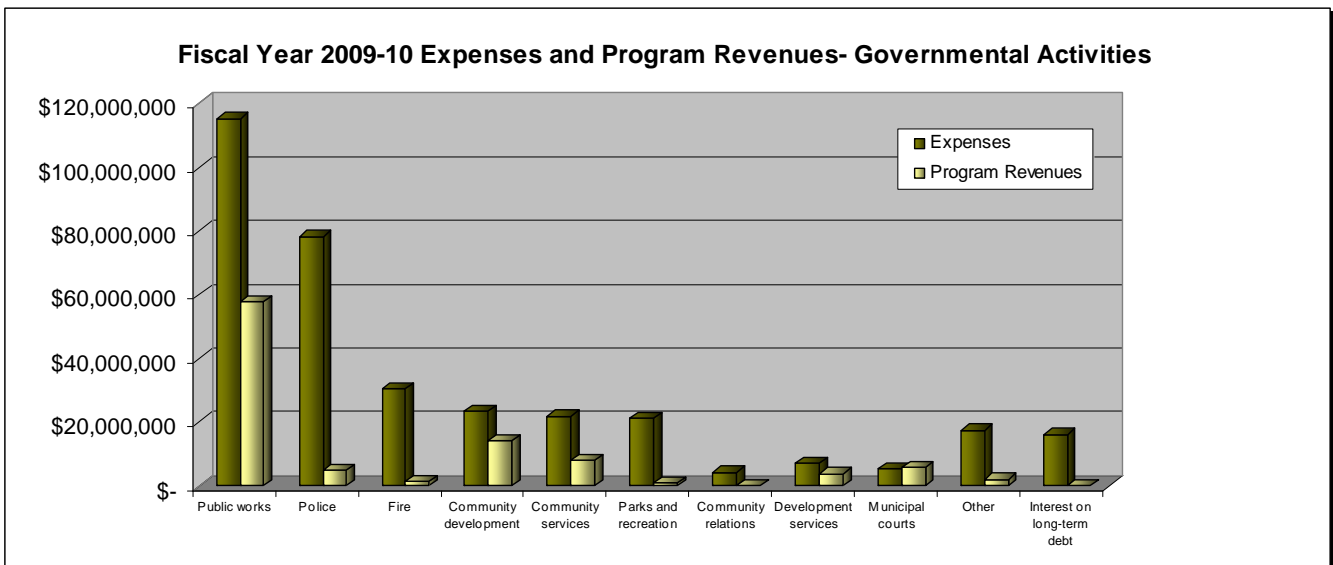
Governmental activities. The decrease in governmental net assets totaled \$46.3 million for the year ended June 30, 2010. Total revenues fell short of total expenses in the amount of \$46.2 million. Compared with a decrease of \$20.6 million in the prior year, the additional current year draw on net assets is due primarily to a decrease in revenue of \$21.3 million coupled with increase in expenses of \$3.7 million.

The key factors for the additional decrease in net assets compared to the prior year are as follows:

- Overall, citywide sales tax revenue decreased by \$9.2 million or 6.8% from the prior year. This decrease was driven by the sustained economic downturn experienced during the fiscal year.
- Furthermore, as a result of the economic downturn, state shared income taxes saw a decrease in the amount of \$3.4 million or 13.8% from the prior year.

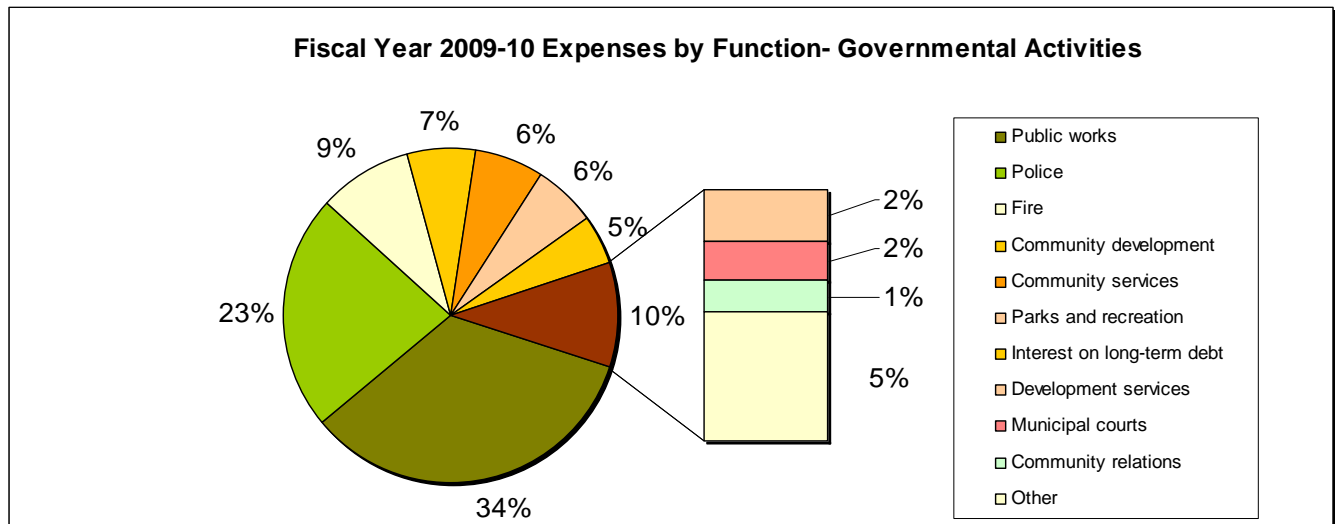
- Charges for services decreased by \$4.3 million or 9.4%. This was due primarily to a decrease in demand for services relating to development and recreational fees. In addition, as part of a budget-balancing plan for the Transit Special Revenue Fund, local circulator and fixed route services were reduced resulting in a reduction in the corresponding revenue.
- Finally, contributing to the revenue decrease is a \$7.3 million or 98.7% decrease in unrestricted investment earnings from the prior year. The change is a result of the decrease in the investment portfolio returns due to the market conditions, the write down of a \$2.1 million investment in the Local Government Investment Pool, and \$2.3 million of interest from the sale of City-owned land recognized in the prior year and not in the current year.
- In anticipation of the declining revenues, the Mayor and City Council approved a \$20.1 million planned drawdown of fund balance in the General Fund in an effort to lessen the impact on City provided services.

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



A comparison of expenses by function and the percentage of total expenses, for the largest functions, are presented. In general, the majority of the City's functions implemented a decrease in expenses in response to the anticipated reduction in revenues. Of the largest functions, two realized a net increase in expenses. The main reason for the increase in the public works expenses related to the recognition of a loss from the City's participation in the Valley Metro Rail, Inc. joint venture and an increase in depreciation expense. Community development's increase was the result of the expensing of costs associated with a development agreement.

	Fiscal Year Ended			
	June 30, 2010		June 30, 2009	
Public works	\$115,283,119	33.8%	\$101,674,714	30.1%
Police	78,283,021	23.0	86,126,079	25.5
Fire	30,542,829	9.0	30,850,700	9.1
Community development	23,494,471	6.9	20,445,243	6.1
Community services	21,891,886	6.4	30,402,447	9.0



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

	Fiscal Year Ended			
	June 30, 2010		June 30, 2009	
Sales taxes	\$125,186,698	42.5%	\$134,382,181	42.5%
Property taxes	37,183,541	12.6	35,891,803	11.4
State shared income taxes, unrestricted	21,406,004	7.3	24,832,128	7.9
Auto-lieu taxes	5,560,791	1.9	6,024,595	1.9
Franchise taxes	3,559,615	1.2	3,976,956	1.3
Unrestricted investment earnings	97,660	0.03	7,410,643	2.3

Business-type activities. Business-type activities decreased the City's net assets by \$4.6 million for the year ended June 30, 2010 compared to a decrease of \$7.3 million for the year ended June 30, 2009. The gap has been decreased primarily from water, wastewater and solid waste rate increases which were implemented in fiscal year 2009-10. The result was that charges for services increased by \$6.9 million or 9.5%. In addition, the water and wastewater fund received capital grants and contributions of \$4.8 million.

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

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	\$ 67,688,727	\$ 15,267,921	\$1,577,814	\$ 116,643	\$ 84,651,105

For the Year Ended June 30, 2009					
	Water and Wastewater	Solid Waste	Golf	Cemetery	Total
Charges for services	\$ 55,504,216	\$ 15,130,988	\$1,813,578	\$ 98,356	\$ 72,547,138
Capital grants and contributions	59,867	-	-	-	59,867
Unrestricted investment earnings/other	2,034,775	392,853	7,867	-	2,435,495
Total	\$ 57,598,858	\$ 15,523,841	\$1,821,445	\$ 98,356	\$ 75,042,500

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 \$73.0 million for the fiscal year, followed by Solid Waste with \$13.7 million, Golf with \$2.3 million and Cemetery with \$0.3 million. Water and Wastewater expenses increased \$8.3 million over prior year period due to the recognition of a loss from the City's participation in the Subregional Operating Group joint venture and increased debt service 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at each fiscal year end. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$209.0 million, a decrease of \$21.9 million from the prior year. Approximately \$138.7 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. This is a decrease in unreserved fund balance of \$31.8 million over the prior year balance of \$170.5 million. The decrease was due primarily to a planned usage of fund balance in the General Fund to balance the budget and smooth the effects of the economic downturn.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$26.3 million), (2) to pay debt service (\$42.4 million), and (3) for other restricted purposes (\$1.6 million).

Revenues for governmental functions overall totaled \$306.3 million in the fiscal year ended June 30, 2010, which represents a decrease of 13.8% or \$49.0 million from the fiscal year ended June 30, 2009. This decrease is primarily due to the Transit Capital Projects revenue decrease of \$27.7 million followed by the General Fund decreased revenue of \$18.2 million. Anticipating the decrease in revenues, expenditures for governmental functions were decreased to \$355.4 million as compared to \$413.2 million for the prior year. An analysis of each individual major fund follows.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$43.8 million; the unreserved, undesignated portion equaled \$29.0 million. 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 decreased by \$33.2 million during the current fiscal year. Unreserved, undesignated fund balance decreased by \$25.0 million which was a result of expenditures in excess of revenues of \$24.3 million. Included was a \$20.1 million planned draw down of fund balance to allow for the gradual reduction in service delivery to the citizens. In addition, there was \$7.7 million in planned transfers for capital projects.

	Fiscal Year Ended			
	June 30, 2010		June 30, 2009	
Revenues	\$ 147,398,236		\$ 165,580,882	
Total fund balance	43,813,734	27.9 %	76,969,944	46.5 %
Unreserved fund balance	42,832,205	29.1	75,647,216	45.7
Unreserved, undesignated fund balance	29,048,415	19.7	54,012,203	32.6
Unreserved, designated fund balance	13,783,790	9.4	21,635,013	13.1

Total revenues declined by \$18.2 million from the prior year. Investment Income was the largest decrease resulting in \$5.5 million less being realized in the current year. Although less than the \$9.5 million decrease from the prior fiscal year, sales tax revenue continued to decline resulting in a \$5.4 million decrease in the current year. The final primary contributing factor was a \$3.4 million decrease in state income tax.

The **Transit Special Revenue Fund** is used to account for revenues and expenditures utilized to provide related transit services. As this fund is primarily sales tax funded and subject to economic conditions, the tax revenues declined by \$2.0 million. In addition, there was a \$1.7 million decrease in the alternative fuel credit received as the prior year credit represented two fiscal years. The unreserved fund balance totaled \$20.0 million at June 30, 2010, compared to a \$5.4 million unreserved fund balance at June 30, 2009. The net increase in fund balance for the year ended June 30, 2010 was due to a \$30.0 million transfer from the Transit Capital Projects fund. The purpose of the transfer was to reimburse the special revenue fund for cash financing for primarily the light rail project.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (restricted for general obligation debt service payments) increased from \$31.8 million at June 30, 2009 to \$38.1 million at June 30, 2010. The total debt service fund balance will be used for future debt service payments consistent with the City's *Debt Management Plan*.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt to which the City acts as a trustee for the established improvement districts. Total fund balance (restricted for special assessment debt service payments) increased from a deficit of \$45,374 at June 30, 2009 to a balance of \$64,482 at June 30, 2010.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system, construction of the Tempe Transportation Center and other traffic flow improvements. Total fund balance had a slight decrease from \$56.2 million at June 30, 2009 to \$54.5 million at June 30, 2010. Revenues decreased by \$27.7 million and corresponding expenditures decreased by \$27.3 million. This was due to the substantial completion of the light rail project in the prior fiscal year.

PROPRIETARY FUNDS

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

	Fiscal Year Ended	
	June 30, 2010	June 30, 2009
Water and wastewater fund	\$99,151,060	\$97,257,972
Solid waste fund	4,244,331	3,383,272
Golf fund	(673,090)	(290,282)
Cemetery fund	(210,507)	(99,025)
Internal service fund	6,132,653	5,670,002

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 a planned draw down of net assets consistent with a rate study report, the fund experienced a decrease in total net assets of \$5.3 million for the fiscal year ended June 30, 2010 versus a decrease in net assets of \$7.9 million for the fiscal year ended June 30, 2009. This is due primarily to planned increases in charges for services as a result of rate adjustments which increased revenue by \$7.0 million. The rate study calls for phased in rate increases. The next effective rate increase has been authorized and will become effective November 1, 2010 for this operation.

The **Solid Waste Fund** accounts for the provision of solid waste collection and disposal services for both residential and commercial customers. Operating expenses for the fiscal year ended June 30, 2010 were \$13.7 million compared to \$14.5 million for the fiscal year ended June 30, 2009 resulting in an increase in net assets of \$1.5 million. Operating revenues remained fairly consistent.

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

The **Cemetery Fund** was established to account for the improvements, expansion and operations of the Double Butte Cemetery. Reduced demand for cemetery services resulted in a reduction in net assets of \$0.2 million during the fiscal year ended June 30, 2010.

The **Internal Service Funds** accounts for the risk and health insurance activities of the City. The \$0.5 million increase in net assets is due primarily to lower than anticipated costs.

BUDGET HIGHLIGHTS

The City's final General Fund expenditure budget of \$184.6 million differs from the original budget of \$185.9 million due to carry-forward appropriations for encumbrances rolled forward from the prior fiscal year and budget transfers to other funds.

During the year, actual revenues were less than budgetary estimates by \$15.4 million (9.5% of total budgeted revenue) in the General Fund. This is due primarily to the economic downturn and its affect on almost all revenue categories.

Actual expenditures were less than budgetary estimates by \$12.5 million (6.8% 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, 2010 amount to \$1.233 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 \$38.7 million. The tables below reflect the capital assets at the end of the fiscal year June 30, 2010 and 2009, respectively.

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

Capital Assets, Net of Depreciation- June 30, 2009

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

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

Governmental Activities

- During the year ended June 30, 2010, several improvement projects were completed including the \$7.8 million library renovation, the \$4.0 million Historical Museum renovation and \$10.1 million in various park improvements.

Business-type Activities

- Capital expenditures for the expansion of the Johnny G. Martinez Water Treatment Plant continued during the fiscal year. A total of \$77.4 million of improvements were capitalized in the current year.
- Infrastructure for several water line projects were completed and capitalized totaling \$26.6 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 \$837.4 million which is an increase of \$23.2 million over the prior fiscal year. The increase is due in large part to the issuance of general obligation bonds primarily for water and wastewater, police and fire, community service (including park renovations), and streets capital projects. In addition, a loan was secured and 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.

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>

Outstanding Long-term Obligations- June 30, 2009			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 156,265,000	\$ 285,735,000	\$ 442,000,000
Special assessment bonds	36,095,000	-	36,095,000
Excise tax obligations	239,560,000	18,786,056	258,346,056
HUD Section 108 loan	6,466,000	-	6,466,000
Capital improvement notes	1,023,835	-	1,023,835
Total debt payable	<u>439,409,835</u>	<u>304,521,056</u>	<u>743,930,891</u>
Capital leases	1,888,631	194,416	2,083,047
Compensated absences	21,461,167	-	21,461,167
Claims and judgments	4,879,557	-	4,879,557
Net OPEB obligation	37,068,811	4,730,594	41,799,405
Total long-term obligations	<u>\$ 504,708,001</u>	<u>\$ 309,446,066</u>	<u>\$ 814,154,067</u>

The City's issued \$45.2 million in new general obligation debt during the current fiscal year for water and wastewater, public safety, community service/park improvements and street improvements in the amounts of \$19.1 million, \$8.3 million, \$12.5 million and \$5.3 million, respectively.

The City's total general obligation bonded debt outstanding increased by approximately \$20.6 million from the fiscal year ended June 30, 2009 to the fiscal year ended June 30, 2010. 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 are noted in the chart to the right.

	Fiscal Year Ended	
	June 30, 2010	June 30, 2009
Net general bonded debt	\$ 134,538,607	\$ 124,420,812
Net general bonded debt per capita	770	721
Ratio of net general bonded debt to net assessed value	4.9%	4.7%
Debt service secondary tax rate per \$100 of taxable valuation	\$ 0.91	\$ 0.89

The State constitution imposes certain debt limitations on the City of 6% and 20% of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2010 is \$157.8 million and \$58.7 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, Aaa 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 continued to reduce the annual OPEB cost from \$10.4 million to \$9.8 million from the fiscal year ended June 30, 2009 to the fiscal year ended June 30, 2010, respectively.

REQUESTS FOR INFORMATION

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

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

Statement of Net Assets

June 30, 2010

City of Tempe, Arizona

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 190,077,207	\$ 64,958,574	\$ 255,035,781
Receivables:			
Taxes	13,503,557	-	13,503,557
Accounts, net	3,753,305	11,438,943	15,192,248
Accrued interest	254,159	373,750	627,909
Due from other governments	46,857,805	2,656,596	49,514,401
Inventories	1,206,269	769,677	1,975,946
Restricted cash and investments	35,210,042	26,149,520	61,359,562
Special assessment receivables	33,129,216	-	33,129,216
Capital improvement note receivable	41,333,339	521,955	41,855,294
Equity in joint venture	282,222,956	154,835,030	437,057,986
Capital assets not being depreciated:			
Land	64,319,443	6,693,377	71,012,820
Construction in progress	27,733,671	9,894,013	37,627,684
Capital assets (net of accumulated depreciation):			
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
Total assets	<u>1,529,080,630</u>	<u>613,133,971</u>	<u>2,142,214,601</u>
Liabilities			
Accounts payable	18,538,564	8,023,823	26,562,387
Deposits	4,121,244	387,830	4,509,074
Accrued expenses	19,131,779	6,396,964	25,528,743
Deferred charges	2,972,818	2,797,428	5,770,246
Liabilities payable from restricted assets	26,194,904	22,239,291	48,434,195
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	3,150,000	-	3,150,000
Due in more than one year	29,875,000	-	29,875,000
Other long-term liabilities:			
Due within one year	36,820,367	17,750,177	54,570,544
Due in more than one year	440,997,950	308,781,235	749,779,185
Total liabilities	<u>581,802,626</u>	<u>366,376,748</u>	<u>948,179,374</u>
Net Assets			
Invested in capital assets, net of related debt	562,958,494	144,245,429	707,203,923
Restricted for:			
Transit	89,510,937	-	89,510,937
Cultural and recreation	7,741,782	-	7,741,782
Highways and streets	6,807,208	-	6,807,208
Housing assistance	696,934	-	696,934
Debt service	38,190,875	-	38,190,875
Unrestricted	241,371,774	102,511,794	343,883,568
Total net assets	<u>\$ 947,278,004</u>	<u>\$ 246,757,223</u>	<u>\$ 1,194,035,227</u>

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

Statement of Activities

For the Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Police	\$ 78,283,021	\$ 1,052,723	\$ 3,531,819	\$ 183,044
Fire	30,542,829	912,000	382,589	114,000
Community services	21,891,886	6,173,870	1,746,905	-
Parks and recreation	21,238,479	126,455	29,039	628,568
Public works	115,283,119	19,596,611	1,153,065	37,032,251
Community relations	4,210,261	-	3,284	-
Mayor and council	387,723	-	-	-
City manager	369,153	-	-	-
Diversity program	531,651	-	-	-
Internal audit/consulting	427,828	-	-	-
City clerk and elections	739,884	-	-	-
City attorney	3,101,845	-	37,564	-
Municipal courts	5,245,105	5,868,369	130	-
Development services	7,107,213	3,710,512	9,974	-
Community development	23,494,471	1,938,184	11,318,822	751,436
Financial services	3,923,486	1,997,614	-	-
Human resources	3,443,660	-	-	-
Information technology	2,149,363	-	9,658	-
Unallocated depreciation	2,383,904	-	-	-
Interest on long-term debt	16,185,139	-	-	-
Total governmental activities	<u>340,940,020</u>	<u>41,376,338</u>	<u>18,222,849</u>	<u>38,709,299</u>
Business-type activities:				
Water and wastewater	73,045,936	62,511,102	-	4,765,839
Solid waste	13,730,227	15,242,801	-	-
Golf course	2,269,182	1,574,081	-	-
Cemetery	312,525	116,643	-	-
Total business-type activities	<u>89,357,870</u>	<u>79,444,627</u>	<u>-</u>	<u>4,765,839</u>
Total government	<u>\$ 430,297,890</u>	<u>\$ 120,820,965</u>	<u>\$ 18,222,849</u>	<u>\$ 43,475,138</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets- beginning

Net assets- ending

City of Tempe, Arizona

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

Governmental Activities	Business-type Activities	Total
\$ (73,515,435)	\$ -	\$ (73,515,435)
(29,134,240)	-	(29,134,240)
(13,971,111)	-	(13,971,111)
(20,454,417)	-	(20,454,417)
(57,501,192)	-	(57,501,192)
(4,206,977)	-	(4,206,977)
(387,723)	-	(387,723)
(369,153)	-	(369,153)
(531,651)	-	(531,651)
(427,828)	-	(427,828)
(739,884)	-	(739,884)
(3,064,281)	-	(3,064,281)
623,394	-	623,394
(3,386,727)	-	(3,386,727)
(9,486,029)	-	(9,486,029)
(1,925,872)	-	(1,925,872)
(3,443,660)	-	(3,443,660)
(2,139,705)	-	(2,139,705)
(2,383,904)	-	(2,383,904)
(16,185,139)	-	(16,185,139)
<u>(242,631,534)</u>	<u>-</u>	<u>(242,631,534)</u>
-	(5,768,995)	(5,768,995)
-	1,512,574	1,512,574
-	(695,101)	(695,101)
-	(195,882)	(195,882)
<u>-</u>	<u>(5,147,404)</u>	<u>(5,147,404)</u>
<u>(242,631,534)</u>	<u>(5,147,404)</u>	<u>(247,778,938)</u>
125,186,698	-	125,186,698
21,406,004	-	21,406,004
37,183,541	-	37,183,541
3,559,615	-	3,559,615
5,560,791	-	5,560,791
97,660	10,698	108,358
3,429,435	332,955	3,762,390
17,160	96,986	114,146
(115,657)	115,657	-
<u>196,325,247</u>	<u>556,296</u>	<u>196,881,543</u>
(46,306,287)	(4,591,108)	(50,897,395)
<u>993,584,291</u>	<u>251,348,331</u>	<u>1,244,932,622</u>
<u>\$ 947,278,004</u>	<u>\$ 246,757,223</u>	<u>\$ 1,194,035,227</u>

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

Balance Sheet

Governmental Funds

June 30, 2010

	<u>General</u>	<u>Transit Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Special Assessment Debt Service</u>
<u>Assets</u>				
Pooled cash and investments	\$ 40,643,280	\$ 16,844,705	\$ 37,652,154	\$ 293,185
Receivables:				
Taxes	8,509,061	2,337,086	1,228,027	-
Accounts	3,557,189	-	-	-
Accrued interest	232,086	-	-	-
Due from other funds	187,458	-	-	-
Due from other governments	468,241	14,074,474	-	-
Inventories	316,501	-	-	-
Restricted cash and investments	8,927,942	3,438,258	14,530,097	817,728
Special assessments	-	-	-	33,129,216
Capital improvement note receivable	25,285,730	2,057,306	13,990,303	-
Total assets	<u>\$ 88,127,488</u>	<u>\$ 38,751,829</u>	<u>\$ 67,400,581</u>	<u>\$ 34,240,129</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 3,798,060	\$ 8,771,023	\$ 35,585	\$ -
Deposits	3,154,888	-	-	-
Accrued expenditures	7,010,539	238,714	-	-
Claims and judgements	1,458,546	34,548	-	-
Due to other funds	-	-	-	-
Deferred revenue	28,891,721	2,057,306	14,713,624	33,357,920
Matured bonds payable	-	2,735,000	10,505,000	-
Matured interest payable	-	697,683	4,019,979	817,727
Total liabilities	<u>44,313,754</u>	<u>14,534,274</u>	<u>29,274,188</u>	<u>34,175,647</u>
Fund Balances				
Fund balances:				
Reserved for:				
Encumbrances	295,028	-	-	-
Inventories	316,501	-	-	-
Capital improvements notes receivable	370,000	-	-	-
Debt Service	-	4,220,265	38,126,393	64,482
Unreserved, designated (see note 16):				
General fund	13,783,790	-	-	-
Capital projects funds	-	-	-	-
Unreserved, reported in:				
General fund	29,048,415	-	-	-
Special revenue funds	-	19,997,290	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>43,813,734</u>	<u>24,217,555</u>	<u>38,126,393</u>	<u>64,482</u>
Total liabilities and fund balances	<u>\$ 88,127,488</u>	<u>\$ 38,751,829</u>	<u>\$ 67,400,581</u>	<u>\$ 34,240,129</u>

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 27,179,149	\$ 51,585,417	\$ 174,197,890
-	1,429,383	13,503,557
-	69,948	3,627,137
-	22,073	254,159
-	-	187,458
27,840,959	4,474,131	46,857,805
-	889,768	1,206,269
203,541	7,292,476	35,210,042
-	-	33,129,216
-	-	41,333,339
<u>\$ 55,223,649</u>	<u>\$ 65,763,196</u>	<u>\$ 349,506,872</u>

\$ 693,269	\$ 4,549,211	\$ 17,847,148
-	966,356	4,121,244
-	1,179,442	8,428,695
-	102,227	1,595,321
-	187,458	187,458
-	3,152,225	82,172,796
-	5,490,000	18,730,000
-	1,929,515	7,464,904
<u>693,269</u>	<u>17,556,434</u>	<u>140,547,566</u>

2,357,423	23,666,163	26,318,614
-	889,768	1,206,269
-	-	370,000
-	-	42,411,140
-	-	13,783,790
-	1,861,579	1,861,579
-	-	29,048,415
-	12,745,458	32,742,748
52,172,957	9,043,794	61,216,751
<u>54,530,380</u>	<u>48,206,762</u>	<u>208,959,306</u>
<u>\$ 55,223,649</u>	<u>\$ 65,763,196</u>	<u>\$ 349,506,872</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, 2010

City of Tempe, Arizona

Fund balances- total governmental funds		\$ 208,959,306
<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	1,383,655,286	
Accumulated depreciation	<u>(502,122,511)</u>	881,532,775
<p>The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		282,222,956
<p>Other assets are not available to pay current-period expenditures and, therefore are offset by deferred/unearned revenue.</p>		
Deferred special assessment revenue	33,357,920	
Deferred tax and other deferred revenue	1,539,895	
Deferred notes receivable revenue	41,240,353	
Deferred court revenue	2,882,301	
Capital grant and contribution monies not received within 60 days	<u>3,152,226</u>	82,172,695
<p>Bond premium net of issuance costs are not financial resources and, therefore, are not reported in the funds.</p>		
		(2,972,716)
<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	(20,662,400)	
Claims and judgments	(4,877,562)	
Other post employment benefits (excluding internal service)	(40,590,601)	
Bonds, capital improvement notes and capital leases	<u>(444,639,102)</u>	(510,769,665)
<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>6,132,653</u>
Net assets of governmental activities		<u>\$ 947,278,004</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, 2010

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	\$ 68,278,677	\$ 27,891,084	\$ -	\$ -
Property taxes	12,842,669	-	24,913,392	-
Franchise taxes	3,559,615	-	-	-
Intergovernmental:				
Federal grants	-	420,664	-	-
State grants	-	-	-	-
State sales tax	12,167,009	-	-	-
State income tax	21,406,004	-	-	-
Auto lieu tax	5,560,791	-	-	-
Other	494,863	-	-	-
Investment income	43,875	47,800	-	-
Charges for services	9,941,044	14,642,631	-	-
Fines and forfeitures	7,108,900	3,140,874	-	-
Other entities' participation	-	-	92,885	-
Special assessments	-	-	-	2,783,916
Licenses and permits	1,670,698	-	-	-
Miscellaneous	4,324,091	76,233	-	-
Total revenues	<u>147,398,236</u>	<u>46,219,286</u>	<u>25,006,277</u>	<u>2,783,916</u>
Expenditures:				
Current:				
Police	71,525,177	-	-	-
Fire	26,724,277	-	-	-
Community services	14,336,732	-	-	-
Parks and recreation	16,171,603	-	-	-
Public works	9,528,104	52,067,384	-	18,501
Community relations	4,217,031	-	-	-
Mayor and council	388,486	-	-	-
City manager	330,992	-	-	-
Diversity program	520,731	-	-	-
Internal audit/consulting	514,069	-	-	-
City clerk and elections	799,975	-	-	-
City attorney	3,117,084	-	-	-
Municipal court	4,285,869	-	-	-
Development services	7,053,631	-	-	-
Community development	4,915,455	-	-	-
Financial services	3,842,927	-	-	-
Human resources	3,405,582	-	-	-
Debt service:				
Principal retirement	-	2,735,000	10,632,157	3,070,000
Interest and fiscal fees	-	2,450,827	8,555,975	1,726,008
Capital outlay	-	-	-	-
Total expenditures	<u>171,677,725</u>	<u>57,253,211</u>	<u>19,188,132</u>	<u>4,814,509</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(24,279,489)</u>	<u>(11,033,925)</u>	<u>5,818,145</u>	<u>(2,030,593)</u>
Other financing sources (uses):				
Transfers in	251,812	30,184,119	8,144,500	2,140,449
Transfers out	(9,338,442)	(501,310)	(8,435,993)	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	755,553	-
Capital lease proceeds	27,986	-	-	-
Proceeds from sale of capital assets	181,923	-	-	-
Total other financing sources (uses)	<u>(8,876,721)</u>	<u>29,682,809</u>	<u>464,060</u>	<u>2,140,449</u>
Net change in fund balances	(33,156,210)	18,648,884	6,282,205	109,856
Fund balance (deficit) at beginning of year	76,969,944	5,568,671	31,844,188	(45,374)
Fund balance at end of year	<u>\$ 43,813,734</u>	<u>\$ 24,217,555</u>	<u>\$ 38,126,393</u>	<u>\$ 64,482</u>

City of Tempe, Arizona

Transit Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 7,353,228	\$ 103,522,989
-	199,974	37,956,035
-	-	3,559,615
2,451,596	15,363,136	18,235,396
239,582	522,698	762,280
-	9,422,203	21,589,212
-	-	21,406,004
-	-	5,560,791
40,833,998	2,622,704	43,951,565
-	5,985	97,660
-	3,283,065	27,866,740
-	833,038	11,082,812
20,942	214,320	328,147
-	-	2,783,916
-	-	1,670,698
58,635	1,509,106	5,968,065
<u>43,604,753</u>	<u>41,329,457</u>	<u>306,341,925</u>
-	3,222,557	74,747,734
-	410,643	27,134,920
-	3,917,377	18,254,109
-	709,136	16,880,739
-	10,639,991	72,253,980
-	-	4,217,031
-	-	388,486
-	-	330,992
-	-	520,731
-	-	514,069
-	-	799,975
-	-	3,117,084
-	982,061	5,267,930
-	3,059	7,056,690
-	14,427,685	19,343,140
-	-	3,842,927
-	-	3,405,582
-	5,775,000	22,212,157
-	3,923,285	16,656,095
16,144,143	42,262,451	58,406,594
<u>16,144,143</u>	<u>86,273,245</u>	<u>355,350,965</u>
<u>27,460,610</u>	<u>(44,943,788)</u>	<u>(49,009,040)</u>
850,050	17,734,573	59,305,503
(30,000,000)	(11,145,416)	(59,421,161)
-	26,040,000	26,040,000
-	-	755,553
-	-	27,986
28,989	151,988	362,900
<u>(29,120,961)</u>	<u>32,781,145</u>	<u>27,070,781</u>
(1,660,351)	(12,162,643)	(21,938,259)
56,190,731	60,369,405	230,897,565
<u>\$ 54,530,380</u>	<u>\$ 48,206,762</u>	<u>\$ 208,959,306</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, 2010

City of Tempe, Arizona

Net change in fund balances- total governmental funds \$ (21,938,259)

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	800,762	
OPEB (excluding internal service)	<u>(3,594,295)</u>	(2,793,533)

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	(606,870)	
Court revenue	(962,303)	
Capital grants and contributions	(10,134,476)	
Sale of Land financed by a note receivable	(92,885)	
Special assessments received/recognized	<u>(3,194,131)</u>	(14,990,665)

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	58,406,594	
Miscellaneous net capital expenditures	(22,239,842)	
Depreciation expense	<u>(39,615,985)</u>	(3,449,233)

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		140,470
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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	208,320	
Amortization of bond issuance costs	<u>262,635</u>	470,955

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

General obligation bonds	(26,040,000)	
Premium on issuance of debt	(755,553)	
Principal payments made	<u>22,586,880</u>	(4,208,673)

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.

		<u>462,651</u>
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Changes in net assets of governmental activities \$ (46,306,287)

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, 2010

City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 93,818,127	\$ 93,818,127	\$ 84,680,961	\$ (9,137,166)
Intergovernmental	41,102,655	40,990,655	39,628,667	(1,361,988)
Investment income	3,000,000	3,000,000	236,273	(2,763,727)
Charges for services	10,480,611	10,480,611	9,941,044	(539,567)
Fines and forfeitures	9,880,662	9,880,662	7,108,900	(2,771,762)
Licenses and permits	1,662,750	1,662,750	1,670,698	7,948
Miscellaneous	3,185,119	3,185,119	4,324,091	1,138,972
Total revenues	<u>163,129,924</u>	<u>163,017,924</u>	<u>147,590,634</u>	<u>(15,427,290)</u>
Expenditures				
Police	74,667,301	73,919,405	71,487,450	2,431,955
Fire	28,726,772	28,078,849	26,849,390	1,229,459
Community services	16,560,705	15,698,365	14,422,781	1,275,584
Parks and recreation	17,215,609	17,234,239	16,343,436	890,803
Public works	10,079,427	10,312,265	9,584,682	727,583
Community relations	2,962,104	4,438,600	4,216,777	221,823
Mayor and council	400,337	398,607	386,866	11,741
City manager	339,673	338,182	322,387	15,795
Diversity program	554,394	552,541	521,078	31,463
Internal audit/consulting	502,431	519,157	514,087	5,070
City clerk and elections	884,219	1,063,166	799,953	263,213
City attorney	2,955,464	3,115,161	3,115,216	(55)
Municipal court	4,259,174	4,376,653	4,289,893	86,760
Development services	6,519,803	7,316,505	7,045,911	270,594
Community development	4,249,509	5,052,481	4,934,589	117,892
Financial services	4,501,411	4,021,344	3,826,113	195,231
Human resources	3,222,042	3,423,706	3,387,415	36,291
Information technology	15,197,184	15,716,660	14,910,970	805,690
Interdepartmental charges	(15,197,184)	(15,420,958)	(14,860,538)	(560,420)
Non-departmental	7,292,146	4,492,190	-	4,492,190
Total expenditures	<u>185,892,521</u>	<u>184,647,118</u>	<u>172,098,456</u>	<u>12,548,662</u>
Other financing sources (uses)				
Transfers from other funds	-	-	251,812	251,812
Transfers to other funds	-	-	(9,338,442)	(9,338,442)
Proceeds from sale of capital assets	120,000	120,000	181,923	61,923
Total other financing sources (uses)	<u>120,000</u>	<u>120,000</u>	<u>(8,904,707)</u>	<u>(9,024,707)</u>
Net change in fund balance	<u>\$ (22,642,597)</u>	<u>\$ (21,509,194)</u>	<u>(33,412,529)</u>	<u>\$ (11,903,335)</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	(192,398)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	20,385
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	295,028
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	<u>133,304</u>
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	<u>\$ (33,156,210)</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, 2010

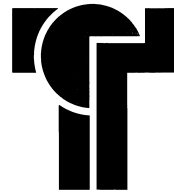
City of Tempe, Arizona

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 29,957,000	\$ 29,957,000	\$ 27,891,084	\$ (2,065,916)
Charges for services	44,978,488	44,978,488	15,063,295	(29,915,193)
Investment income	212,386	212,386	52,585	(159,801)
Fines and forfeitures	513,220	513,220	3,140,874	2,627,654
Miscellaneous	300,000	300,000	76,233	(223,767)
Total revenues	<u>75,961,094</u>	<u>75,961,094</u>	<u>46,224,071</u>	<u>(29,737,023)</u>
Expenditures				
Current:				
Public works	59,848,270	59,912,032	52,068,963	7,843,069
Debt service:				
Principal retirement	2,735,000	2,735,000	2,735,000	-
Interest and fiscal fees	6,242,169	6,242,169	2,450,827	3,791,342
Total expenditures	<u>68,825,439</u>	<u>68,889,201</u>	<u>57,254,790</u>	<u>11,634,411</u>
Other financing sources (uses)				
Transfers from other funds	232,795	232,795	30,184,119	29,951,324
Transfers to other funds	(460,720)	(460,720)	(501,310)	(40,590)
Total other financing sources (uses)	<u>(227,925)</u>	<u>(227,925)</u>	<u>29,682,809</u>	<u>29,910,734</u>
Net change in fund balance	<u>\$ 6,907,730</u>	<u>\$ 6,843,968</u>	<u>18,652,090</u>	<u>\$ 11,808,122</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	(4,785)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(410)
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	1,989
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 18,648,884</u>

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



Statement of Net Assets

Proprietary Funds

June 30, 2010

City of Tempe, Arizona

	Business-type Activities - Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery		
Assets						
Current assets:						
Pooled cash and investments	\$ 58,771,152	\$ 6,022,442	\$ 164,980	\$ -	\$ 64,958,574	\$ 15,879,317
Restricted cash and investments	25,823,294	-	-	326,226	26,149,520	-
Accounts receivable	10,387,670	1,051,273	-	-	11,438,943	126,168
Accrued interest receivable	334,846	20,646	14,384	3,874	373,750	-
Due from other funds	489,852	-	-	-	489,852	-
Due from other governments	2,656,596	-	-	-	2,656,596	-
Inventories	769,677	-	-	-	769,677	-
Total current assets	<u>99,233,087</u>	<u>7,094,361</u>	<u>179,364</u>	<u>330,100</u>	<u>106,836,912</u>	<u>16,005,485</u>
Noncurrent assets:						
Notes receivable	521,955	-	-	-	521,955	-
Equity in joint venture	154,835,030	-	-	-	154,835,030	-
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	237,381,551	-	-	-	237,381,551	-
Improvements	228,118,693	-	4,247,980	2,198,452	234,565,125	-
Machinery and equipment	28,697,731	19,780,710	1,337,648	19,449	49,835,538	-
Construction in progress	9,847,061	-	46,952	-	9,894,013	-
Less accumulated depreciation	<u>(226,056,973)</u>	<u>(14,079,032)</u>	<u>(5,521,186)</u>	<u>(105,222)</u>	<u>(245,762,413)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>340,053,181</u>	<u>6,967,461</u>	<u>2,296,605</u>	<u>2,112,679</u>	<u>351,429,926</u>	<u>-</u>
Total noncurrent assets	<u>495,410,166</u>	<u>6,967,461</u>	<u>2,296,605</u>	<u>2,112,679</u>	<u>506,786,911</u>	<u>-</u>
Total assets	<u>\$ 594,643,253</u>	<u>\$ 14,061,822</u>	<u>\$ 2,475,969</u>	<u>\$ 2,442,779</u>	<u>\$ 613,623,823</u>	<u>\$ 16,005,485</u>

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Liabilities						
Current liabilities:						
Accounts payable	\$ 7,608,086	\$ 357,183	\$ 58,485	\$ 69	\$ 8,023,823	\$ 691,416
Deposits	386,261	1,569	-	-	387,830	-
Accrued expenses	4,841,766	1,148,442	401,651	5,105	6,396,964	9,107,764
Due to other funds	-	-	-	489,852	489,852	-
Deferred revenue	2,797,428	-	-	-	2,797,428	-
Accrued interest payable	6,593,710	-	-	45,581	6,639,291	-
General obligation bonds- current	14,965,000	-	-	-	14,965,000	-
Excise tax revenue obligations- current	545,000	-	-	90,000	635,000	-
WIFA loan payable- current	1,309,211	-	-	-	1,309,211	-
Capital leases payable- current	-	-	49,650	-	49,650	-
Total current liabilities	<u>39,046,462</u>	<u>1,507,194</u>	<u>509,786</u>	<u>630,607</u>	<u>41,694,049</u>	<u>9,799,180</u>
Noncurrent liabilities:						
General obligation bonds payable	289,895,000	-	-	-	289,895,000	-
Excise tax revenue obligations	16,175,000	-	-	1,875,000	18,050,000	-
WIFA loan payable	11,964,495	-	-	-	11,964,495	-
Capital leases payable	-	-	97,439	-	97,439	-
Net OPEB obligation	3,335,723	1,342,836	392,318	-	5,070,877	73,652
Unamortized premium	-	-	-	94,740	94,740	-
Total noncurrent liabilities	<u>321,370,218</u>	<u>1,342,836</u>	<u>489,757</u>	<u>1,969,740</u>	<u>325,172,551</u>	<u>73,652</u>
Total liabilities	<u>360,416,680</u>	<u>2,850,030</u>	<u>999,543</u>	<u>2,600,347</u>	<u>366,866,600</u>	<u>9,872,832</u>
Net Assets						
Invested in capital assets, net of related debt	135,075,513	6,967,461	2,149,516	52,939	144,245,429	-
Unrestricted	99,151,060	4,244,331	(673,090)	(210,507)	102,511,794	6,132,653
Total net assets	<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>

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, 2010

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	\$ 62,511,102	\$ 15,242,801	\$ 1,574,081	\$ 116,643	\$ 79,444,627	\$ 33,448,918
Miscellaneous	320,464	12,491	-	-	332,955	-
Total operating revenues	<u>62,831,566</u>	<u>15,255,292</u>	<u>1,574,081</u>	<u>116,643</u>	<u>79,777,582</u>	<u>33,448,918</u>
Operating expenses:						
Personal services	17,849,480	5,729,199	1,115,416	97,113	24,791,208	-
Supplies and materials	4,188,938	341,750	206,218	1,793	4,738,699	-
Fees and services	17,245,719	6,695,522	705,846	37,871	24,684,958	32,986,267
Depreciation	12,354,390	963,756	241,702	90,717	13,650,565	-
Total operating expenses	<u>51,638,527</u>	<u>13,730,227</u>	<u>2,269,182</u>	<u>227,494</u>	<u>67,865,430</u>	<u>32,986,267</u>
Operating income (loss)	11,193,039	1,525,065	(695,101)	(110,851)	11,912,152	462,651
Nonoperating revenues (expenses):						
Investment income (loss)	9,750	1,240	(292)	-	10,698	-
Interest and fiscal fees	(12,875,478)	-	-	(85,031)	(12,960,509)	-
Gain on sale of capital asset	81,572	11,389	4,025	-	96,986	-
Net loss from joint venture	(8,531,931)	-	-	-	(8,531,931)	-
Income (loss) before contributions and operating transfers	(10,123,048)	1,537,694	(691,368)	(195,882)	(9,472,604)	462,651
Capital contributions	4,765,839	-	-	-	4,765,839	-
Transfers in	5,956,816	-	66,858	-	6,023,674	-
Transfers out	(5,908,017)	-	-	-	(5,908,017)	-
Change in net assets	<u>(5,308,410)</u>	<u>1,537,694</u>	<u>(624,510)</u>	<u>(195,882)</u>	<u>(4,591,108)</u>	<u>462,651</u>
Total net assets- beginning	<u>239,534,983</u>	<u>9,674,098</u>	<u>2,100,936</u>	<u>38,314</u>	<u>251,348,331</u>	<u>5,670,002</u>
Total net assets- ending	<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>

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

Statement of Cash Flows

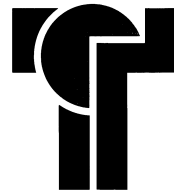
Proprietary Funds

For the Year Ended June 30, 2010

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	\$ 57,814,880	\$ 15,185,463	\$ 1,574,081	\$ 116,643	\$ 74,691,067	\$ -
Receipts from other funds	-	-	-	-	-	33,558,854
Payments to employees for services	(15,879,339)	(5,345,177)	(901,828)	(97,253)	(22,223,597)	-
Payments to suppliers for goods and services	(19,883,141)	(7,869,291)	(892,175)	(39,948)	(28,684,555)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(32,965,318)
Net cash provided (used) by operating activities	<u>22,052,400</u>	<u>1,970,995</u>	<u>(219,922)</u>	<u>(20,558)</u>	<u>23,782,915</u>	<u>593,536</u>
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	(104,368)	-	-	104,368	-	-
Transfers in	5,956,816	-	66,858	-	6,023,674	-
Transfers out	(5,908,017)	-	-	-	(5,908,017)	-
Net cash provided (used) by noncapital financing activities	<u>(55,569)</u>	<u>-</u>	<u>66,858</u>	<u>104,368</u>	<u>115,657</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds	32,398,706	-	-	-	32,398,706	-
Principal paid on long-term debt	(13,755,000)	-	(47,328)	(85,000)	(13,887,328)	-
Interest and fiscal fees	(12,405,944)	-	-	(93,879)	(12,499,823)	-
Acquisition of capital assets	(42,721,452)	(1,640,391)	-	-	(44,361,843)	-
Capital contributions	4,765,839	-	-	-	4,765,839	-
Deferred revenue	2,797,428	-	-	-	-	-
Proceeds from the sale of assets	81,572	11,389	4,025	-	96,986	-
Investment in joint venture	(10,455,721)	-	-	-	(10,455,721)	-
Net cash used by capital and related financing activities	<u>(39,294,572)</u>	<u>(1,629,002)</u>	<u>(43,303)</u>	<u>(178,879)</u>	<u>(43,943,184)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	178,840	18,413	167	-	197,420	-
Collection of notes receivable	501,880	-	-	-	501,880	-
Net cash provided by investing activities	<u>680,720</u>	<u>18,413</u>	<u>167</u>	<u>-</u>	<u>699,300</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(16,617,021)	360,406	(196,200)	(95,069)	(16,547,884)	593,536
Cash and cash equivalents at beginning of year	101,211,467	5,662,036	361,180	421,295	107,655,978	15,285,781
Cash and cash equivalents at end 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>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 11,193,039	\$ 1,525,065	\$ (695,101)	\$ (110,851)	\$ 11,912,152	\$ 462,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	12,354,390	963,756	241,702	90,717	13,650,565	-
Change in assets and liabilities:						
(Increase) decrease in receivables	(5,016,686)	(69,829)	-	-	(5,086,515)	109,936
(Increase) decrease in inventories	(13,539)	-	-	-	(13,539)	-
Increase (decrease) in deposits	(267,355)	1,569	-	-	(265,786)	-
Increase (decrease) in payables	1,832,410	(833,588)	19,889	(284)	1,018,427	108,368
Increase (decrease) in accrued expenses	1,733,996	292,384	201,088	(140)	2,227,328	(88,566)
Increase (decrease) in net OPEB obligation	236,145	91,638	12,500	-	340,283	1,147
Net cash provided (used) by operating activities	<u>\$ 22,052,400</u>	<u>\$ 1,970,995</u>	<u>\$ (219,922)</u>	<u>\$ (20,558)</u>	<u>\$ 23,782,915</u>	<u>\$ 593,536</u>
Noncash investing, capital, and financing activities:						
Net loss from joint venture	\$ (8,531,931)	\$ -	\$ -	\$ -	\$ (8,531,931)	\$ -
Total noncash investing, capital, and financing activities:	<u>\$ (8,531,931)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,531,931)</u>	<u>\$ -</u>

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



Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basic Financial Statements

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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, 2010

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, 2010

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, 2010

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, 2010

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

E. Budgetary Data

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

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

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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 2009-10 Expenditure Limitation is \$296,914,373.

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

G. Pooled Cash and Investments

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

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

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

H. Receivables

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

I. Inventories

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Balance Sheet, or Statement of Net Assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

K. Capital Assets

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

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

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

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

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

L. Compensated Absences

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-term Obligations

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

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

N. Interfund Transactions

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

O. Fund Equity

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

P. Statements of Cash Flows

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

Q. Use of Estimates

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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 2010 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, 2010

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS

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

Deposits

At year-end, the carrying amount of the City's deposits with financial institutions was <\$1,478,935> and the bank balance was \$693,179. Of the bank balance, \$250,000 was covered by federal depository insurance and \$443,179 was covered by collateral held in the pledging bank's trust department in the City's name.

Investments

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

The City's investment in the State of Arizona Local Government Investment Pools (LGIP and LGIP-GOVT) is stated at fair value, which approximates the value of the City's pool shares. The LGIP and LGIP-GOVT are operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313, regulate authorized investments. The Arizona State Legislature has created the Arizona Board of Investments which reviews the investment of state monies, serves as trustees of the Permanent Land Trust Funds, and approves the State Treasurer's Office Investment Policy. Investment from the City's participation in the LGIP resulted in a \$2.8 million loss which was reported in investment income.

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Carrying amount of investments	\$317,874,278
Carrying amount of cash deposits	(1,478,935)
Total pooled cash and investments	<u>\$316,395,343</u>
Pooled cash and investments – unrestricted	\$255,035,781
Restricted cash and investments	<u>61,359,562</u>
Total pooled cash and investments	<u>\$316,395,343</u>

The City had a net increase in the fair value of investments during fiscal year 2009-10 of \$880,322. 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, 2010

City of Tempe, Arizona

NOTE 4 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2010, 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	\$ 128,566,460	\$ 103,182,331	\$25,384,128	\$ -
US government agencies	130,203,626	63,890,634	49,325,492	16,987,500
Money market	6,826,688	6,826,688	-	-
Repurchase agreements	2,519,843	2,519,843	-	-
State investment pools	49,757,661	49,757,661	-	-
	<u>\$ 317,874,278</u>	<u>\$ 226,177,157</u>	<u>\$74,709,620</u>	<u>\$ 16,987,500</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 AAA by Standard & Poor's. The repurchase agreements are between JP Morgan Chase and the City of Tempe, Arizona and are considered a short term debt obligation of the bank. The bank has a credit rating of A-1+, P1 and F-1+ by Standard & Poor's, Moody's and Fitch, respectively. However, these repurchase agreements are backed by US Treasury and/or US Government Agency instruments which are considered AAA. The Arizona Local Government Investment Pool 5 is currently rated AAf/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, 2010, 25.96% of the City's investments are in Federal Home Loan Bank securities, 21.42% of the City's investments are in Fannie Mae, and 7.49% 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, 2010:

General fund	Due to \$ -	Due from \$ 187,458
Non-major governmental	187,458	-
Total governmental funds	<u>\$ 187,458</u>	<u>\$ 187,458</u>
Water and wastewater fund	Due to \$ -	Due from \$ 489,852
Cemetery fund	489,852	-
Total proprietary funds	<u>\$ 489,852</u>	<u>\$ 489,852</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

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

The interfund balances at June 30, 2010 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2010 are expected to be repaid within one year.

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

		Transfers Out						
Transfers In		General	Transit Special Revenue	General Obligation Debt Service	Transit Capital Projects	Non-major Governmental	Water and Wastewater	Total
	General	\$ -	\$ -	\$ -	\$ -	\$ 168,812	\$ 83,000	\$ 251,812
Transit Special Revenue	-	-	-	30,000,000	184,119	-	30,184,119	
General Obligation Debt Service	-	-	-	-	2,770,000	5,374,500	8,144,500	
Special Assessment Debt Service	-	-	-	-	2,140,449	-	2,140,449	
Transit Capital Projects	-	468,810	-	-	381,240	-	850,050	
Non-major Governmental	9,011,013	32,500	3,061,493	-	5,179,050	450,517	17,734,573	
Water and Wastewater	260,571	-	5,374,500	-	321,745	-	5,956,816	
Golf	66,858	-	-	-	-	-	66,858	
Total	\$ 9,338,442	\$ 501,310	\$ 8,435,993	\$ 30,000,000	\$ 11,145,415	\$ 5,908,017	\$ 65,329,177	

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 2009-10 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, 2010 the note receivable balance is \$13,990,303.

At June 30, 2010, notes receivable totaled \$521,955 in the Water and Wastewater Fund. The notes bear interest at 4.00% (see Note 9). Repayment of the receivable to the Water and Wastewater Fund will be made from the General and Highway User Special Revenue funds.

On August 22, 2007 the City sold land valued at \$42,142,823. A note receivable, bearing interest at 8.00%, was recorded in the General Fund in the amount of \$33,714,306. Principal payments are received annually and interest payments are received semi-annually. At June 30, 2010, the note receivable balance is \$25,285,730 and corresponding revenue has been deferred (see note 21).

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 6 – CAPITAL IMPROVEMENT NOTES RECEIVABLE (Continued)

During the construction of the light rail, the City entered into two development agreements to add a light rail station at Washington and Center Parkway. Each agreement has a total contribution to the City of \$1.3 million, payable at \$130,000 annually over a ten year period with the option of a prepayment equal to the net present value of the unpaid balance calculated using a 4.5% discount rate. At June 30, 2010 the note receivable balance in the Transit Special Revenue fund is \$2,057,306 and the corresponding revenue has been deferred. The terms are currently being renegotiated on both notes.

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, 2009 (the latest information available), the City has a 16% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, excise tax bonds, development fees and grants. The joint venture has not issued any debt.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2009 (the latest information available) is as follows (in thousands):

Total assets	\$ 964,455
Total liabilities	(53,259)
Total net assets	<u>\$ 911,196</u>
Total revenues	\$ 171,759
Total expenses	(66,537)
Total non-operating revenues (expenses)	317
Net increase in net assets	<u>\$ 105,539</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, 2010, was \$154,835,030. The City's net loss from joint venture was \$8,531,931 for the fiscal year ended June 30, 2010. 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, 2010

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, 2010, the City has a 24.1% (unaudited) equity interest in the joint venture. The light rail project was completed and began operations in December 2008. Member contributions to the joint venture are offset by a Federal funding agreement from the U.S. Department of Transportation. These contributions are recognized as intergovernmental revenue in the Transit Capital Projects fund.

Summary financial information on the joint venture (GAAP basis) as of and for the fiscal year ended June 30, 2009 (the latest information available) is as follows:

Total assets	\$ 1,380,401,385
Total liabilities	<u>(192,544,719)</u>
Total net assets	<u>\$ 1,187,856,666</u>
Total revenues	\$ 167,775,206
Total expenses	(43,395,181)
Total non-operating revenues	11,595,696
Total non-operating expenses	<u>(31,680,898)</u>
Net increase in net assets	<u>\$ 104,294,823</u>

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project less any federal reimbursements and operating fares. The equity interests will be determined, and periodically adjusted, based on the number of rail mileage located within each city. The City expended \$4,919,313 in the fiscal year ended June 30, 2010 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, 2010 was \$282,222,956. 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, 2010

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, 2010 is as follows:

	Balances June 30, 2009	Additions	Retirements	Transfers in (out)	Balances June 30, 2010
Governmental activities:					
Non-depreciable assets:					
Land	\$ 62,569,443	\$ -	\$ -	\$ 1,750,000	\$ 64,319,443
Construction-in-progress	67,258,411	50,335,014	(5,132,205)	(84,727,549)	27,733,671
Total non-depreciable assets	129,827,854	50,335,014	(5,132,205)	(82,977,549)	92,053,114
Depreciable assets:					
Buildings	298,247,053	-	(91,117)	218,927	298,374,863
Infrastructure	646,307,988	-	-	43,975,133	690,283,121
Improvements	124,886,026	-	-	22,952,008	147,838,034
Machinery and equipment	138,356,584	2,760,624	(1,842,535)	15,831,481	155,106,154
Total depreciable assets	1,207,797,651	2,760,624	(1,933,652)	82,977,549	1,291,602,172
Accumulated depreciation:					
Buildings	(47,964,861)	(10,670,145)	49,356	-	(58,585,650)
Infrastructure	(279,893,986)	(14,727,961)	-	-	(294,621,947)
Improvements	(36,731,848)	(4,893,859)	-	-	(41,625,707)
Machinery and equipment	(99,503,745)	(9,324,020)	1,538,558	-	(107,289,207)
Total accumulated depreciation	(464,094,440)	(39,615,985)	1,587,914	-	(502,122,511)
Governmental activities capital assets, net	\$ 873,531,065	\$13,479,653	\$ (5,477,943)	\$ -	\$ 881,532,775

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 8 - CAPITAL ASSETS (Continued)

	Balances June 30, 2009	Additions	Retirements	Transfers in (out)	Balances June 30, 2010
Business-type activities:					
Non-depreciable assets:					
Land	\$ 6,693,377	\$ -	\$ -	\$ -	\$ 6,693,377
Construction-in-progress	82,432,414	41,991,375	-	(114,529,776)	9,894,013
Total non-depreciable assets	89,125,791	41,991,375	-	(114,529,776)	16,587,390
Depreciable assets:					
Buildings	58,822,735	-	-	-	58,822,735
Infrastructure	210,793,250	-	-	26,588,301	237,381,551
Improvements	148,854,348	8,681	-	85,702,096	234,565,125
Machinery and equipment	46,478,141	2,517,890	(1,399,872)	2,239,379	49,835,538
Total depreciable assets	464,948,474	2,526,571	(1,399,872)	114,529,776	580,604,949
Accumulated depreciation:					
Buildings	(19,980,693)	(1,398,697)	-	-	(21,379,390)
Infrastructure	(110,137,302)	(5,536,846)	-	-	(115,674,148)
Improvements	(65,854,504)	(4,911,063)	-	-	(70,765,567)
Machinery and equipment	(37,383,119)	(1,803,958)	1,243,769	-	(37,943,308)
Total accumulated depreciation	(233,355,618)	(13,650,564)	1,243,769	-	(245,762,413)
Business-type activities capital assets, net	\$ 320,718,647	\$30,867,382	\$ (156,103)	\$ -	\$351,429,926

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

Police	\$ 2,964,930
Fire	2,000,985
Community services	3,261,093
Parks and recreation	2,950,472
Public works	23,262,443
Community relations	18,059
City manager	11,127
Diversity program	997
City clerk and elections	404
City attorney	659
Municipal courts	48,941
Development services	46,105
Community development	1,129,996
Financial services	185,900
Information technology	1,128,447
Non-departmental	2,605,427
Total depreciation expense	\$ 39,615,985

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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, \$45.165 million was issued to finance improvements for Water and Wastewater, Transportation, Public Safety Police, Public Safety Fire, and Parks. In prior years, general obligation bonds have been issued to refund previously issued general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds outstanding at June 30, 2010, were as follows:

\$17,305,000 1993A Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$80,000 to \$5,035,000 through July 1, 2011; interest at 2.6% to 5.4%	\$ 1,390,000
\$12,755,000 1998 Capital Improvements Refunding Issue Serial Bonds due in annual installments of \$90,000 to \$2,450,000 through July 1, 2010; interest at 4.25% to 4.90%	3,215,000
\$37,500,000 1998A Capital Improvement Serial Bonds due in annual installments of \$1,210,000 to \$2,755,000 beginning July 1, 1999 through July 1, 2018; interest at 4.00% to 5.50%	9,860,000
\$24,000,000 2001A Capital Improvement Serial Bonds due in annual installments of \$650,000 to \$1,630,000 beginning July 1, 2002 through July 1, 2021; interest at 4.50% to 6.00%	9,015,000
\$11,045,000 2002 Capital Improvement Refunding Issue Serial Bonds due in annual installments of \$40,000 to \$1,145,000 through July 1, 2015; interest at 2.25% to 5.00%	5,080,000
\$22,000,000 2002A Capital Improvement Serial Bonds due in annual installments of \$690,000 to \$1,650,000 through July 1, 2022; interest at 3.5% to 5.0%	15,470,000
\$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%	33,490,000
\$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%	15,565,000
\$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%	14,080,000
\$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%	42,365,000
\$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%	64,240,000
\$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%	18,330,000
\$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%	68,620,000
\$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%	62,380,000
\$56,055,000 2009A Capital Improvement Serial Bonds due in annual installments of \$1,760,000 to \$4,200,000 beginning July 1, 2010 through July 1, 2029; interest at 3.00% to 4.375%	54,295,000
\$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%	16,755,000
\$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
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	<u>\$ 462,560,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 27,335,000	\$ 19,497,420	\$ 46,832,420
2012	27,140,000	18,275,823	45,415,823
2013	26,665,000	17,107,668	43,772,668
2014	27,860,000	15,980,276	43,840,276
2015	29,185,000	14,795,088	43,980,088
2016-2020	139,375,000	55,625,085	195,000,085
2021-2025	135,175,000	25,303,205	160,473,205
2026-2030	49,830,000	4,765,408	54,595,408
	<u>\$ 462,560,000</u>	<u>\$ 171,349,974</u>	<u>\$ 633,909,974</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 10,980,000	\$ 7,150,594	\$ 18,130,594
2012	10,965,000	6,657,705	17,622,705
2013	10,470,000	6,190,210	16,660,210
2014	10,945,000	5,752,204	16,697,204
2015	11,445,000	5,296,935	16,741,935
2016-2020	50,060,000	19,796,662	69,856,662
2021-2025	45,215,000	9,537,043	54,752,043
2026-2030	22,585,000	2,382,026	24,967,026
	<u>\$ 172,665,000</u>	<u>\$ 62,763,379</u>	<u>\$ 235,428,379</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 16,355,000	\$ 12,346,826	\$ 28,701,826
2012	16,175,000	11,618,118	27,793,118
2013	16,195,000	10,917,458	27,112,458
2014	16,915,000	10,228,072	27,143,072
2015	17,740,000	9,498,153	27,238,153
2016-2020	89,315,000	35,828,423	125,143,423
2021-2025	89,955,000	15,766,162	105,721,162
2026-2030	27,245,000	2,383,382	29,628,382
	<u>\$ 289,895,000</u>	<u>\$ 108,586,594</u>	<u>\$ 398,481,594</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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, 2010, the special assessments receivable of \$33,129,216, 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, 2010, were as follows:

\$11,440,000 ID 170 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 1992; maturing January 1, 2011; due in annual installments of \$460,000 to \$1,160,000; interest at 6.875%	\$ 1,160,000
\$7,070,000 ID 172 Special Assessment Bonds Payable with Governmental Commitment issued August 1, 1997; maturing January 1, 2013; due in annual installments of \$470,000 to \$475,000; interest at 5.10%	1,410,000
\$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%	2,545,000
\$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%	3,480,000
\$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>24,430,000</u>
Total special assessment bonds outstanding	<u><u>\$ 33,025,000</u></u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 3,150,000	\$ 1,547,441	\$ 4,697,441
2012	2,060,000	1,409,611	3,469,611
2013	2,140,000	1,308,085	3,448,085
2014	1,745,000	1,214,850	2,959,850
2015	1,830,000	1,129,758	2,959,758
2016-2020	7,340,000	4,585,055	11,925,055
2021-2025	7,590,000	2,736,018	10,326,018
2026-2029	7,170,000	738,750	7,908,750
	<u>\$33,025,000</u>	<u>\$14,669,568</u>	<u>\$47,694,568</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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

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

\$ 360,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	<u>\$ 360,000</u>	<u>\$ 18,450</u>	<u>\$ 378,450</u>
	<u>\$ 360,000</u>	<u>\$ 18,450</u>	<u>\$ 378,450</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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% \$12,100,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,675,000	\$ 538,988	\$ 2,213,988
2012	1,760,000	455,238	2,215,238
2013	1,830,000	384,838	2,214,838
2014	1,905,000	311,638	2,216,638
2015	1,980,000	235,438	2,215,438
2016-2020	-	682,188	682,188
2020-2023	<u>2,950,000</u>	<u>409,313</u>	<u>3,359,313</u>
	<u>\$12,100,000</u>	<u>\$ 3,017,641</u>	<u>\$15,117,641</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, 2010

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%

\$ 26,875,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 2,115,000	\$ 1,410,938	\$ 3,525,938
2012	2,225,000	1,299,900	3,524,900
2013	2,340,000	1,183,088	3,523,088
2014	2,460,000	1,060,238	3,520,238
2015	2,590,000	931,088	3,521,088
2016-2020	<u>15,145,000</u>	<u>2,467,240</u>	<u>17,612,240</u>
	<u>\$26,875,000</u>	<u>\$ 8,352,492</u>	<u>\$ 35,227,492</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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% \$ 19,455,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 395,000	\$ 938,700	\$ 1,333,700
2012	410,000	924,875	1,334,875
2013	425,000	909,500	1,334,500
2014	450,000	888,250	1,338,250
2015	460,000	870,250	1,330,250
2016-2020	7,615,000	3,589,100	11,204,100
2021-2025	9,700,000	1,502,750	11,202,750
	<u>\$19,455,000</u>	<u>\$ 9,623,425</u>	<u>\$ 29,078,425</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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
2011	\$ 305,000	\$ 850,688	\$ 1,155,688
2012	315,000	840,013	1,155,013
2013	325,000	828,200	1,153,200
2014	345,000	811,950	1,156,950
2015	355,000	798,150	1,153,150
2016-2020	7,010,000	3,302,700	10,312,700
2021-2025	8,925,000	1,382,500	10,307,500
	<u>\$17,580,000</u>	<u>\$ 8,814,201</u>	<u>\$ 26,394,201</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 90,000	\$ 88,013	\$ 178,013
2012	95,000	84,863	179,863
2013	100,000	81,300	181,300
2014	105,000	76,300	181,300
2015	105,000	72,100	177,100
2016-2020	605,000	286,400	891,400
2021-2025	775,000	120,250	895,250
	<u>\$1,875,000</u>	<u>\$ 809,226</u>	<u>\$ 2,684,226</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, 2010

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% \$ 12,905,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,935,000	\$ 555,288	\$ 2,490,288
2012	2,015,000	477,888	2,492,888
2013	2,100,000	392,250	2,492,250
2014	2,190,000	303,000	2,493,000
2015	2,280,000	209,926	2,489,926
2016	<u>2,385,000</u>	<u>107,326</u>	<u>2,492,326</u>
	<u>\$12,905,000</u>	<u>\$2,045,678</u>	<u>\$14,950,678</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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, 2010 there were no draws outstanding or bonds presented for debt service payments under this standby obligation.

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

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

\$60,675,000 2006 Variable Rate Excise Tax Revenue Obligations due in annual installments of \$890,000 to \$3,385,000 through July 1, 2036.	<u>\$56,260,000</u>
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Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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, 2010 was 0.29%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2010 of 0.24%.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,270,000	\$ 67,512	\$ 1,337,512
2012	1,320,000	65,988	1,385,988
2013	1,375,000	64,404	1,439,404
2014	1,430,000	62,754	1,492,754
2015	1,485,000	61,038	1,546,038
2016-2020	8,360,000	276,996	8,636,996
2021-2025	10,180,000	222,648	10,402,648
2026-2030	12,385,000	156,480	12,541,480
2031-2035	15,070,000	75,984	15,145,984
2036	3,385,000	4,062	3,389,062
	<u>\$56,260,000</u>	<u>\$1,057,866</u>	<u>\$57,317,866</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, 2010

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% \$21,235,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 25,000	\$ 1,017,350	\$ 1,042,350
2012	400,000	1,016,350	1,416,350
2013	420,000	1,000,350	1,420,350
2014	435,000	983,550	1,418,550
2015	455,000	966,150	1,421,150
2016-2020	14,090,000	3,399,750	17,489,750
2021-2022	<u>5,410,000</u>	<u>367,875</u>	<u>5,777,875</u>
	<u>\$21,235,000</u>	<u>\$ 8,751,375</u>	<u>\$ 29,986,375</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, 2010, 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, 2010

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. \$47,345,000

The average annualized interest rate paid on these Obligations during the fiscal year ended June 30, 2010 was 0.29%. The following is a summary of debt service cash requirements to maturity utilizing the interest rate in effect at June 30, 2010 of 0.24%.

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,005,000	\$ 56,814	\$ 1,061,814
2012	1,045,000	55,608	1,100,608
2013	1,085,000	54,354	1,139,354
2014	1,130,000	53,052	1,183,052
2015	1,175,000	51,696	1,226,696
2016-2020	6,625,000	236,148	6,861,148
2021-2025	8,065,000	193,074	8,258,074
2026-2030	9,810,000	140,670	9,950,670
2031-2035	11,935,000	76,902	12,011,902
2036-2037	<u>5,470,000</u>	<u>9,912</u>	<u>5,479,912</u>
	<u>\$47,345,000</u>	<u>\$ 928,230</u>	<u>\$ 48,273,230</u>

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

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

\$30,170,000 2008 Excise Tax Revenue Obligations due in annual installments of \$480,000 to \$1,120,000 through July 1, 2038; interest at 3.50% to 5.00% \$29,140,000

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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
2011	\$ 565,000	\$ 1,326,844	\$ 1,891,844
2012	585,000	1,307,069	1,892,069
2013	605,000	1,286,594	1,891,594
2014	630,000	1,265,419	1,895,419
2015	650,000	1,241,794	1,891,794
2016-2020	3,660,000	5,805,694	9,465,694
2021-2025	4,490,000	4,987,625	9,477,625
2026-2030	5,610,000	3,852,000	9,462,000
2031-2035	7,160,000	2,305,750	9,465,750
2036-2038	5,185,000	500,175	5,685,175
	<u>\$29,140,000</u>	<u>\$23,878,964</u>	<u>\$53,018,964</u>

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

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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%	\$ 13,530,000
\$9,315,000 2009B Excise Tax Revenue Obligations due in annual installments of \$1,400,000 to \$1,715,000 through July 1, 2029; interest at 4.23%, net of 35% federal credit	9,315,000
Total	\$ 22,845,000

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
2011	\$ 815,000	\$ 977,871	\$ 1,792,871
2012	840,000	953,421	1,793,421
2013	860,000	928,221	1,788,221
2014	905,000	885,221	1,790,221
2015	935,000	858,071	1,793,071
2016-2020	5,315,000	3,633,169	8,948,169
2021-2025	6,715,000	2,239,169	8,954,169
2026-2029	6,460,000	696,069	7,156,069
	\$22,845,000	\$ 11,171,212	\$ 34,016,212

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
2011	\$ 240,000	\$ 285,462	\$ 525,462
2012	245,000	278,273	523,273
2013	250,000	270,922	520,922
2014	265,000	258,413	523,413
2015	275,000	250,468	525,468
2016-2020	1,550,000	1,060,232	2,610,232
2021-2025	1,960,000	653,614	2,613,614
2026-2029	1,885,000	203,011	2,088,011
	\$ 6,670,000	\$ 3,260,395	\$ 9,930,395

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 575,000	\$ 692,409	\$ 1,267,409
2012	595,000	675,148	1,270,148
2013	610,000	657,299	1,267,299
2014	640,000	626,809	1,266,809
2015	660,000	607,604	1,267,604
2016-2020	3,765,000	2,572,937	6,337,937
2021-2025	4,755,000	1,585,555	6,340,555
2026-2029	4,575,000	493,057	5,068,057
	<u>\$ 16,175,000</u>	<u>\$ 7,910,818</u>	<u>\$24,085,818</u>

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

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

\$ 6,181,000

The following discloses debt service requirements as of June 30, 2010 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 298,000	\$ 336,170	\$ 634,170
2012	311,000	321,912	632,912
2013	325,000	306,404	631,404
2014	340,000	289,708	629,708
2015	355,000	271,860	626,860
2016-2020	2,028,000	1,044,158	3,072,158
2021-2025	2,524,000	389,045	2,913,045
	<u>\$ 6,181,000</u>	<u>\$ 2,959,257</u>	<u>\$ 9,140,257</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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%. As of June 30, 2010, the amount drawn on the loan was \$1,157,247.

\$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%

\$ 1,157,247

The following discloses debt service requirements on WIFA Loan #92A174-10 as of June 30, 2010 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
2011	\$ 141,491	\$ 42,306	\$ 183,797
2012	74,013	31,123	105,136
2013	76,281	28,855	105,136
2014	78,618	26,518	105,136
2015	81,027	24,109	105,136
2016-2020	443,931	81,748	525,679
2021-2023	261,886	15,055	276,941
	<u>\$ 1,157,247</u>	<u>\$ 249,714</u>	<u>\$ 1,406,961</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%. As of June 30, 2010, the amount drawn on the loan was \$12,116,459.

\$14,045,799 Water Infrastructure Finance Authority Loan #92A175-10 due in annual installments of \$578,079 to \$842,152.01 through July 1, 2029; interest at .50% and administrative fee at 1.50%

\$ 12,116,459

The following discloses debt service requirements on WIFA Loan #92A175-10 as of June 30, 2010 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
2011	\$ 1,167,720	\$ 306,649	\$ 1,474,368
2012	601,433	218,975	820,408
2013	613,462	206,946	820,408
2014	625,731	194,677	820,408
2015	638,246	182,162	820,408
2016-2020	3,387,887	714,154	4,102,041
2021-2025	3,740,500	361,540	4,102,041
2026-2027	1,341,480	37,788	1,379,268
	<u>\$ 12,116,459</u>	<u>\$ 2,222,891</u>	<u>\$ 14,339,350</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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

Capital improvement notes outstanding at June 30, 2010 were as follows:

\$11,440,000 capital improvement notes issued in 1990 due to the Water and Wastewater Enterprise Fund from the General Fund and Highway Users Special Revenue Fund and payable in equal annual installments through January 1, 2011; interest at 4.00% \$ 521,955

The following discloses debt service requirements as of June 30, 2010 segregating principal and interest, to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	<u>\$ 521,955</u>	<u>\$ 20,878</u>	<u>\$ 542,833</u>
	<u>\$ 521,955</u>	<u>\$ 20,878</u>	<u>\$ 542,833</u>

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

The governmental assets acquired through capital leases are as follows:

	Amount
Building	<u>\$ 6,434,335</u>
Equipment	<u>55,637</u>
Total	<u>\$ 6,489,972</u>

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2010. These amounts will be paid for by the General Fund.

	Fiscal Year Ending June 30,	Total
	2011	\$ 294,494
	2012	294,494
	2013	294,494
	2014	287,500
	2015	287,500
	2016-2019	<u>1,150,000</u>
Total minimum lease payments		2,608,482
Less: interest at 4.72% to 8.50%		<u>(832,335)</u>
Present value of future minimum lease payments		<u>\$ 1,776,147</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The proprietary assets acquired through capital leases are as follows:

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

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments as of June 30, 2010. These amounts will be paid for by the Golf Fund.

	Fiscal Year Ending June 30,	Total
	2011	\$ 55,627
	2012	55,627
	2013	46,356
		<hr/>
Total minimum lease payments		157,610
Less: interest at 4.48%		(10,521)
Present value of future minimum lease payments		<u>\$ 147,089</u>

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

At June 30, 2010, the 20 percent debt limitation was \$553,497,773 with \$492,153,706 of outstanding debt. This provided a 20 percent debt margin of \$61,344,067. The 6 percent debt limitation was \$166,049,332 with \$8,285,000 of outstanding debt. This provided a 6 percent debt margin of \$157,764,332. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2010, was \$169,559,698.

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

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2010. However, the City has designated \$500,000 in the General Fund for this purpose.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 9 - LONG-TERM DEBT (Continued)

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 \$172,665,000 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 66% of total 2009-10 ad valorem taxes. The total principal and interest remaining to be paid on the bonds is \$235,428,379. Principal and interest paid for the current year and total ad valorem tax revenues were \$16,318,073 and \$24,913,392, 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 \$289,895,000 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 45% of 2009-10 water and wastewater utility system revenue. The total principal and interest remaining to be paid on the bonds is \$398,481,594. Principal and interest paid for the current year and water and wastewater system revenues were \$27,286,364 and \$62,511,102, respectively.

Debt Service Coverage for Governmental Excise Tax Obligations. The City has pledged all future unrestricted excise taxes to repay a total of \$57,945,000 in outstanding governmental excise tax obligations. Proceeds of the bonds were used for general governmental purposes. The bonds are payable through July 1, 2029. Annual principal and interest payments on the bonds are expected to require less than 5% of total 2009-10 excise taxes. The total principal and interest remaining to be paid on the bonds is \$81,959,932. Principal and interest paid for the current year and total excise taxes were \$5,311,433 and \$119,456,216, 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 \$18,050,000 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 2% of total 2009-10 excise taxes. The total principal and interest remaining to be paid on the bonds is \$27,140,836. Principal and interest paid for the current year and total excise taxes were \$1,448,705 and \$119,456,216, 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 \$132,745,000. The bonds are payable through July 1, 2038. Annual principal and interest payments on the bonds are expected to require less than 17% of total 2009-10 transit excise taxes. The total principal and interest remaining to be paid on the bonds is \$158,610,060. Principal and interest paid for the current year and transit excise taxes were \$4,345,570 and \$27,891,084, 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 \$39,780,000 and the bonds are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to be 104% of total 2009-10 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 \$50,178,170. Principal and interest paid for the current year and total available excise taxes were \$6,005,626 and \$119,713,269, respectively.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	\$ 156,265,000	\$26,040,000	\$ (9,640,000)	\$172,665,000	\$10,980,000
Special assessments	36,095,000	-	(3,070,000)	33,025,000	3,150,000
2000A Excise tax obligations	700,000	-	(340,000)	360,000	360,000
2003 Excise tax refunding obligations	13,710,000	-	(1,610,000)	12,100,000	1,675,000
2004 Excise tax obligations	28,875,000	-	(2,000,000)	26,875,000	2,115,000
2005 Excise tax obligations	17,875,000	-	(295,000)	17,580,000	305,000
2006 Excise tax obligations	14,765,000	-	(1,860,000)	12,905,000	1,935,000
2006 Variable rate demand excise tax obligations	57,480,000	-	(1,220,000)	56,260,000	1,270,000
2007 Excise tax refunding obligations	21,260,000	-	(25,000)	21,235,000	25,000
2007 Variable rate demand excise tax obligations	48,310,000	-	(965,000)	47,345,000	1,005,000
2008 Excise tax obligations	29,690,000	-	(550,000)	29,140,000	565,000
2009 Excise tax obligations	6,895,000	-	(225,000)	6,670,000	240,000
2004 HUD Section 108 loan	6,466,000	-	(285,000)	6,181,000	298,000
Capital improvement notes payable	1,023,835	-	(501,880)	521,955	521,955
Total debt payable	439,409,835	26,040,000	(22,586,880)	442,862,955	24,449,955
Capital leases	1,888,631	27,986	(140,470)	1,776,147	132,229
Compensated absences	21,461,167	10,879,065	(11,677,832)	20,662,400	12,595,007
Claims and judgments	4,879,557	3,374,526	(3,376,521)	4,877,562	2,798,176
Net OPEB obligation	37,068,811	8,665,754	(5,070,312)	40,664,253	-
Governmental activities long-term	<u>\$504,708,001</u>	<u>\$48,987,331</u>	<u>\$(42,852,015)</u>	<u>\$510,843,317</u>	<u>\$39,970,367</u>
Business-type activities:					
General obligation bonds payable	\$285,735,000	\$19,125,000	\$(14,965,000)	\$ 289,895,000	\$16,355,000
2005 Excise tax obligations	1,965,000	-	(90,000)	1,875,000	90,000
2005 Excise tax obligation premium amortization	101,056	-	(6,316)	94,740	6,316
2009 Excise tax obligations	16,720,000	-	(545,000)	16,175,000	575,000
2010 WIFA Loan	-	1,157,247	-	1,157,247	141,491
2010 WIFA Loan	-	12,116,459	-	12,116,459	1,167,720
Capital leases	194,416	-	(47,327)	147,089	49,650
Net OPEB obligation	4,730,594	1,155,820	(815,537)	5,070,877	-
Total debt payable	<u>\$ 309,446,066</u>	<u>\$33,554,526</u>	<u>\$(16,469,180)</u>	<u>\$ 326,531,412</u>	<u>\$18,365,177</u>

The long-term liabilities at June 30, 2010 have been reduced by deposits made with the City's fiscal agent for July 1, 2010 maturities.

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

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

Advance Bond Refundings

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

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

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

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

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

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2010 are as follows:

\$24,000,000 general obligation bonds issued in 2001 and partially refunded in 2007	\$ 7,370,000
\$39,275,000 excise tax revenue obligation bonds issued in 2003 and partially refunded in 2007	<u>17,025,000</u>
Total bonds advance refunded	<u>\$24,395,000</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 11 - COMMITMENTS

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

At June 30, 2010 the City's construction commitments are as follows:

	<u>Construction in Progress</u>	<u>Commitment</u>
Governmental funds:		
Transit	\$ 8,865,147	\$ 2,357,423
Streets	-	3,382,499
Police	7,239,961	3,757,418
Fire	1,184,000	5,427,277
Parks and recreation	823,972	745,584
Rio Salado	7,771,683	8,753,261
Community development	1,848,908	779,888
Signals	-	148,279
	<u>\$27,733,671</u>	<u>\$25,351,629</u>
	<u>Construction in Progress</u>	<u>Commitment</u>
Proprietary funds:		
Water/wastewater	\$ 9,847,061	\$ 29,036,228
Golf	46,952	-
	<u>\$ 9,894,013</u>	<u>\$ 29,036,228</u>

In addition, there were non-construction related commitments in the General fund of \$295,028 and the Grants and Court Awards fund of \$671,957.

NOTE 12 - OPERATING LEASES

The City leases copiers under certain noncancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Current year lease costs for the fiscal year ended June 30, 2010 was \$182,870.

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

Fiscal Year Ending June 30,	<u>Amount</u>
2011	\$ 166,238
2012	166,238
2013	166,239
2014	129,121
2015	<u>19,608</u>
Total minimum payments required	<u>\$ 647,444</u>

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS

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

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

A. Plan Description

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

B. Funding Policy

The System is funded through a member contribution of 7.65 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's current aggregate contribution rate for fire is 24.07 percent of annual covered payroll, of which 0.43 percent was the health insurance premium portion. The current aggregate contribution rate for police is 22.23 percent of annual covered payroll, of which 0.43 percent was the health insurance premium portion. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

C. Annual Pension Cost

Police personnel contributed \$2,207,341 and fire personnel \$921,680 during fiscal year 2009-10. For 2010, the City's annual pension cost was \$6,414,273 for police and \$2,899,979 for fire and was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation determining contribution requirements for fiscal year 2009-10, using the projected unit credit method. The actuarial assumptions included (a) 8.50% investment rate of return (b) projected salary increases of 5.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 5.50% to 8.50% per year, attributable to seniority/merit. The actuarial value of the PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2009 was 27 years.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

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

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

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2007	\$ 3,154,840	100%	-
2008 (Pension)	4,531,992	100	-
2008 (Health)	429,196	100	-
2009 (Pension)	7,052,970	100	-
2009 (Health)	499,327	100	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2007	\$ 1,600,734	100%	-
2008 (Pension)	2,245,903	100	-
2008 (Health)	261,528	100	-
2009 (Pension)	3,239,601	100	-
2009 (Health)	243,925	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
2007	\$ 84,586,242	\$ 142,121,830	59.5%	\$ 57,535,588	\$ 22,621,598	254.3
2008	87,441,985	147,095,432	59.4	59,653,447	28,052,053	212.7
2009	93,234,582	153,895,111	60.6	60,660,529	29,489,537	205.7

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
2007	\$ 62,981,056	\$ 90,835,797	69.3%	\$ 27,874,741	\$ 11,423,138	243.8
2008	66,550,238	92,632,556	71.8	26,082,318	12,573,469	207.4
2009	70,387,821	96,683,646	72.8	26,295,825	12,351,485	212.9

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 13 - RETIREMENT AND PENSION PLANS (Continued)

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

A. Plan Description

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

B. Funding Policy

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

The actuarially determined contribution rates for the year ended June 30, 2010 were 9.40 percent (9.0 percent for retirement and 0.40 percent for long-term disability) for active members and the City was required to contribute 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium and 0.40 percent for long-term disability) of the members' annual covered payroll. The City's contributions to the ASRS for the years ended June 30, 2010, 2009, and 2008 were \$7,190,912, \$7,247,303 and \$6,957,969 respectively, equal to the annual required contributions for each year.

Elected Officials Retirement Plan (Mayor and City Council)

A. Plan Description

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

B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7.0 percent of their annual covered salary. The employer rate for 2009-10 was 26.25 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, 2010, 2009 and 2008 were \$57,841, \$59,306, and \$41,482 respectively, equal to the annual required contributions for each year. The City's employees contributed \$15,424, \$14,826 and \$14,368 for the same time period.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

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

A. Plan Description

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

As of June 30, 2010, 665 retirees meet those eligibility requirements to receive postemployment healthcare benefits. Total membership in the program is as follows:

Retirees receiving benefits	811
Active employees eligible	<u>1,469</u>
Total	<u>2,280</u>

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

B. Benefits Provided

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

C. Funding Policy

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. Funding Policy (Continued)

Both the Arizona State Retirement and Arizona Public Safety Personnel Retirement systems subsidize the health insurance premium of eligible retirees depending on type of health plan chosen, coverage selected, and years of service. Approximately 71% of retiree premiums were subsidized by the City during the fiscal year resulting in expenditures of \$8,101,582 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, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

Annual required contribution	\$ 10,561,624
Adjustment to annual required contribution	(2,412,026)
Interest on net OPEB obligation	1,671,976
Annual OPEB cost	<u>9,821,574</u>
Contributions made	<u>(5,885,849)</u>
Increase in net OPEB obligation	3,935,725
Net OPEB obligation – beginning of year	<u>41,799,405</u>
Net OPEB obligation – end of year	<u><u>\$ 45,735,130</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the new OPEB obligation for the fiscal years ended June 30, 2008, 2009 and 2010 are as follows. Reductions in the fiscal year ended June 30, 2009 annual OPEB cost are due primarily to plan design changes.

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 39,404,362	\$5,628,327	14.3%	\$35,926,257
2009	\$ 10,443,525	\$2,420,155	23.2%	\$41,799,405
2010	\$ 9,821,574	\$5,885,849	59.9%	\$45,735,130

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.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

F. Funded Status and Funding Progress

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

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. 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 15 - DEFERRED COMPENSATION PLANS

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

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

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 16 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Reservations of Fund Balances

At June 30, 2010, amounts were reserved on the fund financial statements for the following purposes: encumbrances - represent purchase obligations outstanding at the end of the fiscal year; inventories - the value of materials and supplies needed to maintain adequate levels of operating supplies; capital improvements notes receivable - represents amounts to be received that are not currently available; debt service - for payment of future amounts of principal and interest due.

Designations of Fund Balances

At June 30, 2010, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; Capital Projects - amounts designated for future capital projects; Rio Salado - amount designated for future operation and maintenance costs related to the Rio Salado Town Lake project; arbitrage rebate - amount designated for future arbitrage rebate; Rio Salado capital improvements fund- amount designated for dam replacements.

	<u>Amount</u>
General fund:	
Self-insurance purposes	\$ 8,841,391
Capital projects	1,321,408
Rio Salado	3,120,991
Arbitrage rebate	500,000
Total General fund	<u>13,783,790</u>
 Rio Salado capital improvements fund	 <u>1,861,579</u>
 Total governmental funds	 <u>\$ 15,645,369</u>

NOTE 17 - RISK FINANCING ACTIVITIES

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

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

The City is a self insured entity with excess commercial coverage purchased for general liability, automobile liability, property, workers' compensation and group health coverage. The coverage is as follows: for general liability the first \$2.0 million is self insured and excess coverage of \$40.0 million is provided; for automobile liability the deductible is \$25,000 for comprehensive and collision with a policy limit of \$5.0 million; for property the self-insurance retention is the first \$100,000 of all perils with a policy limit of \$200.0 million; for workers' compensation and employers' liability the first \$500,000 of each claim is self insured, with excess coverage of \$2.0 million in employers' liability and the Arizona statutory workers' compensation coverage; and for group health the self-insurance retention is \$200,000 per occurrence, with an aggregate stop loss deductible of \$21.2 million. During the year there were no significant reductions in the amounts of excess coverage purchased.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

NOTE 17 - RISK FINANCING ACTIVITIES (Continued)

At fiscal year end, the estimated, unpaid insurance claims liability was based on a case-by-case review of actual pending claims and an estimated amount for incurred but not reported claims. A liability for a known claim was established if information indicated that it was probable that a loss had been incurred as of June 30, 2010, 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, 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>

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

At June 30, 2010, the internal service fund accrued expenses totaled \$9,107,764. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of \$9,104,532 and other accrued expenses of \$3,232. The health insurance claims liability at June 30, 2010 of \$1,895,298 are deemed due and payable at June 30, 2010 and recorded as accrued expenditures/expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2010, the City had \$8,841,391 of General Fund fund balance designated for self-insurance purposes.

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2010

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

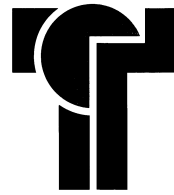
The Industrial Development Authority (IDA) is a non-profit corporation established by the City in 1981 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Tempe. The Board of Directors of the IDA is appointed by the City Council; 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.

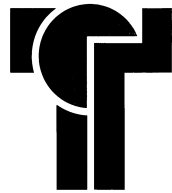
NOTE 20 - DEFICIT IN FUND BALANCE/NET ASSETS

The Community Development Special Revenue Fund had a deficit fund balance of \$12,486 at June 30, 2010. The deficit will be covered by future revenues that were deferred as of June 30, 2010. The Grants and Court Awards Special Revenue Fund had a deficit fund balance of \$101,753 at June 30, 2010. The deficit will be covered by future revenues that were deferred as of June 30, 2010. The Risk Management Internal Service Fund had a negative net asset balance of \$73,652 at June 30, 2010. The deficit will be covered by future transfers from operating funds.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent to June 30, 2010 a settlement agreement amending the original development agreement was entered into in which the title to a portion of the land sold on August 22, 2007 was reconveyed to the City in exchange for the release of a capital improvement note receivable valued at \$25,285,730 (see note 6). The developer has a five year option to reacquire the property.





Combining Fund Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

NON-MAJOR GOVERNMENTAL FUNDS (continued)

CAPITAL PROJECTS FUNDS

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

- **Streets Fund.** Used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- **Police Fund.** Used for purchasing, constructing and equipping public safety buildings.
- **Fire Fund.** Used for purchasing, constructing and equipping fire stations.
- **Performing Arts Fund.** Used for constructing the performing and visual arts center.
- **Storm Sewers Fund.** Used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- **Parks Fund.** Used for acquiring, developing and equipping parks, playgrounds and recreation facilities.
- **Rio Salado Fund.** Used for consulting and engineering studies necessary for the design of the Rio Salado projects and for constructing a wildlife habitat.
- **Community Development Fund.** Used for acquiring, reconstructing, remodeling, renovating and equipping existing buildings that house municipal departments, and for acquiring and constructing housing for the elderly and the redevelopment of the downtown area.
- **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, 2010

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
<u>Assets</u>				
Pooled cash and investments	\$ 5,766,775	\$ 4,654,467	\$ 1,273,041	\$ -
Receivables:				
Taxes	484,717	868,365	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	154,851	-	393,042
Inventories	-	889,768	-	-
Restricted cash and investments	4,932,813	-	-	15,869
Total assets	<u>\$ 11,184,305</u>	<u>\$ 6,567,451</u>	<u>\$ 1,273,041</u>	<u>\$ 408,911</u>
<u>Liabilities</u>				
Accounts payable	\$ 73,025	\$ 208,555	\$ -	\$ 60,575
Deposits	-	-	-	-
Accrued expenditures	226,075	757,025	-	12,369
Claims and judgements	14,746	67,704	-	-
Due to other funds	-	-	-	187,458
Deferred revenue	-	-	-	18,087
Matured bonds payable	3,860,000	-	-	-
Matured interest payable	1,072,813	-	-	142,908
Total liabilities	<u>5,246,659</u>	<u>1,033,284</u>	<u>-</u>	<u>421,397</u>
<u>Fund Balances</u>				
Fund balance (deficit):				
Reserved for:				
Encumbrances	-	-	-	-
Inventories	-	889,768	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	5,937,646	4,644,399	1,273,041	(12,486)
Total fund balances (deficit)	<u>5,937,646</u>	<u>5,534,167</u>	<u>1,273,041</u>	<u>(12,486)</u>
Total liabilities and fund balances	<u>\$ 11,184,305</u>	<u>\$ 6,567,451</u>	<u>\$ 1,273,041</u>	<u>\$ 408,911</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ 730,765	\$ 1,018,909	\$ 2,000,656	\$ 131,781	\$ 15,576,394
-	76,301	-	-	1,429,383
69,948	-	-	-	69,948
-	22,073	-	-	22,073
13,022	-	2,541,020	-	3,101,935
-	-	-	-	889,768
-	-	-	2,343,794	7,292,476
<u>\$ 813,735</u>	<u>\$ 1,117,283</u>	<u>\$ 4,541,676</u>	<u>\$ 2,475,575</u>	<u>\$ 28,381,977</u>
\$ 7,683	\$ 45,622	\$ 540,465	\$ 131,646	\$ 1,067,571
-	-	966,356	-	966,356
109,118	72,250	2,470	135	1,179,442
-	19,777	-	-	102,227
-	-	-	-	187,458
-	-	3,134,138	-	3,152,225
-	-	-	1,630,000	5,490,000
-	-	-	713,794	1,929,515
<u>116,801</u>	<u>137,649</u>	<u>4,643,429</u>	<u>2,475,575</u>	<u>14,074,794</u>
-	-	671,957	-	671,957
-	-	-	-	889,768
-	-	-	-	-
696,934	979,634	(773,710)	-	12,745,458
<u>696,934</u>	<u>979,634</u>	<u>(101,753)</u>	<u>-</u>	<u>14,307,183</u>
<u>\$ 813,735</u>	<u>\$ 1,117,283</u>	<u>\$ 4,541,676</u>	<u>\$ 2,475,575</u>	<u>\$ 28,381,977</u>

(continued)

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

Capital Projects

	<u>Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Performing Arts</u>	<u>Storm Sewers</u>
<u>Assets</u>					
Pooled cash and investments	\$ 2,491,304	\$ 5,673,968	\$ 5,526,025	\$ -	\$ 1,792,092
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	439,930	75,749	-	-	-
Inventories	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 2,931,234</u>	<u>\$ 5,749,717</u>	<u>\$ 5,526,025</u>	<u>\$ -</u>	<u>\$ 1,792,092</u>
<u>Liabilities</u>					
Accounts payable	\$ 498,768	\$ 824,593	\$ 450,886	\$ -	\$ -
Deposits	-	-	-	-	-
Accrued expenditures	-	-	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	<u>498,768</u>	<u>824,593</u>	<u>450,886</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
Fund balance (deficit):					
Reserved for:					
Encumbrances	3,382,499	3,757,418	5,427,277	-	-
Inventories	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	(950,033)	1,167,706	(352,138)	-	1,792,092
Total fund balances (deficit)	<u>2,432,466</u>	<u>4,925,124</u>	<u>5,075,139</u>	<u>-</u>	<u>1,792,092</u>
Total liabilities and fund balances	<u>\$ 2,931,234</u>	<u>\$ 5,749,717</u>	<u>\$ 5,526,025</u>	<u>\$ -</u>	<u>\$ 1,792,092</u>

Capital Projects

Parks	Rio Salado	Community Development	Signals	Total	Total Nonmajor Governmental Funds
\$ 4,610,276	\$ 5,217,382	\$ 9,804,932	\$ 893,044	\$ 36,009,023	\$ 51,585,417
-	-	-	-	-	1,429,383
-	-	-	-	-	69,948
-	-	-	-	-	22,073
-	751,436	-	105,081	1,372,196	4,474,131
-	-	-	-	-	889,768
-	-	-	-	-	7,292,476
<u>\$ 4,610,276</u>	<u>\$ 5,968,818</u>	<u>\$ 9,804,932</u>	<u>\$ 998,125</u>	<u>\$ 37,381,219</u>	<u>\$ 65,763,196</u>
\$ 437,810	\$ 207,669	\$ 963,859	\$ 98,055	\$ 3,481,640	\$ 4,549,211
-	-	-	-	-	966,356
-	-	-	-	-	1,179,442
-	-	-	-	-	102,227
-	-	-	-	-	187,458
-	-	-	-	-	3,152,225
-	-	-	-	-	5,490,000
-	-	-	-	-	1,929,515
<u>437,810</u>	<u>207,669</u>	<u>963,859</u>	<u>98,055</u>	<u>3,481,640</u>	<u>\$ 17,556,434</u>
745,584	8,753,261	779,888	148,279	22,994,206	23,666,163
-	-	-	-	-	889,768
-	1,861,579	-	-	1,861,579	1,861,579
3,426,882	(4,853,691)	8,061,185	751,791	9,043,794	21,789,252
4,172,466	5,761,149	8,841,073	900,070	33,899,579	48,206,762
<u>\$ 4,610,276</u>	<u>\$ 5,968,818</u>	<u>\$ 9,804,932</u>	<u>\$ 998,125</u>	<u>\$ 37,381,219</u>	<u>\$ 65,763,196</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2010

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales taxes	\$ 5,749,649	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	315,516	-	1,421,984
State grants	-	-	-	-
State sales tax	-	9,422,203	-	-
Other	-	-	416,885	24,254
Investment income (loss)	(1,190)	-	-	40
Charges for services	646,227	54,778	-	-
Fines and forfeitures	-	-	-	-
Other entities' participation	-	-	-	-
Miscellaneous	10,083	2,054	-	629,006
Total revenues	<u>6,404,769</u>	<u>9,794,551</u>	<u>416,885</u>	<u>2,075,284</u>
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	2,788,293	-	-	-
Parks and recreation	-	-	-	-
Public works	-	10,639,991	-	-
Municipal court	-	-	-	-
Development services	-	-	-	-
Community development	-	-	-	1,474,159
Debt service:				
Principal retirement	3,860,000	-	-	285,000
Interest and fiscal fees	2,147,786	-	-	344,006
Capital outlay	-	-	-	-
Total expenditures	<u>8,796,079</u>	<u>10,639,991</u>	<u>-</u>	<u>2,103,165</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(2,391,310)</u>	<u>(845,440)</u>	<u>416,885</u>	<u>(27,881)</u>
Other financing sources (uses):				
Transfers in:				
General fund	-	761,451	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
General fund	-	-	-	-
Special revenue funds	-	-	(184,119)	-
Debt service funds	-	(2,770,000)	-	-
Special assessment debt service	-	-	-	-
Capital projects funds	(27)	-	-	-
Enterprise funds	-	(309,862)	-	-
Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	143,718	-	-
Total other financing sources (uses)	<u>(27)</u>	<u>(2,174,693)</u>	<u>(184,119)</u>	<u>-</u>
Net change in fund balances	(2,391,337)	(3,020,133)	232,766	(27,881)
Fund balance at beginning of year	8,328,983	8,554,300	1,040,275	15,395
Fund balance (deficit) at end of year	<u>\$ 5,937,646</u>	<u>\$ 5,534,167</u>	<u>\$ 1,273,041</u>	<u>\$ (12,486)</u>

Special Revenue

Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
\$ -	\$ 1,603,579	\$ -	\$ -	\$ 7,353,228
-	199,974	-	-	199,974
9,674,069	-	2,088,517	-	13,500,086
-	-	238,698	-	238,698
-	-	-	-	9,422,203
-	-	2,181,565	-	2,622,704
1,096	5,185	854	-	5,985
-	1,966	420,083	1,843,913	2,966,967
10,500	-	822,538	-	833,038
-	-	-	-	-
22,047	75,917	597,063	56,518	1,392,688
9,707,712	1,886,621	6,349,318	1,900,431	38,535,571
-	231,581	2,990,976	-	3,222,557
-	-	410,643	-	410,643
-	-	1,129,084	-	3,917,377
-	594,964	114,172	-	709,136
-	-	-	-	10,639,991
-	-	982,061	-	982,061
-	-	3,059	-	3,059
9,339,303	1,096,771	177,917	2,339,535	14,427,685
-	-	-	1,630,000	5,775,000
-	-	-	1,431,493	3,923,285
-	-	-	-	-
9,339,303	1,923,316	5,807,912	5,401,028	44,010,794
368,409	(36,695)	541,406	(3,500,597)	(5,475,223)
-	-	2,000	518,803	1,282,254
-	-	-	-	-
-	-	-	3,061,493	3,061,493
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(184,119)
-	-	-	-	(2,770,000)
-	-	-	-	-
-	-	(700,000)	(79,699)	(779,726)
-	-	-	-	(309,862)
-	-	-	-	-
-	8,270	-	-	151,988
-	8,270	(698,000)	3,500,597	452,028
368,409	(28,425)	(156,594)	-	(5,023,195)
328,525	1,008,059	54,841	-	19,330,378
\$ 696,934	\$ 979,634	\$ (101,753)	\$ -	\$ 14,307,183

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

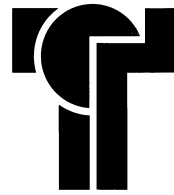
For the Fiscal Year Ended June 30, 2010

Capital Projects

	Streets	Police	Fire	Performing Arts	Storm Sewers
Revenues:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Intergovernmental:					
Federal grants	439,930	-	114,000	-	-
State grants	-	-	-	-	-
State sales tax	-	-	-	-	-
Other	-	-	-	-	-
Investment income	-	-	-	-	-
Charges for services	271,023	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other entities' participation	1,000	183,044	-	-	-
Miscellaneous	-	75,749	-	-	-
Total revenues	<u>711,953</u>	<u>258,793</u>	<u>114,000</u>	<u>-</u>	<u>-</u>
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Municipal courts	-	-	-	-	-
Development services	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	4,940,394	8,528,683	1,196,671	-	582,294
Total expenditures	<u>4,940,394</u>	<u>8,528,683</u>	<u>1,196,671</u>	<u>-</u>	<u>582,294</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(4,228,441)</u>	<u>(8,269,890)</u>	<u>(1,082,671)</u>	<u>-</u>	<u>(582,294)</u>
Other financing sources (uses):					
Transfers in:					
General fund	-	399	5,277,920	-	-
Special revenue funds	-	700,000	-	27	-
Debt service funds	-	-	-	-	-
Capital projects funds	225,660	-	-	-	-
Enterprise funds	-	-	-	-	-
Transfers out:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service fund	-	-	-	-	-
Special assessment debt service	(2,140,449)	-	-	-	-
Capital projects funds	(1,492,591)	(2,500,000)	-	-	(85,493)
Enterprise funds	(11,883)	-	-	-	-
Issuance of debt	4,284,002	7,352,300	890,896	-	75,000
Proceeds from sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>864,739</u>	<u>5,552,699</u>	<u>6,168,816</u>	<u>27</u>	<u>(10,493)</u>
Net change in fund balances	(3,363,702)	(2,717,191)	5,086,145	27	(592,787)
Fund balance (deficit) at beginning of year	5,796,168	7,642,315	(11,006)	(27)	2,384,879
Fund balance (deficit) at end of year	<u>\$ 2,432,466</u>	<u>\$ 4,925,124</u>	<u>\$ 5,075,139</u>	<u>\$ -</u>	<u>\$ 1,792,092</u>

Capital Projects

Capital Projects					Total Nonmajor Governmental Funds	
Parks	Rio Salado	Community Development	Signals	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$	7,353,228
-	-	-	-	-		199,974
-	751,436	-	557,684	1,863,050		15,363,136
284,000	-	-	-	284,000		522,698
-	-	-	-	-		9,422,203
-	-	-	-	-		2,622,704
-	-	-	-	-		5,985
38,775	-	-	6,300	316,098		3,283,065
-	-	-	-	-		833,038
25,000	-	5,276	-	214,320		214,320
-	-	40,327	342	116,418		1,509,106
<u>347,775</u>	<u>751,436</u>	<u>45,603</u>	<u>564,326</u>	<u>2,793,886</u>		<u>41,329,457</u>
-	-	-	-	-		3,222,557
-	-	-	-	-		410,643
-	-	-	-	-		3,917,377
-	-	-	-	-		709,136
-	-	-	-	-		10,639,991
-	-	-	-	-		982,061
-	-	-	-	-		3,059
-	-	-	-	-		14,427,685
-	-	-	-	-		5,775,000
-	-	-	-	-		3,923,285
7,729,950	4,150,330	13,632,211	1,501,918	42,262,451		42,262,451
<u>7,729,950</u>	<u>4,150,330</u>	<u>13,632,211</u>	<u>1,501,918</u>	<u>42,262,451</u>		<u>86,273,245</u>
<u>(7,382,175)</u>	<u>(3,398,894)</u>	<u>(13,586,608)</u>	<u>(937,592)</u>	<u>(39,468,565)</u>		<u>(44,943,788)</u>
-	225,500	2,224,940	-	7,728,759		9,011,013
-	79,699	32,500	-	812,226		812,226
-	-	-	-	-		3,061,493
52,625	1,500,000	2,621,039	-	4,399,324		4,399,324
2,656	-	447,861	-	450,517		450,517
-	-	(168,812)	-	(168,812)		(168,812)
-	-	-	-	-		(184,119)
-	-	-	-	-		(2,770,000)
-	-	-	-	(2,140,449)		(2,140,449)
(16,668)	(5,404)	(556,909)	(123,500)	(4,780,565)		(5,560,291)
-	-	-	-	(11,883)		(321,745)
5,559,505	-	6,962,299	915,998	26,040,000		26,040,000
-	-	-	-	-		151,988
<u>5,598,118</u>	<u>1,799,795</u>	<u>11,562,918</u>	<u>792,498</u>	<u>32,329,117</u>		<u>32,781,145</u>
(1,784,057)	(1,599,099)	(2,023,690)	(145,094)	(7,139,448)		(12,162,643)
5,956,523	7,360,248	10,864,763	1,045,164	41,039,027		60,369,405
<u>\$ 4,172,466</u>	<u>\$ 5,761,149</u>	<u>\$ 8,841,073</u>	<u>\$ 900,070</u>	<u>\$ 33,899,579</u>	<u>\$</u>	<u>48,206,762</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, 2010

City of Tempe, Arizona

	Risk Management	Health	Total
<u>Assets</u>			
Current assets:			
Pooled cash and investments	\$ 9,180,046	\$ 6,699,271	\$ 15,879,317
Accounts receivable	-	126,168	126,168
	<u>9,180,046</u>	<u>6,825,439</u>	<u>16,005,485</u>
Total assets			
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	72,282	619,134	691,416
Accrued expenses and claims payable	9,107,764	-	9,107,764
Total current liabilities	<u>9,180,046</u>	<u>619,134</u>	<u>9,799,180</u>
Noncurrent liabilities:			
Net OPEB Obligation	73,652	-	73,652
Total noncurrent liabilities	<u>73,652</u>	<u>-</u>	<u>73,652</u>
Total liabilities	<u>9,253,698</u>	<u>619,134</u>	<u>9,872,832</u>
<u>Net Assets</u>			
Unrestricted	<u>(73,652)</u>	<u>6,206,305</u>	<u>6,132,653</u>
Total net assets	<u>\$ (73,652)</u>	<u>\$ 6,206,305</u>	<u>\$ 6,132,653</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Risk Management	Health	Total
Operating revenues:			
Contributions	\$ 4,831,723	\$ 28,617,195	\$ 33,448,918
Total operating revenues	<u>4,831,723</u>	<u>28,617,195</u>	<u>33,448,918</u>
Operating expenses:			
Claims incurred	4,832,870	28,153,397	32,986,267
Total operating expenses	<u>4,832,870</u>	<u>28,153,397</u>	<u>32,986,267</u>
Changes in net assets	(1,147)	463,798	462,651
Total net assets- beginning	(72,505)	5,742,507	5,670,002
Total net assets- ending	<u>\$ (73,652)</u>	<u>\$ 6,206,305</u>	<u>\$ 6,132,653</u>

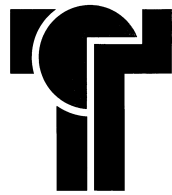
Combining Statement of Cash Flows

Internal Service Funds

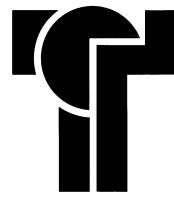
For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

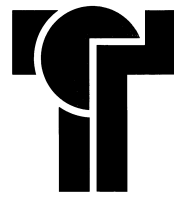
	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	\$ 4,831,723	\$ 28,727,131	\$ 33,558,854
Payments for settlement of claims	(4,916,920)	(28,048,398)	(32,965,318)
Net cash provided by (used) operating activities	(85,197)	678,733	593,536
Net increase (decrease) in cash and cash equivalents	(85,197)	678,733	593,536
Cash and cash equivalents, beginning of year	9,265,243	6,020,538	15,285,781
Cash and cash equivalents, end of year	\$ 9,180,046	\$ 6,699,271	\$ 15,879,317
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,147)	\$ 463,798	\$ 462,651
Adjustments to reconcile operating income (loss) to net cash provided by (used) operating activities:			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	109,936	109,936
Increase (decrease) in accounts payable	3,369	104,999	108,368
Increase (decrease) in accrued expenses	(88,566)	-	(88,566)
Increase (decrease) in net OPEB obligation	1,147	-	1,147
Net cash provided by (used) operating activities	\$ (85,197)	\$ 678,733	\$ 593,536



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, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues			
Taxes	\$ 156,987,616	\$ 145,038,639	\$ (11,948,977)
Intergovernmental	64,937,501	60,914,078	(4,023,423)
Investment income	5,107,143	537,263	(4,569,880)
Charges for services	132,475,335	104,693,767	(27,781,568)
Fines and forfeitures	10,576,421	10,249,774	(326,647)
Licenses and permits	1,662,750	1,670,698	7,948
Miscellaneous	6,106,243	5,352,359	(753,884)
Total revenues	377,853,009	328,456,578	(49,396,431)
Expenditures			
Current:			
Police	73,919,405	71,487,450	2,431,955
Fire	28,078,849	26,849,390	1,229,459
Community services	18,781,629	17,209,454	1,572,175
Parks and recreation	19,581,733	18,523,215	1,058,518
Public works	100,847,231	86,755,354	14,091,877
Community relations	4,438,600	4,216,777	221,823
Mayor and council	398,607	386,866	11,741
City manager	338,182	322,387	15,795
Diversity program	552,541	521,078	31,463
Internal audit/consulting	519,157	514,087	5,070
City clerk and elections	1,063,166	799,953	263,213
City attorney	3,115,161	3,115,216	(55)
Municipal court	4,376,653	4,289,893	86,760
Development services	7,316,505	7,045,911	270,594
Community development	23,834,435	20,010,302	3,824,133
Financial Services	4,021,344	3,826,113	195,231
Human resources	3,423,706	3,387,415	36,291
Information technology	15,716,660	14,910,970	805,690
Information technology interdept charges	(15,420,958)	(14,860,538)	(560,420)
Water utilities	39,577,535	41,064,768	(1,487,233)
Non-departmental	4,492,190	-	4,492,190
Debt Service:			
Principal	35,117,674	34,742,157	375,517
Interest and fiscal fees	33,858,187	28,452,139	5,406,048
Total expenditures	407,948,192	373,570,357	34,377,835
Other financing sources (uses)			
Transfers from other funds	4,580,628	48,945,852	44,365,224
Transfers to other funds	(1,451,238)	(27,527,469)	(26,076,231)
Premium on issuance of debt	-	755,553	755,553
Proceeds from sale of capital assets	218,000	430,897	212,897
Total other financing sources (uses)	3,347,390	22,604,833	19,257,443
Net change in fund balance	\$ (26,747,793)	\$ (22,508,946)	\$ 4,238,847

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

General Obligation Debt Service Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	\$ 25,192,451	\$ 24,913,392	\$ (279,059)
Other entities' participation	185,458	92,885	(92,573)
Total revenues	<u>25,377,909</u>	<u>25,006,277</u>	<u>(371,632)</u>
Expenditures:			
Debt service:			
Principal retirement	10,837,056	10,632,157	204,899
Interest and fiscal fees	9,038,486	8,555,975	482,511
Total expenditures	<u>19,875,542</u>	<u>19,188,132</u>	<u>687,410</u>
Excess of revenues over expenditure	5,502,367	5,818,145	315,778
	2,770,000	8,144,500	5,374,500
Other financing sources (uses):	-	(8,435,993)	(8,435,993)
Transfers in	-	755,553	755,553
Transfers out	-	-	-
Premium on issuance of debt	-	-	-
Total other financing sources (uses)	<u>\$ 8,272,367</u>	<u>\$ 6,282,205</u>	<u>\$ (1,990,162)</u>
	<u>18,120,931</u>	<u>18,120,931</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 26,393,298</u>	<u>\$ 24,403,136</u>	<u>\$ (1,990,162)</u>

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

Performing Arts Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 6,295,038	\$ 5,749,649	\$ (545,389)
Investment income	182,539	14,072	(168,467)
Charges for services	386,000	646,227	260,227
Miscellaneous	2,500	10,083	7,583
Total revenues	<u>6,866,077</u>	<u>6,420,031</u>	<u>(446,046)</u>
Expenditures:			
Current:			
Community services	3,083,264	2,786,673	296,591
Debt service:			
Principal retirement	3,860,000	3,860,000	-
Interest and fiscal fees	2,155,626	2,147,786	7,840
Total expenditures	<u>9,098,890</u>	<u>8,794,459</u>	<u>304,431</u>
Deficiency of revenues over expenditures	(2,232,813)	(2,374,428)	(141,615)
Other financing uses:			
Transfers out	-	(27)	(27)
Total other financing uses	<u>-</u>	<u>(27)</u>	<u>(27)</u>
Deficiency of revenues over expenditures and other uses	<u>\$ (2,232,813)</u>	<u>\$ (2,374,455)</u>	<u>\$ (141,642)</u>

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

Highway User Revenue Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ -	\$ 315,516	\$ 315,516
State sales tax	10,019,765	9,422,203	(597,562)
Charges for services	-	54,778	54,778
Miscellaneous	180,000	2,054	(177,946)
Total revenues	<u>10,199,765</u>	<u>9,794,551</u>	<u>(405,214)</u>
Expenditures:			
Current:			
Public works	14,656,500	10,289,625	4,366,875
Total expenditures	<u>14,656,500</u>	<u>10,289,625</u>	<u>4,366,875</u>
Excess (deficiency) of revenues over expenditures	(4,456,735)	(495,074)	3,961,661
Other financing sources (uses):			
Transfers in	1,035,000	761,451	(273,549)
Transfers out	(309,862)	(3,079,862)	(2,770,000)
Proceeds from sale of capital assets	-	143,718	143,718
Total other financing sources (uses)	<u>725,138</u>	<u>(2,174,693)</u>	<u>(2,899,831)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (3,731,597)</u>	<u>\$ (2,669,767)</u>	<u>\$ 1,061,830</u>

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

Local Transportation Assistance Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	<u>Final Budget Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Other	\$ 705,440	\$ 416,885	\$ (288,555)
Total revenues	<u>705,440</u>	<u>416,885</u>	<u>(288,555)</u>
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	705,440	416,885	(288,555)
Other financing uses:			
Transfers out	(232,795)	(184,119)	48,676
Total other financing uses	<u>(232,795)</u>	<u>(184,119)</u>	<u>48,676</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ 472,645</u>	<u>\$ 232,766</u>	<u>\$ (239,879)</u>

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

Community Development Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 4,241,825	\$ 1,421,984	\$(2,819,841)
Other	50,000	24,254	(25,746)
Investment income	-	40	40
Miscellaneous	-	629,006	629,006
Total revenues	<u>4,291,825</u>	<u>2,075,284</u>	<u>(2,216,541)</u>
Expenditures:			
Current:			
Community development	4,290,403	1,474,283	2,816,120
Debt service:			
Principal retirement	-	285,000	(285,000)
Interest and fiscal fees	-	344,006	(344,006)
Total expenditures	<u>4,290,403</u>	<u>2,103,289</u>	<u>2,187,114</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 1,422</u>	 <u>\$ (28,005)</u>	 <u>\$ (29,427)</u>

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

Housing Assistance Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	\$ 8,929,816	\$ 9,674,069	\$ 744,253
Charges for services	10,000	10,500	500
Investment income	5,000	1,096	(3,904)
Miscellaneous	4,225	22,047	17,822
Total revenues	<u>8,949,041</u>	<u>9,707,712</u>	<u>758,671</u>
Expenditures:			
Current:			
Community development	8,944,784	9,338,216	(393,432)
Total expenditures	<u>8,944,784</u>	<u>9,338,216</u>	<u>(393,432)</u>
Excess of revenues over expenditures	<u>\$ 4,257</u>	<u>\$ 369,496</u>	<u>\$ 365,239</u>

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

Rio Salado Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	\$ 1,550,000	\$ 1,603,579	\$ 53,579
Property taxes	175,000	199,974	24,974
Investment income	130,000	10,439	(119,561)
Charges for services	2,500	1,966	(534)
Miscellaneous	161,101	75,917	(85,184)
Total revenues	<u>2,018,601</u>	<u>1,891,875</u>	<u>(126,726)</u>
Expenditures:			
Current:			
Community development	2,431,457	1,923,679	507,778
Total expenditures	<u>2,431,457</u>	<u>1,923,679</u>	<u>507,778</u>
Other financing sources:			
Proceeds from sale of capital assets	-	8,270	8,270
Total other financing sources	<u>-</u>	<u>8,270</u>	<u>8,270</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ (412,856)</u>	<u>\$ (23,534)</u>	<u>\$ 389,322</u>

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

Community Facilities District Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 43,289	\$ 1,843,913	\$ 1,800,624
Miscellaneous	1,513,340	56,518	(1,456,822)
Total revenues	<u>1,556,629</u>	<u>1,900,431</u>	<u>343,802</u>
Expenditures:			
Current:			
Community development	3,115,310	2,339,535	775,775
Debt service:			
Principal	1,630,000	1,630,000	-
Interest and fiscal fees	1,427,080	1,431,493	(4,413)
Total expenditures	<u>6,172,390</u>	<u>5,401,028</u>	<u>771,362</u>
Deficiency of revenues over expenditures	(4,615,761)	(3,500,597)	1,115,164
Other financing sources (uses):			
Transfers in	-	3,580,296	3,580,296
Transfers out	-	(79,699)	(79,699)
Total other financing sources (uses)	<u>-</u>	<u>3,500,597</u>	<u>3,500,597</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (4,615,761)</u>	<u>\$ -</u>	<u>\$ 4,615,761</u>

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

Water and Wastewater Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 1,143,387	\$ 97,317	\$ (1,046,070)
Charges for services	59,311,760	60,325,662	1,013,902
Miscellaneous	574,500	51,034	(523,466)
Total revenues	<u>61,029,647</u>	<u>60,474,013</u>	<u>(555,634)</u>
Expenditures:			
Current:			
Water utilities	39,577,535	41,064,768	(1,487,233)
Debt service:			
Principal	15,957,458	15,510,000	447,458
Interest and fiscal fees	14,893,750	13,430,392	1,463,358
Total expenditures	<u>70,428,743</u>	<u>70,005,160</u>	<u>423,583</u>
Deficiency of revenues over expenditures	(9,399,096)	(9,531,147)	(132,051)
Other financing sources (uses):			
Transfers in	542,833	5,956,816	5,413,983
Transfers out	(447,861)	(5,908,017)	(5,460,156)
Proceeds from sale of capital assets	-	81,572	81,572
Total other financing sources (uses)	<u>94,972</u>	<u>130,371</u>	<u>35,399</u>
Deficiency of revenues and other sources over expenditures and other uses	<u>\$ (9,304,124)</u>	<u>\$ (9,400,776)</u>	<u>\$ (96,652)</u>

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

Solid Waste Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 77,479	\$ 8,652	\$ (68,827)
Charges for services	15,653,109	15,242,801	(410,308)
Miscellaneous	-	12,491	12,491
Total revenues	<u>15,730,588</u>	<u>15,263,944</u>	<u>(466,644)</u>
Expenditures:			
Current:			
Public works	15,966,434	14,812,084	1,154,350
Total expenditures	<u>15,966,434</u>	<u>14,812,084</u>	<u>1,154,350</u>
Excess (deficiency) of revenues over expenditures	(235,846)	451,860	687,706
Other financing sources:			
Proceeds from sale of capital assets	98,000	11,389	(86,611)
Total other financing sources	<u>98,000</u>	<u>11,389</u>	<u>(86,611)</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>\$ (137,846)</u>	<u>\$ 463,249</u>	<u>\$ 601,095</u>

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

Golf Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	\$ 5,705	\$ 146	\$ (5,559)
Charges for services	1,995,578	1,574,081	(421,497)
Total revenues	<u>2,001,283</u>	<u>1,574,227</u>	<u>(427,056)</u>
Expenditures:			
Current:			
Parks and recreation	2,152,143	2,040,343	111,800
Debt service:			
Principal	8,160	-	8,160
Interest and fiscal fees	9,913	-	9,913
Total expenditures	<u>2,170,216</u>	<u>2,040,343</u>	<u>129,873</u>
Deficiency of revenues over expenditures	(168,933)	(466,116)	(297,183)
Other financing sources:			
Transfers in	-	66,858	66,858
Proceeds from sale of capital assets	-	4,025	4,025
Total other financing sources	<u>-</u>	<u>70,883</u>	<u>70,883</u>
Deficiency of revenues and other sources over expenditures	<u>\$ (168,933)</u>	<u>\$ (395,233)</u>	<u>\$ (226,300)</u>

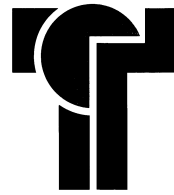
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual

Cemetery Fund

For the Fiscal Year Ended June 30, 2010

City of Tempe, Arizona

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Charges for services	\$ 147,186	\$ 116,643	\$ (30,543)
Total revenues	<u>147,186</u>	<u>116,643</u>	<u>(30,543)</u>
Expenditures:			
Current:			
Parks and recreation	195,351	139,436	55,915
Debt service:			
Principal	90,000	90,000	-
Interest and fiscal fees	91,163	91,660	(497)
Total expenditures	<u>376,514</u>	<u>321,096</u>	<u>55,418</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ (229,328)</u>	 <u>\$ (204,453)</u>	 <u>\$ 24,875</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, 2010

City of Tempe, Arizona

<u>Line Item #</u>	<u>Account Description</u>	<u>Section 8 Voucher Program</u>
<u>Assets</u>		
111	Cash - unrestricted	\$ 613,964
115	Cash - restricted	116,801
124	Accounts receivable - other governments	-
124	Accounts receivable - federal government	13,022
128	Accounts receivable - fraud recovery	69,948
	Total assets	<u>\$ 813,735</u>
<u>Liabilities</u>		
312	Accounts payable <= 90 days	\$ 7,194
321	Accrued wage/payroll taxes payable	18,474
331	Accounts payable - HUD PHA programs	92,881
345	Other current liabilities	(1,748)
	Total liabilities	<u>116,801</u>
<u>Equity</u>		
512	Undesignated fund balance	<u>696,934</u>
513	Total equity	<u>696,934</u>
600	Total liabilities and equity	<u>\$ 813,735</u>

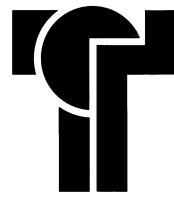
Other Supplementary Information - Financial Data Schedule Revenues and Expenses

Housing Assistance Fund

For the Fiscal Year ended June 30, 2010

City of Tempe, Arizona

Line Item #	Account Description	Section 8 Voucher Program
<u>Revenues</u>		
706	HUD PHA grants	\$ 9,674,069
714	Fraud Recovery	10,500
715	Other revenue	22,047
720	Investment income - restricted	1,096
	Total revenues	9,707,712
<u>Expenses</u>		
911	Administrative salaries	433,931
912	Auditing fees	4,792
914	Compensated absences	50,115
915	Employee benefit contributions - administrative	192,434
916	Other operating - administrative	196,653
973	Housing assistance payments	8,461,378
	Total expenses	9,339,303
	Excess of revenues over expenses	\$ 368,409
<u>Memo Account Information</u>		
1120	Unit months available	12,984
1121	Number of unit months leased	12,286
1117	Administrative Fee Equity	\$ 264,961
1118	Housing Assistance Payments Equity	\$ 431,973



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 Nine 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
Governmental activities									
Invested in capital assets, net of related debt	\$ 433,414,734	\$ 440,494,223	\$ 426,857,287	\$ 425,257,427	\$ 388,629,882	\$ 397,087,925	\$ 597,765,255	\$ 574,872,877	\$ 562,958,494
Restricted	122,572,053	135,314,124	143,723,739	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736
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
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>
Business-type activities									
Invested in capital assets, net of related debt	\$ 173,224,647	\$ 171,881,978	\$ 174,841,674	\$ 191,670,395	\$ 174,110,077	\$ 177,682,915	\$ 154,867,017	\$ 151,096,394	\$ 144,245,429
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
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>
Primary government									
Invested in capital assets, net of related debt	\$ 606,639,381	\$ 612,376,201	\$ 601,698,961	\$ 616,927,822	\$ 562,739,959	\$ 574,770,840	\$ 752,632,272	\$ 725,969,271	\$ 707,203,923
Restricted	132,637,849	143,444,919	152,737,563	137,183,741	174,328,803	114,918,257	139,393,928	181,241,102	142,947,736
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
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>

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

Changes in Net Assets (Exhibit S-2a)

Last Nine 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
Expenses									
Governmental activities:									
Police	\$ 45,265,995	\$ 47,729,305	\$ 49,973,991	\$ 51,928,073	\$ 59,957,698	\$ 60,929,075	\$ 83,613,800	\$ 86,126,079	\$ 78,283,021
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
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
Parks and recreation	-	-	-	-	-	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
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
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281	547,453	418,851	387,723
City manager	1,414,543	918,556	209,830	312,882	412,936	445,531	488,323	265,531	369,153
Diversity program	-	-	505,865	544,872	534,950	548,552	687,926	583,563	531,651
Internal audit/consulting	-	-	440,660	446,333	460,824	476,089	558,706	484,460	427,828
City clerk and elections	784,099	433,922	652,442	443,255	752,336	528,493	870,815	684,875	739,884
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
Municipal courts	3,325,642	3,230,817	4,053,127	3,655,280	4,342,297	4,708,606	6,066,038	5,496,374	5,245,105
Development services	16,808,229	18,760,209	19,111,722	21,449,181	4,492,161	8,611,601	8,596,785	6,338,984	7,107,213
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
Financial services	4,906,157	5,404,942	3,946,238	4,102,556	4,256,427	4,597,029	5,969,557	4,458,557	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
Information technology	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
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
Total governmental activities expenses	193,097,127	208,259,773	210,630,073	212,040,319	241,754,773	249,782,061	313,195,035	337,252,966	340,940,020
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
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
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
Cemetery	-	-	-	-	152,717	171,817	251,743	218,447	312,525
Total business-type activities expenses	51,628,847	51,058,749	56,005,129	61,012,930	67,953,332	68,489,118	83,004,950	81,762,688	89,357,870
Total primary government expenses	\$ 244,725,974	\$ 259,318,522	\$ 266,635,202	\$ 273,053,249	\$ 309,708,105	\$ 318,271,179	\$ 396,199,985	\$ 419,015,654	\$ 430,297,890

Changes in Net Assets (Exhibit S-2b)

Last Nine 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
Program Revenues									
Governmental activities:									
Charges for services:									
Police	\$ 28,181	\$ 833,378	\$ 836,081	\$ 877,330	\$ 877,704	\$ 831,973	\$ 1,110,714	\$ 1,201,962	\$ 1,052,723
Fire	43,782	334,773	305,964	41,561	566,505	1,116,101	303,824	314,969	912,000
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
Parks and recreation	-	-	-	-	-	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
Community relations	-	-	-	-	-	-	-	24,070	-
Municipal courts	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
Development services	1,859,012	2,808,889	2,881,155	3,523,443	5,566,289	5,891,971	6,175,963	5,090,280	3,710,512
Economic development	179,726	238,226	238,417	325,191	-	-	-	-	-
Community development	-	-	-	-	637,445	526,893	451,535	592,236	1,938,184
Financial services	2,007,179	1,469,142	1,378,148	1,744,163	1,932,684	1,900,016	1,728,472	1,781,809	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
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
Total governmental activities program revenues	<u>39,704,606</u>	<u>36,178,199</u>	<u>48,968,220</u>	<u>77,972,071</u>	<u>103,384,883</u>	<u>153,787,214</u>	<u>131,615,487</u>	<u>97,649,955</u>	<u>98,308,486</u>
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
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
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
Cemetery	-	-	-	-	18,943	18,339	231,960	98,356	116,643
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
Total business-type activities program revenues	<u>55,027,818</u>	<u>55,912,908</u>	<u>56,391,138</u>	<u>61,287,828</u>	<u>62,498,990</u>	<u>71,455,674</u>	<u>70,567,186</u>	<u>72,607,005</u>	<u>84,210,466</u>
Total primary government program revenues	<u>\$ 94,732,424</u>	<u>\$ 92,091,107</u>	<u>\$ 105,359,358</u>	<u>\$ 139,259,899</u>	<u>\$ 165,883,873</u>	<u>\$ 225,242,888</u>	<u>\$ 202,182,673</u>	<u>\$ 170,256,960</u>	<u>\$ 182,518,952</u>
Net (Expense)/Revenue									
Governmental activities	\$ (153,392,521)	\$ (172,081,574)	\$ (161,661,853)	\$ (134,068,248)	\$ (138,369,890)	\$ (95,994,847)	\$ (181,579,548)	\$ (239,603,011)	\$ (242,631,534)
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)
Total primary government net expense	<u>\$ (149,993,550)</u>	<u>\$ (167,227,415)</u>	<u>\$ (161,275,844)</u>	<u>\$ (133,793,350)</u>	<u>\$ (143,824,232)</u>	<u>\$ (93,028,291)</u>	<u>\$ (194,017,312)</u>	<u>\$ (248,758,694)</u>	<u>\$ (247,778,938)</u>

Changes in Net Assets (Exhibit S-2c)

Last Nine 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
General revenues and other changes in net assets									
Governmental activities:									
General revenues:									
Sales taxes	\$ 111,538,072	\$ 112,724,512	\$ 120,075,959	\$ 131,256,519	\$ 145,109,192	\$ 157,488,587	\$ 150,687,016	\$ 134,382,181	\$ 125,186,698
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
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
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
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
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
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
Gain on sale of capital assets	-	-	6,362,790	2,004,326	1,813,311	-	36,146,557	1,491,079	17,160
Transfers	(68,770)	171,977	(199,750)	168,734	1,149,970	3,711,910	149,242	615,463	(115,657)
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>
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
Miscellaneous	325,906	481,297	567,189	438,447	993,233	716,338	344,449	262,728	332,955
Gain on sale of capital assets	408,156	-	24,400	392,108	265,397	48,264	70,495	231,811	96,986
Transfers	68,770	(171,977)	199,750	(168,734)	(1,149,970)	(3,711,910)	(149,242)	(615,463)	115,657
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>
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>
Changes in net assets									
Governmental activities	\$ 14,709,263	\$ (8,941,448)	\$ 13,363,333	\$ 53,948,767	\$ 73,132,799	\$ 136,537,107	\$ 88,184,776	\$ (20,630,037)	\$ (46,306,287)
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)
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>

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

Fund Balances, Governmental Funds (Exhibit S-3)

Last Nine 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
General fund									
Reserved	\$ 2,201,123	\$ 2,949,516	\$ 1,963,029	\$ 3,275,943	\$ 2,376,818	\$ 4,299,060	\$ 4,449,843	\$ 1,322,728	\$ 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
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>
All other governmental funds									
Reserved	\$ 32,891,864	\$ 42,004,605	\$ 36,882,416	\$ 76,440,839	\$ 71,648,277	\$ 58,559,662	\$ 69,814,938	\$ 59,067,648	\$ 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
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>

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

(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.

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

Last Nine 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
Revenues:									
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
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
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
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
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
Other entities' participation	817,041	394,803	-	78,433	2,382,056	2,074,553	1,412,155	1,600,100	328,147
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
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
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
Total revenues	207,594,171	202,998,697	219,142,412	261,089,868	300,353,988	340,566,686	321,317,169	355,388,527	306,341,925
Expenditures:									
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
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
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
Parks and recreation	-	-	-	-	-	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
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
Mayor and council	516,899	579,089	407,818	400,549	362,810	362,281	367,250	386,483	388,486
City manager	1,464,931	944,568	254,578	293,964	383,025	440,915	294,042	347,556	330,992
Diversity program	-	-	472,233	544,032	520,748	542,292	641,719	555,034	520,731
Internal audit/consulting	-	-	408,862	420,449	450,650	462,751	491,057	506,621	514,069
City clerk and elections	774,756	442,615	641,753	440,041	747,588	484,894	748,371	633,640	799,975
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
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
Development services	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
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
Financial services	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
Information technology	600,852	990,568	633,533	537,006	-	-	-	-	-
Non-departmental	1,412,665	9,197,356	3,440,150	4,433,871	3,937,911	6,031,097	3,407,427	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
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
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
Total expenditures	213,140,324	243,313,888	240,516,693	280,771,411	377,547,027	448,690,748	413,277,173	413,246,473	355,350,965
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)

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

Last Nine 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
Other financing sources (uses):									
Transfers in	54,810,989	32,447,621	35,261,611	40,964,257	23,839,365	37,963,787	71,362,599	64,230,445	59,305,503
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)
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
Premium on issuance of debt	-	-	1,861,088	-	1,847,396	1,746,522	1,242,369	807,728	755,553
Capital lease proceeds	686,109	990,569	633,533	537,006	220,940	108,464	-	-	27,986
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
Proceeds from loan	-	-	-	7,000,000	-	-	-	-	-
Proceeds of refunding bonds	5,970,000	40,931,700	24,945,000	-	-	31,655,000	-	-	-
Payment to refunded bond escrow agent	(5,948,430)	(40,500,000)	(24,145,002)	-	-	(33,017,976)	-	-	-
Total other financing sources (uses)	8,638,909	36,814,246	42,147,736	27,390,066	132,154,010	60,501,623	81,991,651	56,981,005	27,070,781
Net change in fund balances	\$ 3,092,756	\$ (3,500,945)	\$ 20,773,455	\$ 7,708,523	\$ 54,960,971	\$ (47,622,439)	\$ (9,968,353)	\$ (876,941)	\$ (21,938,259)
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%

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

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

Last Ten Fiscal Years

Cash Basis

City of Tempe, Arizona

Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total	City Direct Sales Tax Rate
2000-01	\$ 2,952,902,588	\$ 1,013,508,353	\$ 629,601,294	\$ 410,577,353	\$ 377,591,647	\$ 124,502,176	\$ 103,980,412	\$ 99,680,412	\$ 5,712,344,235	1.70 %
2001-02	2,742,441,556	941,832,389	499,078,556	382,886,889	333,773,611	103,032,222	81,622,056	85,321,167	5,169,988,446	1.80
2002-03	2,719,123,222	906,578,056	467,647,889	368,798,222	296,740,778	106,429,056	91,584,111	92,733,667	5,049,635,001	1.80
2003-04	2,859,897,505	899,687,556	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

Percentage of Taxable Sales

Fiscal Year	Retail	Rental	Utilities and Telecommunications	Restaurant	Contracting	Hotel and Motel	Amusements	All Other	Total
2000-01	51.69 %	17.74 %	11.02 %	7.19 %	6.61 %	2.18 %	1.82 %	1.75 %	100 %
2001-02	53.05	18.22	9.65	7.41	6.46	1.99	1.58	1.64	100
2002-03	53.85	17.95	9.26	7.30	5.88	2.11	1.81	1.84	100
2003-04	54.30	17.08	9.44	7.17	6.46	2.03	1.63	1.89	100
2004-05	55.01	16.06	8.77	7.21	7.18	2.14	1.71	1.92	100
2005-06	55.63	15.40	8.43	7.18	8.09	2.12	1.47	1.68	100
2006-07	53.40	15.52	8.18	6.93	11.22	1.90	1.18	1.67	100
2007-08	50.98	17.05	8.83	7.54	10.72	2.18	1.22	1.48	100
2008-09	48.57	19.17	9.40	8.03	10.06	1.97	1.40	1.40	100
2009-10	51.35	19.62	9.26	8.16	6.90	1.91	1.66	1.14	100

Source: City of Tempe, Arizona Tax and License Division

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

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

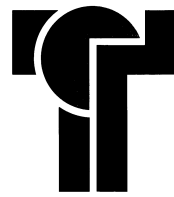
Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	City Direct Sales Tax Rate	Maricopa County Sales Tax Rate	State Sales Tax Rate	Total Sales Tax Rate
2000-01	1.70 %	0.70 %	5.60 %	8.00 %
2001-02	1.80	0.70	5.60	8.10
2002-03	1.80	0.70	5.60	8.10
2003-04	1.80	0.70	5.60	8.10
2004-05	1.80	0.70	5.60	8.10
2005-06	1.80	0.70	5.60	8.10
2006-07	1.80	0.70	5.60	8.10
2007-08	1.80	0.70	5.60	8.10
2008-09	1.80	0.70	5.60	8.10
2009-10	1.80	0.70	6.60	9.10

Source: City of Tempe, Arizona Tax and License Division

Note: In fiscal year 2000-01, City of Tempe, Arizona voters approved a 0.1% increase in the City sales tax.
 In fiscal year 2009-10, State of Arizona voters approved a 1.0% increase in the State 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

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

Last Nine 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

Source: Maricopa County Assessor's Office

Note 1: Information prior to fiscal year 2001-02 was not available in this format.

Note 2: 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

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		
2000-01	Primary	0.55	2.05	3.40	-	1.17	0.97
	Secondary	0.80	1.26	1.01	0.07	0.12	0.15
	Total	1.35	3.31	4.41	0.07	1.29	1.12
2001-02	Primary	0.53	2.08	3.41	-	1.18	0.96
	Secondary	0.82	1.11	1.00	0.06	0.09	0.15
	Total	1.35	3.19	4.41	0.06	1.27	1.11
2002-03	Primary	0.52	2.19	3.32	-	1.21	0.96
	Secondary	0.83	1.13	0.95	0.06	0.08	0.15
	Total	1.35	3.32	4.27	0.06	1.29	1.11
2003-04	Primary	0.55	2.24	3.10	-	1.21	0.94
	Secondary	0.80	1.05	1.10	0.05	0.07	0.14
	Total	1.35	3.29	4.20	0.05	1.28	1.08
2004-05	Primary	0.53	2.05	2.90	-	1.21	0.92
	Secondary	0.82	0.99	1.09	0.05	-	0.12
	Total	1.35	3.04	3.99	0.05	1.21	1.04
2005-06	Primary	0.52	1.73	2.90	-	1.20	0.89
	Secondary	0.88	0.92	1.08	0.06	-	0.14
	Total	1.40	2.65	3.98	0.06	1.20	1.03
2006-07	Primary	0.52	1.74	2.61	-	1.18	0.88
	Secondary	0.88	0.89	1.38	0.05	-	0.18
	Total	1.40	2.63	3.99	0.05	1.18	1.06
2007-08	Primary	0.51	1.75	2.59	-	1.10	0.82
	Secondary	0.89	0.76	1.23	0.05	-	0.15
	Total	1.40	2.51	3.82	0.05	1.10	0.97
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

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 \$9.16, \$11.17 or \$10.03, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (Exhibit S-15).

City of Tempe, Arizona

County-Wide Jurisdiction						
County Ed Equalization Rate	Flood District	Central Arizona Project	Fire District Assistance	County Free Library District	Special Health Care District	Total
0.51	-	-	-	-	-	8.65
-	0.25	0.13	0.01	0.04	-	3.84
<u>0.51</u>	<u>0.25</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>12.49</u>
0.50	-	-	-	-	-	8.66
-	0.23	0.13	0.01	0.04	-	3.64
<u>0.50</u>	<u>0.23</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>12.30</u>
0.49	-	-	-	-	-	8.69
-	0.21	0.13	0.01	0.04	-	3.59
<u>0.49</u>	<u>0.21</u>	<u>0.13</u>	<u>0.01</u>	<u>0.04</u>	<u>-</u>	<u>12.28</u>
0.47	-	-	-	-	-	8.51
-	0.21	0.12	0.01	0.05	-	3.60
<u>0.47</u>	<u>0.21</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>-</u>	<u>12.11</u>
0.46	-	-	-	-	-	8.07
-	0.21	0.12	0.01	0.05	-	3.46
<u>0.46</u>	<u>0.21</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>-</u>	<u>11.53</u>
0.44	-	-	-	-	-	7.68
-	0.21	0.12	0.01	0.05	0.12	3.59
<u>0.44</u>	<u>0.21</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>0.12</u>	<u>11.27</u>
-	-	-	-	-	-	6.93
-	0.20	0.12	0.01	0.05	0.12	3.88
<u>-</u>	<u>0.20</u>	<u>0.12</u>	<u>0.01</u>	<u>0.05</u>	<u>0.12</u>	<u>10.81</u>
-	-	-	-	-	-	6.77
-	0.15	0.10	0.01	0.04	0.09	3.47
<u>-</u>	<u>0.15</u>	<u>0.10</u>	<u>0.01</u>	<u>0.04</u>	<u>0.09</u>	<u>10.24</u>
-	-	-	-	-	-	6.51
-	0.14	0.10	0.01	0.04	0.09	3.08
<u>-</u>	<u>0.14</u>	<u>0.10</u>	<u>0.01</u>	<u>0.04</u>	<u>0.09</u>	<u>9.59</u>
0.33	-	-	-	-	-	6.15
-	0.14	0.10	0.01	0.04	0.09	3.38
<u>-</u>	<u>0.14</u>	<u>0.10</u>	<u>0.01</u>	<u>0.04</u>	<u>0.09</u>	<u>9.53</u>

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

Last Ten Fiscal Years

Fiscal Year		Schools					Maricopa County	Community College
		City of Tempe	Tempe Union	Tempe Elementary (A)	East Valley Institute of Technology			
2000-01	Primary	\$ 6,956,983	\$ 45,938,017	\$ 35,072,934	\$ -	\$ 225,396,514	\$ 187,642,684	
	Secondary	10,812,099	30,369,063	11,339,936	6,155,098	24,051,128	31,377,241	
	Total	17,769,082	76,307,080	46,412,870	6,155,098	249,447,642	219,019,925	
2001-02	Primary	7,288,511	50,998,246	38,038,775	-	252,676,223	204,648,094	
	Secondary	11,913,038	28,778,881	11,823,692	6,258,774	20,071,906	34,930,475	
	Total	19,201,549	79,777,127	49,862,467	6,258,774	272,748,129	239,578,569	
2002-03	Primary	7,682,987	56,994,879	40,319,642	-	277,949,612	221,156,802	
	Secondary	12,897,095	31,162,656	12,272,916	6,175,823	19,565,638	36,526,312	
	Total	20,580,082	88,157,535	52,592,558	6,175,823	297,515,250	257,683,114	
2003-04	Primary	8,621,551	63,921,636	40,269,326	-	308,122,580	239,464,278	
	Secondary	13,554,896	32,236,303	15,349,563	6,429,195	19,234,591	37,777,314	
	Total	22,176,447	96,157,939	55,618,889	6,429,195	327,357,171	277,241,592	
2004-05	Primary	8,792,691	62,191,787	39,486,342	-	339,882,099	258,560,787	
	Secondary	14,517,177	32,057,837	15,894,306	6,507,464	-	34,904,190	
	Total	23,309,868	94,249,624	55,380,648	6,507,464	339,882,099	293,464,977	
2005-06	Primary	9,413,934	56,658,831	43,132,854	-	371,224,118	277,107,904	
	Secondary	16,707,531	31,948,408	17,095,540	8,400,949	-	45,791,129	
	Total	26,121,465	88,607,239	60,228,394	8,400,949	371,224,118	322,899,033	
2006-07	Primary	9,822,845	59,625,270	40,935,824	-	398,725,245	298,014,922	
	Secondary	17,693,103	32,003,893	22,931,797	7,877,526	-	66,462,148	
	Total	27,515,948	91,629,163	63,867,621	7,877,526	398,725,245	364,477,070	
2007-08	Primary	10,371,221	65,184,130	43,415,950	-	430,023,735	321,018,986	
	Secondary	21,364,887	34,707,242	23,923,712	10,940,725	-	74,981,944	
	Total	31,736,108	99,891,372	67,339,662	10,940,725	430,023,735	396,000,930	
2008-09	Primary	10,976,100	71,503,299	42,985,150	-	463,492,311	347,905,170	
	Secondary	23,726,547	26,355,087	23,151,705	12,032,028	-	95,293,956	
	Total	34,702,647	97,858,386	66,136,855	12,032,028	463,492,311	443,199,126	
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	36,858,341	104,929,940	67,763,813	12,586,167	492,230,736	452,627,999	

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

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

County-Wide Jurisdictions						
Flood District	County Ed Equalization Rate	Central Arizona Project	Fire District Assistance	County Free Library District	Special Health Care District (B)	Total
\$ -	99,193,054	\$ -	\$ -	\$ -	\$ -	\$ 600,200,186
44,309,245	-	27,141,030	1,997,318	8,789,518	-	196,341,676
44,309,245	99,193,054	27,141,030	1,997,318	8,789,518	-	796,541,862
-	106,221,394	-	-	-	-	659,871,243
45,322,696	-	29,787,075	2,086,084	9,646,430	-	200,619,051
45,322,696	106,221,394	29,787,075	2,086,084	9,646,430	-	860,490,294
-	112,231,223	-	-	-	-	716,335,145
44,868,063	-	31,805,013	1,859,466	10,296,417	-	207,429,399
44,868,063	112,231,223	31,805,013	1,859,466	10,296,417	-	923,764,544
-	120,037,513	-	-	-	-	780,436,884
51,153,993	-	33,010,980	1,931,237	14,316,032	-	224,994,104
51,153,993	120,037,513	33,010,980	1,931,237	14,316,032	-	1,005,430,988
-	128,003,169	-	-	-	-	836,916,875
56,334,141	-	36,112,556	2,084,229	15,664,900	-	214,076,800
56,334,141	128,003,169	36,112,556	2,084,229	15,664,900	-	1,050,993,675
-	135,142,821	-	-	-	-	892,680,462
62,733,411	-	39,800,085	2,276,200	17,295,751	40,000,000	282,049,004
62,733,411	135,142,821	39,800,085	2,276,200	17,295,751	40,000,000	1,174,729,466
-	-	-	-	-	-	807,124,106
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	318,518,743
67,096,622	-	43,585,607	2,466,637	18,401,410	40,000,000	1,125,642,849
-	-	-	-	-	-	870,014,022
70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	354,382,660
70,422,870	-	49,730,785	2,631,597	19,368,018	46,310,880	1,224,396,682
-	-	-	-	-	-	936,862,030
74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	387,159,068
74,674,333	-	58,315,605	3,105,495	20,581,183	49,923,129	1,324,021,098
-	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
74,996,804	-	58,113,465	3,324,489	20,468,370	53,018,363	1,541,144,424

Property Tax Levies and Collections (Exhibit S-11)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Total Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2000-01	\$ 17,769,082	\$ 15,795,257	88.9 %	\$ 303,290	\$ 16,098,547	90.6 %
2001-02	19,201,549	18,543,839	96.6	319,446	18,863,285	98.2
2002-03	20,580,082	19,789,415	96.2	253,847	20,043,262	97.4
2003-04	22,176,447	21,283,933	96.0	274,988	21,558,921	97.2
2004-05	23,309,868	22,921,016	98.3	262,939	23,183,955	99.5
2005-06	26,121,465	25,519,585	97.7	(54,610)	25,464,975	97.5
2006-07	27,515,948	26,185,044	95.2	328,446	26,513,491	96.4
2007-08	31,736,108	30,686,950	96.7	486,934	31,173,884	98.2
2008-09	34,702,647	33,987,393	97.9	866,844	34,854,237	100.4
2009-10	36,858,341	35,581,096	96.5	-	35,581,096	96.5

Source: Maricopa County Treasurer

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

Current Year and Nine Years Prior

City of Tempe, Arizona

<u>Taxpayer</u>	<u>Fiscal Year 2009-10</u>			<u>Fiscal Year 2000-01</u>		
	<u>Taxable Secondary Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Secondary Taxable Assessed Value</u>	<u>Taxable Secondary Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Secondary Taxable Assessed Value</u>
Arizona Mills LLC	\$ 41,696,241	1	1.57 %	\$ 24,966,387	3	1.84 %
Qwest Corporation (formerly US West)	25,618,715	2	0.96	27,509,679	2	2.03
Arizona Public Service Company	22,164,880	3	0.83	18,969,146	4	1.40
Tempe Fountainhead Corporate LLC	18,047,439	4	0.68	-	-	-
Fly (CD) LLC / AWHQ LLC	17,987,113	5	0.68	-	-	-
State Farm Mutual Auto Insurance	16,145,044	6	0.61	-	-	-
Honeywell	14,012,511	7	0.53	8,832,019	6	0.65
SRPAI&PD	12,335,440	8	0.46	-	-	-
Breof Bnk2 Southwest LLC	12,004,262	9	0.45	-	-	-
Target Corporation	11,394,622	10	0.43	-	-	-
Motorola, Incorporated	-	-	-	37,310,550	1	2.75
Amberjack (Commercial Property)	-	-	-	10,144,459	5	0.75
Kimco Realty Corporation	-	-	-	7,763,474	7	0.57
Wells Fargo Bank	-	-	-	7,347,142	8	0.54
Phoenix Coca-Cola	-	-	-	6,860,129	9	0.51
Micro-Rel	-	-	-	6,338,937	10	0.47
Total	\$ 191,406,267		7.20 %	\$ 156,041,922		11.51 %

Source 2009-10: RBC Capital Markets

Source 2000-01: Maricopa County Assessor's Office

Principal Tax Payers (Exhibit S-12b)

Sales and Use Tax

Current Fiscal Year and Nine Years Prior

City of Tempe, Arizona

<u>Taxpayer</u>	<u>Business Type</u>	<u>Fiscal Year 2009-10</u>			<u>Fiscal Year 2000-01</u>		
		<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>	<u>Sales and Use Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales and Use Tax Payments</u>
Taxpayer A	Utility	\$ 4,410,442	1	3.28 %	\$ 3,975,140	1	4.48 %
Taxpayer B	Grocery Stores	2,675,505	2	1.99	2,153,242	2	2.43
Taxpayer C	Mixed Retail	1,917,101	3	1.43			
Taxpayer D	Mixed Retail	1,780,858	4	1.33	1,688,113	5	1.90
Taxpayer E	Mixed Retail	1,739,863	5	1.29	1,541,058	7	1.74
Taxpayer F	Electronics/Software	1,621,537	6	1.21			-
Taxpayer G	Electronics/Software	1,424,093	7	1.06			
Taxpayer H	Auto Sales	1,330,225	8	0.99	1,690,067	4	-
Taxpayer I	Petroleum Products	1,202,017	9	0.89			-
Taxpayer J	Utility	909,688	10	0.68	1,834,082	3	2.07
Taxpayer K	Auto Sales				1,622,866	6	1.83
Taxpayer L	Telecommunications				1,242,813	9	1.40
Taxpayer M	Auto Sales				1,491,649	8	1.68
Taxpayer N	Auto Sales				1,128,919	10	1.27
Total		\$ 19,011,329		14.15 %	\$ 18,367,949		18.80 %

Source: City of Tempe, Arizona Tax and License Division

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

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

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		
2000-01	\$ 72,105,000	\$ 21,925,000	\$ 4,270,000	\$ 52,835,000	\$ -	\$ 5,309,952	\$ 8,602,330	\$ 165,047,282		
2001-02	75,535,000	20,250,000	3,810,000	47,380,000	-	3,980,206	7,861,086	158,816,292		
2002-03	90,395,000	18,520,000	3,335,000	60,650,000	-	3,654,755	7,436,279	183,991,034		
2003-04	91,640,000	16,725,000	2,840,000	81,910,000	-	3,258,112	7,186,712	203,559,824		
2004-05	99,880,000	19,345,000	2,320,000	78,780,000	7,000,000	2,845,604	7,209,396	217,380,000		
2005-06	117,610,000	17,490,000	1,780,000	174,710,000	7,000,000	2,416,596	6,732,171	327,738,767		
2006-07	116,500,000	15,345,000	1,220,000	218,480,000	7,000,000	1,970,427	4,923,764	365,439,191		
2007-08	125,075,000	38,310,000	625,000	241,125,000	6,739,000	1,506,411	3,351,733	416,732,144		
2008-09	156,265,000	36,095,000	-	239,560,000	6,466,000	1,023,835	1,888,630	441,298,465		
2009-10	172,665,000	33,025,000	-	230,470,000	6,181,000	521,955	1,776,147	444,639,102		

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
2000-01	\$ 70,860,000	\$ 735,000	\$ -	\$ 251,176	\$ -	\$ -	\$ 71,846,176	\$ 236,893,458	6.65 %	\$ 1,477.00
2001-02	78,595,000	630,000	-	129,393	-	-	79,354,393	238,170,685	6.65	1,493.84
2002-03	97,580,000	520,000	-	-	-	-	98,100,000	282,091,034	7.78	1,769.43
2003-04	103,735,000	400,000	-	-	-	-	104,135,000	307,694,824	8.38	1,927.73
2004-05	137,390,000	275,000	-	-	-	-	137,665,000	355,045,000	9.48	2,207.72
2005-06	180,935,000	140,000	2,330,004	-	-	-	183,405,004	511,143,771	13.09	3,082.97
2006-07	243,265,000	-	2,130,000	-	-	-	245,395,000	610,834,191	14.91	3,665.92
2007-08	282,520,000	-	2,050,000	-	-	-	284,570,000	701,302,144	15.98	4,187.93
2008-09	285,735,000	-	18,685,000	-	-	194,416	304,614,416	745,912,881	18.05	4,320.60
2009-10	289,895,000	-	18,050,000	-	13,273,706	147,089	321,365,795	766,004,897	16.43	4,381.35

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
2000-01	\$ 72,105,000	\$ 9,135,690	\$ 62,969,310	\$ 1,356,429,397	4.6 %	160,388	\$ 392.61
2001-02	75,535,000	12,123,427	63,411,573	1,456,361,617	4.4	159,435	397.73
2002-03	90,395,000	13,471,704	76,923,296	1,556,492,294	4.9	159,425	482.50
2003-04	91,640,000	13,335,706	78,304,294	1,688,452,415	4.6	159,615	490.58
2004-05	99,880,000	15,991,147	83,888,853	1,768,877,385	4.7	160,820	521.63
2005-06	117,610,000	18,547,848	99,062,152	1,904,426,188	5.2	165,796	597.49
2006-07	116,500,000	17,607,767	98,892,233	2,006,703,332	4.9	166,625	593.50
2007-08	125,075,000	23,858,992	101,216,008	2,401,898,466	4.2	167,458	604.43
2008-09	156,265,000	31,844,188	124,420,812	2,656,948,194	4.7	172,641	720.69
2009-10	172,665,000	38,126,393	134,538,607	2,767,488,864	4.9	174,833	769.53

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	2009-10 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe		2009-10 Secondary Tax Rate Per \$100 Assessed
			Percent	Amount	
Net Direct					
City of Tempe - General (net)	\$ 2,767,488,864	\$ 134,538,607 (A)	100.00 %	\$ 134,538,607	\$ 0.91
Overlapping					
State of Arizona	86,504,734,898	None	N/A	None	N/A
Maricopa County	57,984,051,718	None	N/A	None	N/A
Maricopa County Community College	57,984,051,718	653,040,000	4.77	31,168,586	0.88
Tempe Elementary School District No. 3	2,276,858,300	131,735,000	74.86	98,618,592	3.28
Mesa Unified School District No. 4	4,635,741,096	289,165,000	0.62	1,790,798	4.92
Kyrene Elementary School District No. 28	2,858,289,015	120,945,000	26.69	32,276,862	2.91
Scottsdale Unified School District No. 48	7,201,679,605	310,515,000	0.24	732,164	3.78
Tempe Union High School District No. 213	5,135,147,315	107,465,000	48.05	51,633,718	2.22
East Valley Institute of Technology	25,172,333,447	None	N/A	None	N/A
Total overlapping debt		<u>1,612,865,000</u>		<u>216,220,720</u>	
Total net direct and overlapping debt		<u>\$ 1,747,403,607</u>		<u>\$ 350,759,327 (B)</u>	

Source: RBC Capital Markets and Maricopa County Assessor

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

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

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

Legal Debt Margin Information (Exhibit S-16)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2000-01	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
Assessed Valuation	<u>\$ 1,356,429,397</u>	<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>
20% Limitation										
Debt limit equal to 20% of assessed valuation	\$ 271,285,879	\$ 291,272,323	\$ 311,298,459	\$ 337,690,483	\$ 353,775,477	\$ 380,885,238	\$ 401,340,666	\$ 480,379,693	\$ 531,389,638	\$ 553,497,773
Total net debt applicable to 20% limit	<u>97,360,000</u>	<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>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 173,925,879</u>	<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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	35.89%	38.87%	41.63%	42.11%	49.26%	57.62%	92.68%	88.40%	86.99%	88.92%
6% Limitation										
Debt limit equal to 6% of assessed valuation	\$ 81,385,764	\$ 87,381,697	\$ 93,389,538	\$ 101,307,145	\$ 106,132,643	\$ 114,265,571	\$ 120,402,200	\$ 144,113,908	\$ 159,416,891	\$ 166,049,332
Total net debt applicable to 6% limit	<u>55,645,000</u>	<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>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 25,740,764</u>	<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>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	68.37%	59.87%	74.28%	64.84%	69.29%	80.78%	2.55%	1.01%	0.88%	4.99%

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	2,565,000	5,200,000	-	235,000
Police Protection	14,000,000	12,500,000	1,500,000	-	-
Fire Protection	2,500,000	730,000	890,000	-	880,000
Community Services/Park Improvements	14,000,000	14,000,000	-	-	-
Subtotal	210,500,000	201,795,000	7,590,000	-	1,115,000
2008 Program					
Water / Wastewater	113,300,000	16,970,000	19,125,000	13,273,706	63,931,294
Streets / Transportation/Storm Drains	44,200,000	-	75,000	-	44,125,000
Public Safety - Police/Fire	32,010,000	-	5,855,000	-	26,155,000
Community Services/Park Improvements	51,800,000	2,390,000	12,520,000	-	36,890,000
	241,310,000	19,360,000	37,575,000	13,273,706	171,101,294
	<u>\$ 451,810,000</u>	<u>\$ 221,155,000</u>	<u>\$ 45,165,000</u>	<u>\$ 13,273,706</u>	<u>\$ 172,216,294</u>

Source: City of Tempe, Arizona Financial Services Department

Pledged-Revenue Coverage (Exhibit S-18)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Special Assessment Bonds			Excise Tax Revenue Obligations		
	Special Assessment Collections	Debt Service	Coverage	Excise Tax Revenue Collections (A)	Debt Service (D)	Coverage
2000-01	\$ 2,899,583	\$ 2,955,829	0.98	\$ 108,721,712	\$ 14,544,767	7.47
2001-02	2,849,998	2,908,056	0.98	98,220,588	7,505,627	13.09
2002-03	2,839,171	2,861,902	0.99	99,441,547	3,457,746	28.76
2003-04	2,781,576	2,821,905	0.99	101,591,009	4,497,682	22.59
2004-05	2,709,851	2,704,827	1.00	110,964,176	4,495,011	24.69
2005-06	2,705,348	2,866,617	0.94	126,916,690	5,737,352	22.12
2006-07	2,610,195	3,023,174	0.86	138,546,380	5,783,921	23.95
2007-08	2,842,153	4,066,900	0.70	141,601,237	5,626,868	25.17
2008-09	2,860,571	4,094,274	0.70	132,726,935	5,625,728	23.59
2009-10	2,783,916	4,796,008	0.58	119,456,216	6,760,138	17.67

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	Coverage
2000-01	\$ 2,607,541	\$ -	-	\$ 27,310,246	\$ -	-
2001-02	5,006,344	-	-	25,229,927	-	-
2002-03	5,010,393	891,432	5.62	25,140,826	-	-
2003-04	5,279,580	710,448	7.43	26,740,623	-	-
2004-05	5,768,058	3,524,316	1.64	28,848,493	-	-
2005-06	6,480,218	6,017,247	1.08	32,440,082	-	-
2006-07	7,007,790	6,021,476	1.16	34,971,294	3,301,829	10.59
2007-08	6,820,193	6,014,245	1.13	32,449,710	5,517,667	5.88
2008-09	6,158,761	6,012,725	1.02	29,850,942	6,019,311	4.96
2009-10	5,749,649	6,007,786	0.96	27,891,084	5,185,827	5.38

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

Senior Excise Tax Obligations				Subordinate Excise Tax Obligations		
Fiscal Year	2010 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)	Revenue Available for Debt Service (D)	Outstanding Subordinate Excise Tax Obligations Debt Service Requirements (E)	Coverage (F)
2009-10	\$ 119,456,216	6,760,138	17.67	\$ 118,445,727	6,007,786	19.88
2010-11		5,493,949	21.74		6,016,226	19.86
2011-12		5,489,735	21.76		6,017,788	19.85
2012-13		5,490,609	21.76		6,015,338	19.86
2013-14		5,496,850	21.73		6,013,238	19.87
2014-15		5,492,305	21.75		6,011,013	19.87
2015-16		6,397,782	18.67		6,012,438	19.87
2016-17		6,395,680	18.68		3,522,050	33.92
2017-18		6,394,933	18.68		3,521,375	33.92
2018-19		6,398,191	18.67		3,522,825	33.91
2019-20		6,399,686	18.67		3,525,875	33.88
2020-21		5,788,917	20.64		-	-
2021-22		5,784,156	20.65		-	-
2022-23		5,847,712	20.43		-	-
2023-24		2,768,420	43.15		-	-
2024-25		2,764,348	43.21		-	-

Source:

- (A) Excise Tax Revenues received by the City in fiscal year 2009-10. See *Excise Tax Collection* schedule (Exhibit S-21).
- (B) Includes the annual debt service requirements of the City of Tempe, Arizona, Excise Tax Refunding Obligations, Series 2003, currently outstanding in the principal amount of \$12,100,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2000A, currently outstanding in the principal amount of \$360,000, the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2005, currently outstanding in the principal amount of \$19,455,000 and the City of Tempe Arizona Excise Tax Revenue Refunding Obligations, Series 2007, currently outstanding in the principal amount of \$21,235,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009A, currently outstanding in the principal amount of \$13,530,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2009B, currently outstanding in the principal amount of \$9,315,000. Debt service requirement include fiscal fees in the current year in order to tie to the financial statements. Ensuing years do not include fiscal fees.
- (C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2009-10 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 2009-10.
- (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 \$26,875,000; the City of Tempe, Arizona Excise Tax Revenue Obligations, Series 2006, currently outstanding in the principal amount of \$12,905,000. Debt service requirement include fiscal fees in the current year in order to tie to the financial statements. Ensuing years do not include fiscal fees.
- (F) Pursuant to the Purchase Agreement, the City agrees that the Performing Arts Center Excise Taxes and the Excise Taxes presently imposed will continue to be imposed so that the amount of Performing Arts Center Excise Taxes and the Excise Taxes (net of maximum annual debt service on the Outstanding Senior Excise Tax Obligations) collected for any fiscal year shall be equal to at least three times the total Debt Service requirements for the Obligations and other Parity Obligations in such fiscal year.

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

Transit Excise Tax Obligations

City of Tempe, Arizona

Senior Excise Tax Obligations			
Fiscal Year	2010 Pledged Excise Tax Revenues (A)	Outstanding Senior Excise Tax Obligations Debt Service Requirements (B)	Outstanding Senior Excise Tax Obligations Coverage (C)
2009-10	27,891,084	5,185,827	5.38
2010-11		4,415,496	6.32
2011-12		4,500,261	6.20
2012-13		4,589,110	6.08
2013-14		4,687,031	5.95
2014-15		4,777,262	5.84
2015-16		4,881,503	5.71
2016-17		4,982,855	5.60
2017-18		5,092,755	5.48
2018-19		5,201,367	5.36
2019-20		5,318,503	5.24
2020-21		5,449,139	5.12
2021-22		5,576,401	5.00
2022-23		5,701,439	4.89
2023-24		5,843,547	4.77
2024-25		5,983,544	4.66
2025-26		6,126,432	4.55
2026-27		6,285,854	4.44
2027-28		6,447,368	4.33
2028-29		6,605,724	4.22
2029-30		6,785,922	4.11
2030-31		6,962,664	4.01
2031-32		7,150,950	3.90
2032-33		7,350,506	3.79
2033-34		7,551,058	3.69
2034-35		7,761,344	3.59
2035-36		7,982,540	3.49
2036-37		4,689,609	5.95
2037-38		1,895,975	14.71

Source: RBC Capital Markets

(A) Excise Tax Revenues received by the City in Fiscal Year 2009-10.

(B) Includes the annual debt service requirements of the City of Tempe Transit Variable Rate Revenue Bond Series 2006 and Series 2007 currently outstanding in the principal amount of \$56,260,000 and \$47,345,000 respectively. Interest is assumed at a rate of 0.24% per annum through maturity. Also includes annual debt service requirements for the Series 2008 City of Tempe Transit Excise Tax Revenue Obligations in the principal amount of \$29,140,000. Debt service requirement include fiscal fees in the current year in order to tie to the financial statements. Ensuing years do not include fiscal fees.

(C) The estimated coverage figures shown reflect the ratio of actual fiscal year 2009-10 excise tax revenues to total debt service requirements for the City's Transit excise tax bonds.

Excise Tax Collections (Exhibit S-21)

Last Ten Fiscal Years

City of Tempe, Arizona

	Fiscal Year 2000-01	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
Privilege and use tax (A)	\$ 66,121,741	\$ 59,299,061	\$ 59,379,586	\$ 62,884,508	\$ 68,533,088	\$ 77,080,250	\$ 86,750,870	\$ 81,108,518	\$ 74,295,074	\$ 69,043,642
State shared sales tax	13,951,532	12,148,438	12,405,713	13,345,152	14,695,069	16,810,760	15,758,491	15,237,310	13,191,255	12,167,009
State shared income tax	17,890,338	16,544,791	16,882,535	14,303,004	14,582,117	16,607,943	18,823,759	25,401,762	24,832,128	21,406,004
Franchise tax	2,440,521	2,545,346	1,531,714	1,505,133	1,678,437	1,858,851	2,693,256	3,424,560	3,980,674	3,559,615
Permits and Fees (B)	3,750,761	3,081,194	3,731,523	3,722,079	4,643,117	6,708,183	7,300,676	7,812,768	7,227,027	6,171,045
Fines and forfeitures	4,566,819	4,601,758	5,510,476	5,831,133	6,651,934	7,287,717	7,219,328	8,616,319	9,200,777	7,108,900
Total	\$ 108,721,712	\$ 98,220,588	\$ 99,441,547	\$ 101,591,009	\$ 110,783,762	\$ 126,353,704	\$ 138,546,380	\$ 141,601,237	\$ 132,726,935	\$ 119,456,216

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

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

Demographic and Economic Statistics (Exhibit S-22)

Last Ten Fiscal Years

City of Tempe, Arizona

Fiscal Year	Population (A)	Total Personal Income (B)	Per Capita Personal Income (C)	Average Household Income (C)	Median Age (C)	School Enrollment (D)	ASU School Enrollment (E)	Unemployment Rate (F)
2000-01	160,388	\$ 3,561,736,316	\$ 22,207	N/A	N/A	26,010	44,126	2.30 %
2001-02	159,435	3,583,620,495	22,477	N/A	N/A	26,056	47,359	3.30
2002-03	159,425	3,626,440,475	22,747	N/A	N/A	26,380	49,980	4.50
2003-04	159,615	3,673,858,455	23,017	N/A	N/A	26,960	52,265	4.20
2004-05	160,820	3,745,015,340	23,287	N/A	N/A	26,787	49,171	3.40
2005-06	165,796	3,906,153,760	23,560	58,000	30.9	26,800	61,033	3.50
2006-07	166,625	4,097,808,625	24,593	59,936	31.3	26,292	63,278	3.00
2007-08	167,458	4,387,734,516	26,202	66,864	29.7	25,929	64,394	2.80
2008-09	172,641	4,131,989,694	23,934	63,866	31.6	25,780	67,082	4.20
2009-10	174,833	4,661,747,112	26,664	67,971	31.8	25,857	68,064	6.70

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 2009
 (D) School Registration, Tempe Elementary and High School District
 (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

<u>Employers</u>	Fiscal Year 2009-10			Fiscal Year 2000-01		
	<u>Employees (A)</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees (B)</u>	<u>Rank</u>	<u>Employment</u>
Arizona State University	10,089	1	28.63%	14,227	1	42.27%
Motorola	4,779	2	13.56%	3,465	2	10.29%
Wells Fargo	3,636	3	10.32%	1,898	6	5.64%
SRP	3,331	4	9.45%	-		
Honeywell	3,000	5	8.51%	2,100	5	6.24%
Kyrene School District	2,559	6	7.26%	-		
Chase Manhattan Corporation	2,377	7	6.75%	-		
Bank One Telephone Banking Division	2,000	8	5.68%	-		
US Airways	1,898	9	5.39%	-		
City of Tempe	1,565	10	4.44%	1,657	9	4.92%
America West Airlines	-		-	2,722	3	8.09%
Federated Stores	-		-	1,400	10	4.16%
Tempe Elementary School District	-		-	1,791	7	5.32%
Chase Bankcard Services	-		-	1,700	8	5.05%
Allied Signal	-		-	2,700	4	8.02%
Total	35,234		100.00%	33,660		100.00%

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

(B) City of Tempe, Arizona Comprehensive Annual Financial Report, 2000-01

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

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

Source: City of Tempe, Arizona 2009-10 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 and the Water/wastewater department were consolidated into the Public Works department; the Information Technology department and the Financial Services department were consolidated into the Finance and Technology department; and the Development Services department was consolidated into the Community Development department.

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

Last Five 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
Police					
Crime rate (per 100,000 population)	8,269	8,000	6,700	6,100 (A)	6,800 (B)
Traffic accidents	5,562	6,729	5,895	4,920	4,595
Emergency service average response time (minimum)	4:43	5:01	5:07	5:08 (A)	5:05 (B)
Citizen calls for police service	124,923	123,847	112,409	106,317 (A)	114,191 (B)
Operating expenditures per citizen calls	\$391.87	\$353.37	\$415.22	\$443.34 (A)	\$441.08 (B)
Fire					
Firefighters per capita (10,000)	8.52	8.24	9.43	9.37 (A)	9.13 (B)
No. of fire calls	2,097	2,148	1,964	2,414	2,144
No. of medical calls	13,059	13,469	13,255	15,199	15,413
No. of other assistance calls	1,722	2,429	2,708	1,260	1,253
Emergency service average response time (minimum)	4:25	4:17	4:22	4:20 (A)	4:25 (B)
% of emergency responses taking 5.0 minutes or less	70%	72%	71%	72%	70% (B)
Transportation					
On-time performance (bus)	94%	92%	89%	90%	94%
Annual boardings (bus)	6,805,383	8,156,782	7,387,024	9,157,912	8,877,964
Number of square yards repaired	1,884,102	1,136,956	1,391,711	2,090,504	74,471
Library					
Registered borrowers	141,509	142,323	142,524	142,500 (A)	142,500 (B)
Circulation	1,404,318	1,246,650	1,257,336	1,250,000 (A)	1,250,000 (B)
Development services					
# of permits issued for commercial /industrial	69	69	46	21	18
Valuation of commercial/industrial permits	\$83,599,700	\$170,983,900	\$ 88,143,100	\$ 109,851,600	\$ 86,704,700
# of permits issued for residential	1,061	700	675	508	425
Valuation of residential permits	\$250,869,200	\$ 152,320,600	\$ 96,512,400	\$ 161,914,600	\$ 27,741,900
# of permits issued other	715	673	653	577	534
Valuation of other permits	\$119,168,700	\$89,884,365	\$188,916,700	\$105,413,500	\$68,502,500
Water/wastewater					
Number of customer accounts	42,059	42,261	42,494	42,686	42,453
Total water gallons treated (million gallons - mg)	17,589 (C)	16,686 (C)	17,135 (C)	15,774 (C)	15,606
O&M per customer account	\$221	\$317	\$251	\$256	\$271
Service calls responded to within 30 min. and repaired in 24 hours	100%	100%	100%	100%	100% (B)
Total wastewater gallons treated (million gallons per day)	21.5 (C)	21.3 (C)	20.9 (C)	19.7 (C)	18.7
Solid waste collection					
Residential container/recycling cost per ton	\$73	\$70	\$102	\$71 (A)	\$96 (B)
# of residential accounts	33,021	33,056	32,964	32,916	32,886
Residential recycling diversion rate	34%	29%	28%	28% (A)	29% (B)
# of commercial accounts	1,976	1,861	1,942	1,875	1,837
Commercial collection cost per ton	\$57	\$52	\$59	\$59 (A)	\$61 (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 2009-10.

(B) Numbers are estimates as shown in City of Tempe, Arizona Annual Budget 2009-10.

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

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

Last Five Fiscal Years

City of Tempe, Arizona

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