

Comprehensive Annual Financial Report

City of Tempe, Arizona

**For the Fiscal Year Ended
June 30, 2004**

City Council:

Neil G. Giuliano, Mayor
Barb Carter, Vice Mayor
P. Ben Arredondo
Dennis J. Cahill
Leonard Copple
Pamela L. Goronkin
Mark Mitchell

Administrative Staff:

Will Manley, City Manager

Presented by:

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





TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTORY SECTION | |
| Letter of Transmittal | 7 |
| Certificate of Achievement for Excellence in Financial Reporting | 12 |
| List of Principal Officials | 13 |
| City of Tempe 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 Balances - 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 | 90 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 94 |
| Internal Service Funds: | |
| Combining Statement of Net Assets | 100 |
| Combining Statement of Revenue, Expenses and Changes in Fund Net Assets | 101 |
| Combining Statement of Cash Flows | 102 |
| Other Supplementary Information: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Budget Basis: | |
| General, Special Revenue, and Debt Service Fund Types | 107 |
| General Obligation Debt Service Fund | 108 |
| Performing Arts Fund | 109 |
| Highway User Revenue Fund | 110 |



| | <u>Schedule</u> | <u>Page</u> |
|--|-----------------|-------------|
| FINANCIAL SECTION (CONTINUED) | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual - Budget Basis: (Continued) | | |
| Local Transportation Assistance Fund | | 111 |
| Community Development Fund | | 112 |
| Housing Assistance Fund | | 113 |
| Rio Salado Fund | | 114 |
| Community Facilities District Fund | | 115 |
| Financial Data Schedules: | | |
| Housing Assistance Fund | | |
| Balance Sheet | | 118 |
| Revenues and Expenses | | 119 |
| Capital Assets Used in the Operation of Governmental Funds: | | |
| Schedule of Changes by Function and Activity | | 122 |
| Schedule by Function and Activity | | 123 |
| STATISTICAL SECTION | | |
| Government-wide Expenses by Function | S-1 | 125 |
| Government-wide Revenues by Source | S-2 | 126 |
| General Governmental (General, Special Revenue and Debt Service Funds) Revenues by Source - GAAP Basis - Last Ten Fiscal Years | S-3 | 127 |
| General Governmental (General, Special Revenue, Debt Service and Capital Projects Funds) Tax Revenues by Source - GAAP Basis - Last Ten Fiscal Years | S-4 | 128 |
| General Governmental (General and Special Revenue Funds) Intergovernmental Revenues by Source - GAAP Basis - Last Ten Fiscal Years | S-5 | 129 |
| General Governmental (General, Special Revenue and Debt Service Funds) Expenditures by Function - GAAP Basis - Last Ten Fiscal Years | S-6 | 130 |
| General Property Tax Information | S-7 | 131 |
| Property Tax Levies - All Direct and Overlapping Governments - Last Ten Fiscal Years | S-8 | 132 |
| Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years | S-9 | 134 |
| Secured Property Tax Levies and Collections - Last Ten Fiscal Years | S-10 | 136 |
| Net Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years | S-11 | 137 |
| Estimated Assessed Valuations of Major Taxpayers | S-12 | 138 |
| Special Assessment Collections - Last Ten Fiscal Years | S-13 | 139 |
| Percent of Net Direct Debt to Assessed Valuations and Net Direct Debt Per Capita - Last Ten Fiscal Years | S-14 | 140 |
| Net Direct and Overlapping General Obligation Bonded Debt | S-15 | 141 |
| Computation of Legal Debt Margin | S-16 | 142 |
| Remaining General Obligation Bond Authorizations | S-17 | 143 |
| Excise Tax Collections - FY 1999-00 to FY 2003-04 | S-18 | 144 |
| Pledged Revenue, Projected Debt Service and Estimated Coverage | S-19 | 145 |



| | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| STATISTICAL SECTION (CONTINUED) | | |
| Percent of Annual Debt Service Expenditures to Total General Expenditures (General, Special Revenue and Debt Service Funds) - Last Ten Fiscal Years | S-20 | 146 |
| Principal Employers | S-21 | 147 |
| Demographic Statistics - Last Ten Fiscal Years | S-22 | 148 |
| Average Annual Non-Agricultural Wage and Salary Employment | S-23 | 149 |
| Total Taxable Sales and Net Taxable Retail Sales - Last Ten Fiscal Years | S-24 | 150 |
| New Construction Activity - Last Ten Years | S-25 | 151 |
| Maricopa County Bank Deposits - Last Ten Fiscal Years | S-26 | 152 |
| Schedule of Insurance | S-27 | 153 |
| Miscellaneous Statistical Data | S-28 | 154 |



October 20, 2004

Honorable Mayor, City Council and City Manager:

The Comprehensive Annual Financial Report for the City of Tempe, Arizona for the fiscal year ended June 30, 2004, is submitted for your review. Responsibility for the accuracy and completeness of the presented data, including all disclosures, rests with the City. 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 report is presented in three sections: 1) the **Introductory Section** which includes this transmittal letter, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting; 2) the **Financial Section** which includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information (other than MD&A) and the combining financial statements; and 3) the **Statistical Section** which includes selected financial and demographic information, generally presented on a multi-year basis.

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

This report includes all funds (financial activities) of the City. The City provides a full range of municipal services including police and fire protection, water, sewer and refuse services, development services, municipal courts, recreational and cultural activities, streets, transit, traffic control, and general administrative services. In addition to general governmental activities, standards set by the Governmental Accounting Standards Board ("GASB") regarding the inclusion of certain entities based upon the significance of their operational or financial relationships with the City require that the activities of the Tempe Municipal Property Corporation, Tempe Sports Authority Corporation and the Rio Salado Community Facilities District be included in the reporting entity.

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 MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

ECONOMIC CONDITION AND OUTLOOK

The economic downturn, which was first realized during fiscal year 2001/2002, has had a significant impact on budgetary decisions within the City. Although the impact of the recession was still felt during the current fiscal year, the City experienced a slight recovery. Increases occurred in both total taxable sales and retail taxable sales when compared to the prior year. (Retail taxable sales comprise approximately 53% of total taxable sales). Actual local sales tax revenue (including city sales, local bed, transit and performing arts taxes) increased by 6.3% over the prior fiscal year. In the General Fund, sales tax is the largest revenue source through which most City services are financed. It experienced 6.5% growth in comparison to the prior year.

The economic recovery resulted in slight increases in state-shared sales tax, a large revenue source of the General Fund. Conversely, state-shared income tax decreased by 15% from fiscal year 2002/2003 to 2003/2004. This is due primarily to the timing of these tax distributions from the State to the City as these revenues distributed by the State were collected at the height of the recent recession.

Both state-shared sales and income taxes (major revenue sources for the City) are distributed based upon a municipality's percentage population to the State's total population. A significant concern is the City's decrease in percentage population to the state overall. Given the City's landlocked status, significant population growth is not anticipated for Tempe in the future; however, other valley cities continue to experience strong growth. Any significant reduction in state-shared revenues would have a major impact to the City. Management will continue to closely monitor this situation as it develops.

Despite the recent economic downturn, the City positioned itself well through the establishment and maintenance of prudent fund balance reserves over the years. Through the exercise of sound decision making and prudent fiscal policies, the City will continue to ensure its' strong financial health into the future.

MAJOR INITIATIVES

In response to the budgetary challenges resulting from the slower economic activity over the past few years, the City began to focus on new development and redevelopment efforts with the goal of further strengthening its underlying economic base. The City began working even more diligently with various partners in the both the public and private sectors to facilitate economic development. The City, in partnership with Chicanos Por La Causa (a community development organization) successfully applied for and received an allocation of \$15 million in New Markets Tax Credits from the United States Treasury Department. Tempe will now be able to utilize a portion of these tax credits as additional tools for economic development and expansion in targeted low-income areas of the City.

The world headquarters of Motorola Computer Group elected to stay and grow in Tempe, and Edward Jones announced the construction of their second building at their regional headquarters at Arizona State University Research Park.

The City of Tempe will see the opening of only the second Costco Home Store in the United States as well as the grand opening of IKEA slated for the Fall of 2004. The raw land surrounding the new IKEA store along the I-10 corridor is ripe for additional development and is currently being marketed to potential retailers. The location of Costco Home in Costco Plaza is slated to revitalize that center, and plans are underway for the expansion of the existing Wal-Mart across the street into a Wal-Mart Supercenter next year.

Significant progress was made towards the acquisition and site remediation of land at the southwest corner of Loop 101 and Loop 202 freeways for the development of a 1.2 million sq. ft. lifestyle center to be called Tempe Marketplace. Prospective tenants named by the developer include Barnes & Noble, Target, Dave & Buster's, Old Navy and many others. Construction is planned to begin in 2005.

A number of projects will begin construction around Tempe Town Lake next year including the first 40 units of Edgewater, a condominium project that will eventually include almost 400 units; an apartment/potential condo conversion project called Mondrian with approximately 500 units and another smaller (approximately 134 units) condominium complex. Another office tower (12 stories) is planned to be under construction in spring, 2005, near Mill Avenue and Rio Salado Parkway. In addition, construction of the Tempe Center for the Arts continued with opening slated for early 2006.

Downtown Tempe is seeing more residential development with plans for four 22-story towers and over 700 condominiums. Construction is expected to begin first quarter of 2005. Also in downtown, Arizona State University selected a developer to design and build a mixed-use project of almost two million square feet on the southeast corner of Mill and University.

The Arizona Biodesign Institute at Arizona State University has been completed with the second building under construction. Tempe remains hopeful that it will be in an excellent position to attract new businesses spawned by the emphasis on biotechnology research. Arizona State University has also launched a number of other initiatives in Tempe to spur an entrepreneurial spirit including Technopolis to foster new business development and the Edson Entrepreneurial Institute to foster students' business ideas.

In summary, Tempe continues to attract a wide variety of new businesses, residential development and retail tenants. Topping it all off, the City has also become a regional draw for events such as the Rock & Roll Marathon, AVP Volleyball, and for the first time in 2005, the Ironman triathlon. It is anticipated that all of these events have an additional positive economic impact on city revenues.

FINANCIAL INFORMATION

Internal Control

The management of the City of Tempe is responsible for establishing and maintaining a system of 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.

Budgetary Controls

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

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for an adequate system of internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, performed in accordance with the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2004, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Cash Management

The City utilizes a pooled cash and investment concept for all funds. Each fund type's portion of the pool is displayed in the basic financial statements as "Pooled cash and investments."

The City's investment policy is to invest pooled cash in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all applicable State and City statutes governing the investment of public funds. The City is permitted to invest in obligations of the U.S. Government or any of its agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements and the State of Arizona's Local Government Investment Pool. The City's effective annual yield on pooled cash and investments for the 2003/04 fiscal year was 2.34% which is due mainly to historically low interest rates over the past couple of years.

Risk Management

The City of Tempe maintains a protected self-insurance program for its liability (general, automobile, and professional), property, workers' compensation, and group insurance coverages (health, dental, and life). Liability, property and workers' compensation claims are administered by the Risk Management Division of the Financial Services Department, and group insurance claims are administered by the Human Resources Department.

The City maintains a sound loss fund to pay for claims within its various self-insured retentions (SIR) for each of the above lines of coverage. At June 30, 2004, the loss fund had a fund balance of \$8.8 million. Excess insurance is purchased for claims above the SIRs, thus, making this a protected self-insurance program.

OTHER INFORMATION

Independent Audit

City Charter requires an annual audit by independent certified public accountants. Through a Request for Proposal process, the accounting firm of KPMG LLP has been selected by the City Council. The auditors' report on the financial statements is included in the financial section of this report.

In addition to this report, KPMG LLP was also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act of 1996 and the related Office of Management and Budget Circular A-133. Due to the size and complexity of the City's financial reporting system, the single audit report is issued separately from this financial report. Copies are available upon request.

Certificate 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, 2003. 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.

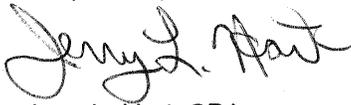
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-eight consecutive years (fiscal years 1976-2003). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The City also received the GFOA's award for Distinguished Budget Presentation for our 2003/05 biennial budget.

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. To them and to the City Council and City Manager for their support and interest in improving Tempe's fiscal policies and practices, I express my sincere appreciation.

Respectfully submitted,



Jerry L. Hart, CPA
Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tempe,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director



For the Fiscal Year
Ended June 30, 2004

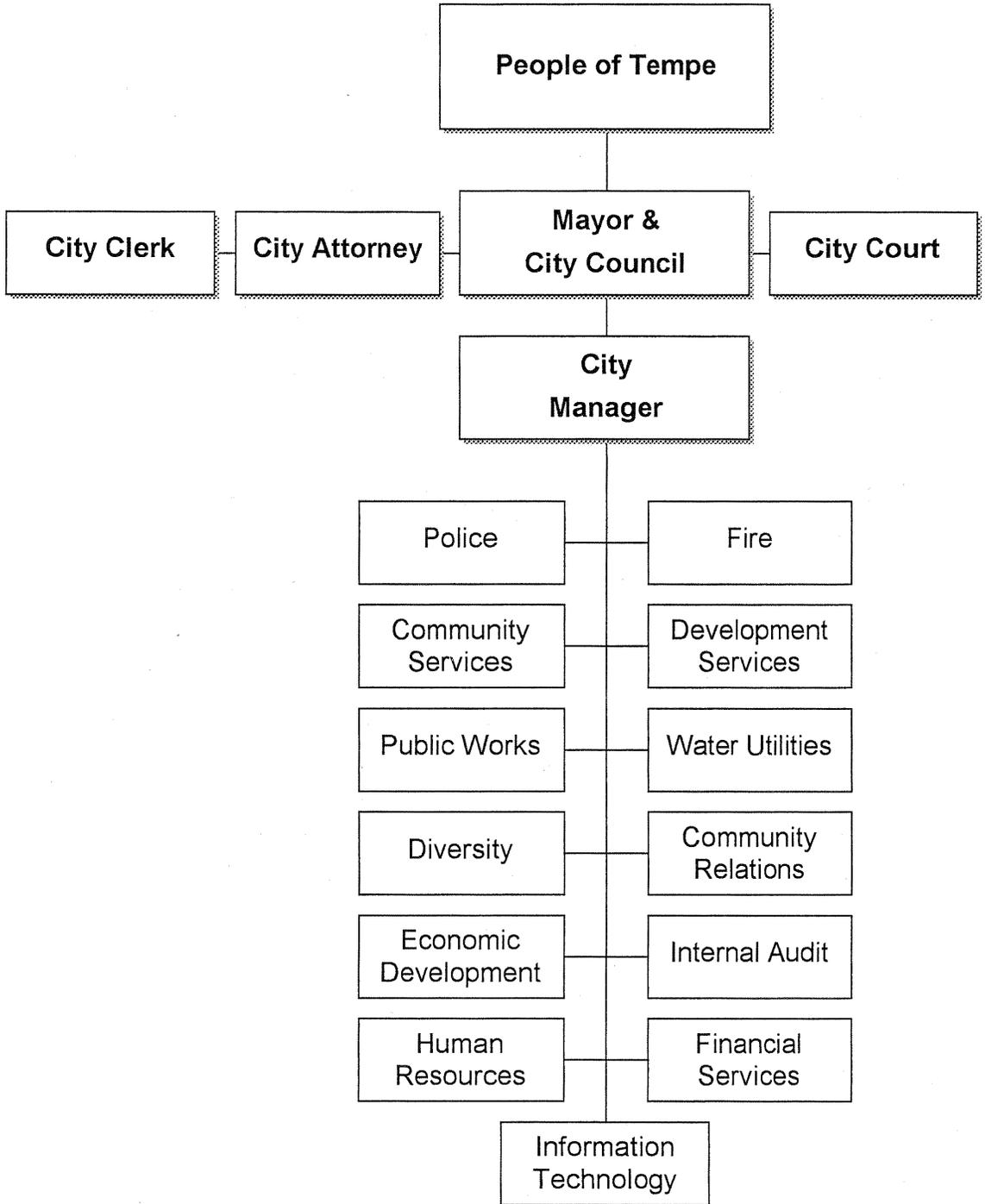
City of Tempe, Arizona List of Principal Officials

City Council

Neil G. Giuliano, Mayor
Barb Carter, Vice mayor
Dennis J. Cahill
P. Ben Arredondo
Leonard Copple
Pamela L. Goronkin
Mark Mitchell

Administrative Staff

Will Manley, City Manager
Marlene Pontrelli, City Attorney
Kathy Matz, City Clerk
Louraine Arkfeld, City Court
Ken Jones, Internal Audit
Rosa Inchausti, Diversity
Valerie Hernandez, Human Resources
Tom Canasi, Community Services
Jeff Kulaga, Community Relations
Ralph Tranter, Police
Cliff Jones, Fire
Gene Obis, Information Technology
Jerry Hart, Financial Services
Melanie Hobden, Development Services
Glen Kephart, Public Works
Tom Gallier, Water Utilities
Jan Schaefer, Economic Development





KPMG LLP
Suite 1100
One Arizona Center
400 East Van Buren Street
Phoenix, AZ 85004

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona (the City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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 also issue a report dated October 20, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 accessing the results of our audit.

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

The management's discussion and analysis on pages 17 through 32 and the schedule of funding progress in Note 14 E on page 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements, financial data schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. However, the financial data schedules are required by the U.S. Department of Housing and Urban Development. The combining and individual fund statements and schedules and financial data schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 20, 2004

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, 2004. 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 \$926.4 million (net assets). Of this amount, \$172.0 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The City's total net assets increased by \$15.5 million during the fiscal year.
- ◆ At June 30, 2004, the City's governmental funds reported combined ending fund balances of \$226.7 million. Approximately 76.7% of this total amount (\$174.0 million) is unreserved fund balance available for spending at the government's discretion.
- ◆ At June 30, 2004, total unreserved fund balance for the general fund was \$72.8 million. The undesignated portion of unreserved fund balance is \$34.5 million, which is 27.4% of total general fund revenues of \$125.8 million.
- ◆ At June 30, 2004, the City's proprietary funds reported combined total net assets of \$264.0 million, and total unrestricted net assets of \$80.1 million. \$78.4 million of the unrestricted net assets are in the Water and Wastewater Fund.
- ◆ The City issued \$38.7 million in new general obligation debt during the current fiscal year. A total of \$19.9 million was issued for water and wastewater system improvements, street improvements, park improvements, police facilities and a replacement radio system. A total of \$18.8 million was issued to refund prior outstanding general obligation debt.
- ◆ The City issued \$37.6 million in excise tax revenue obligations. A total of \$23.4 million was issued to finance costs associated with phase two of the Tempe Center for the Arts. A total of \$14.2 million was issued to fully refund prior outstanding variable rate demand excise tax revenue obligations related to the Tempe Center for the Arts project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Included within the government-wide financial statements are the operations of the Tempe Municipal Property Corporation, Tempe Sports Authority, and the Rio Salado Community Facilities District. Although legally separate from the City, these component units are blended with the primary government (the City) because of their 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.

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, performing arts capital projects fund, transit capital projects fund and the community development 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 statements for other nonmajor special revenue and general obligation debt service funds are included in Other Supplementary Information.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Wastewater, Refuse collection/disposal, and Golf Course operations. All enterprise funds are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its health insurance program and its risk management services including workers compensation, general liability and property. 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, 2004**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-----------------------|
| Assets | | | |
| Current and other assets | \$ 298,070,533 | \$ 189,508,605 | \$ 487,579,138 |
| Capital assets, net | 638,434,569 | 196,935,128 | 835,369,697 |
| Total assets | <u>936,505,102</u> | <u>386,443,733</u> | <u>1,322,948,835</u> |
| Liabilities | | | |
| Long-term liabilities | 220,509,286 | 104,135,000 | 324,644,286 |
| Other liabilities | 53,584,937 | 18,304,741 | 71,889,678 |
| Total liabilities | <u>274,094,223</u> | <u>122,439,741</u> | <u>396,533,964</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 426,857,287 | 174,841,674 | 601,698,961 |
| Restricted | 143,723,739 | 9,013,824 | 152,737,563 |
| Unrestricted | 91,829,853 | 80,148,494 | 171,978,347 |
| Total net assets | <u>\$ 662,410,879</u> | <u>\$ 264,003,992</u> | <u>\$ 926,414,871</u> |

**Net Assets
June 30, 2003**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-----------------------|
| Assets | | | |
| Current and other assets | \$ 283,121,325 | \$ 181,874,228 | \$ 464,995,553 |
| Capital assets, net | 618,244,021 | 192,725,348 | 810,969,369 |
| Total assets | <u>901,365,346</u> | <u>374,599,576</u> | <u>1,275,964,922</u> |
| Liabilities | | | |
| Long-term liabilities | 197,453,659 | 98,100,000 | 295,553,659 |
| Other liabilities | 54,864,141 | 14,632,013 | 69,496,154 |
| Total liabilities | <u>252,317,800</u> | <u>112,732,013</u> | <u>365,049,813</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 440,494,223 | 171,881,978 | 612,376,201 |
| Restricted | 135,314,124 | 8,130,795 | 143,444,919 |
| Unrestricted | 73,239,199 | 81,854,790 | 155,093,989 |
| Total net assets | <u>\$ 649,047,546</u> | <u>\$ 261,867,563</u> | <u>\$ 910,915,109</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 \$926.4 million and \$910.9 million at June 30, 2004 and 2003, 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), less any related debt used to acquire those assets. The net assets invested in capital assets, net of related debt were \$601.7 million and \$612.4 million at June 30, 2004 and 2003, respectively. These totals represent 64.9% and 67.2% of total net assets at June 30, 2004 and 2003, 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 \$152.7 million (16.4% of total net assets) and \$143.4 million (15.7% of total net assets) at June 30, 2004 and 2003, respectively. These restrictions are imposed by laws or regulations set by the City (transit and cultural and recreation) and the State of Arizona (highways and streets, court enhancements and debt service). The remaining balance of net assets is unrestricted, and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of unrestricted net assets was \$172.0 million (18.5% of total net assets) and \$155.1 million (17.0% of total net assets) at June 30, 2004 and 2003, respectively.

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

Analysis of Change in Net Assets

The City's net assets increased by \$15.5 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion below.

Changes in Net Assets June 30, 2004

| Revenues | Governmental Activities | Business-type Activities | Total |
|------------------------------------|------------------------------------|-------------------------------------|--------------------|
| Program Revenues: | | | |
| Charges for services | \$ 22,031,500 | \$ 55,639,613 | \$ 77,671,113 |
| Operating grants and contributions | 14,346,903 | - | 14,346,903 |
| Capital grants and contributions | 12,589,817 | 751,525 | 13,341,342 |
| General Revenues: | | | |
| Sales taxes | 120,075,959 | - | 120,075,959 |
| State income taxes | 14,303,004 | - | 14,303,004 |
| Property taxes | 22,580,678 | - | 22,580,678 |
| Franchise taxes | 1,457,085 | - | 1,457,085 |
| Auto-lieu taxes | 6,427,396 | - | 6,427,396 |
| Unrestricted investment earnings | 2,336,129 | 959,081 | 3,295,210 |
| Other | 1,681,895 | 567,189 | 2,249,084 |
| Gain on sale of capital assets | 6,362,790 | 24,400 | 6,387,190 |
| Total revenues | <u>224,193,156</u> | <u>57,941,808</u> | <u>282,134,964</u> |

Expenses

| | | | |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Police | 49,973,991 | - | 49,973,991 |
| Fire | 16,990,382 | - | 16,990,382 |
| Community services | 20,629,836 | - | 20,629,836 |
| Public works | 61,814,870 | - | 61,814,870 |
| Community relations | 2,472,966 | - | 2,472,966 |
| Mayor and council | 407,818 | - | 407,818 |
| City manager | 209,830 | - | 209,830 |
| Diversity program | 505,865 | - | 505,865 |
| Internal audit/consulting | 440,660 | - | 440,660 |
| City clerk and elections | 652,442 | - | 652,442 |
| City attorney | 2,087,009 | - | 2,087,009 |
| Municipal courts | 4,053,127 | - | 4,053,127 |
| Development services | 19,111,722 | - | 19,111,722 |
| Economic development | 4,021,965 | - | 4,021,965 |
| Financial services | 3,946,238 | - | 3,946,238 |
| Human resources | 2,418,605 | - | 2,418,605 |
| Information technology | 2,280,717 | - | 2,280,717 |
| Non-departmental | 9,637,203 | - | 9,637,203 |
| Interest on long-term debt | 8,974,827 | - | 8,974,827 |
| Water/Wastewater | - | 42,739,236 | 42,739,236 |
| Refuse | - | 10,912,307 | 10,912,307 |
| Golf | - | 2,353,586 | 2,353,586 |
| Total expenses | <u>210,630,073</u> | <u>56,005,129</u> | <u>266,635,202</u> |
| Increase in net assets before | | | |
| Transfers | 13,563,083 | 1,936,679 | 15,499,762 |
| Transfers | (199,750) | 199,750 | - |
| Change in net assets | <u>13,363,333</u> | <u>2,136,429</u> | <u>15,499,762</u> |
| Net assets at beginning of year | <u>649,047,546</u> | <u>261,867,563</u> | <u>910,915,109</u> |
| Net assets at end of year | <u>\$ 662,410,879</u> | <u>\$ 264,003,992</u> | <u>\$ 926,414,871</u> |

Changes in Net Assets June 30, 2003

| | Governmental Activities | Business-type Activities | Total |
|------------------------------------|----------------------------|-----------------------------|--------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for services | \$ 17,588,825 | \$ 55,733,154 | \$ 73,321,979 |
| Operating grants and contributions | 13,490,697 | - | 13,490,697 |
| Capital grants and contributions | 5,098,677 | 179,754 | 5,278,431 |
| General Revenues: | | | |
| Sales taxes | 112,724,512 | - | 112,724,512 |
| State income taxes | 16,882,535 | - | 16,882,535 |
| Property taxes | 21,269,140 | - | 21,269,140 |
| Franchise taxes | 1,476,718 | - | 1,476,718 |
| Auto-lieu taxes | 6,247,543 | - | 6,247,543 |
| Unrestricted investment earnings | 2,898,356 | 900,524 | 3,798,880 |
| Other | 1,469,345 | 481,297 | 1,950,642 |
| Total revenues | <u>199,146,348</u> | <u>57,294,729</u> | <u>256,441,077</u> |

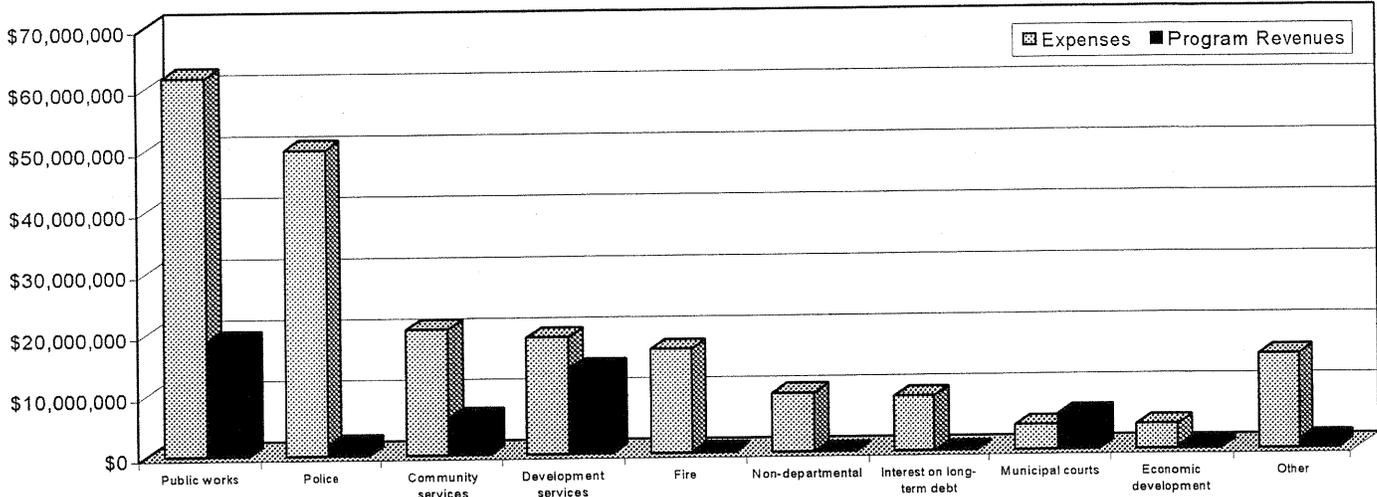
Expenses

| | | | |
|---|----------------|----------------|----------------|
| Police | 47,729,305 | - | 47,729,305 |
| Fire | 15,103,049 | - | 15,103,049 |
| Community services | 20,307,801 | - | 20,307,801 |
| Public works | 57,917,031 | - | 57,917,031 |
| Community relations | 2,845,176 | - | 2,845,176 |
| Mayor and council | 579,089 | - | 579,089 |
| City manager | 918,556 | - | 918,556 |
| City clerk and elections | 433,922 | - | 433,922 |
| City attorney | 2,027,045 | - | 2,027,045 |
| Municipal courts | 3,230,817 | - | 3,230,817 |
| Development services | 18,760,209 | - | 18,760,209 |
| Economic development | 3,245,906 | - | 3,245,906 |
| Financial services | 5,404,942 | - | 5,404,942 |
| Human resources | 3,762,782 | - | 3,762,782 |
| Information technology | 4,185,163 | - | 4,185,163 |
| Non-departmental | 14,852,873 | - | 14,852,873 |
| Interest on long-term debt | 6,956,107 | - | 6,956,107 |
| Water/Wastewater | - | 38,417,396 | 38,417,396 |
| Refuse | - | 10,205,570 | 10,205,570 |
| Golf | - | 2,435,783 | 2,435,783 |
| Total expenses | 208,259,773 | 51,058,749 | 259,318,522 |
| Increase (decrease) in net assets before transfers | (9,113,425) | 6,235,980 | (2,877,445) |
| Transfers | 171,977 | (171,977) | - |
| Change in net assets | (8,941,448) | 6,064,003 | (2,877,445) |
| Net assets at beginning of year | 657,988,994 | 255,803,560 | 913,792,554 |
| Net assets at end of year | \$ 649,047,546 | \$ 261,867,563 | \$ 910,915,109 |

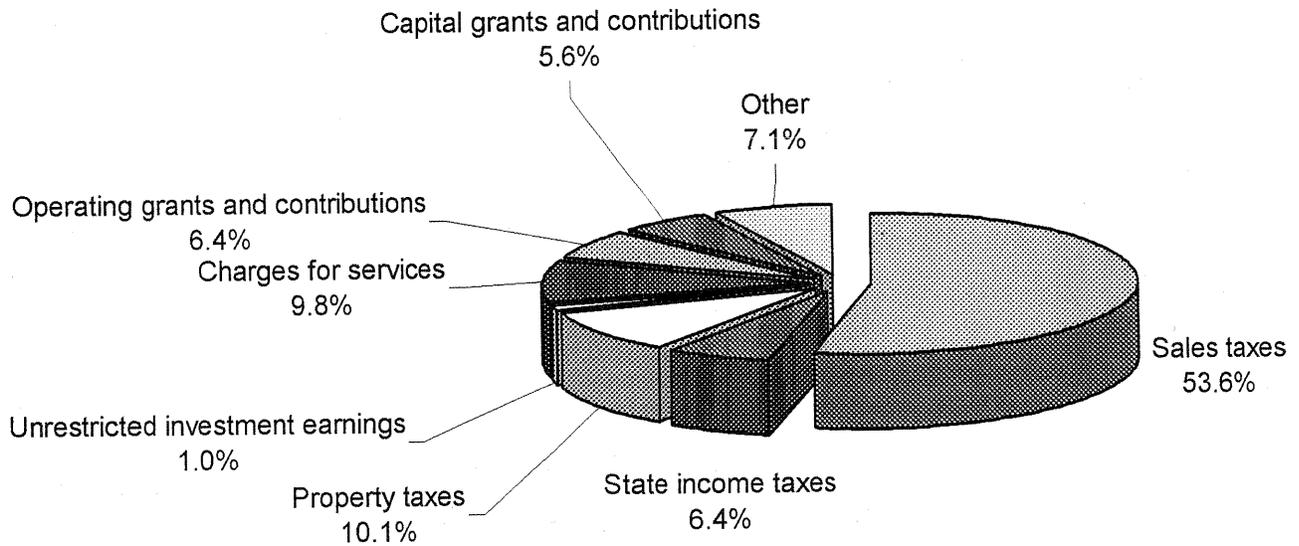
Governmental activities. Governmental activities increased the City's net assets by \$13.4 million due largely to a slight recovery from the economic slowdown experienced during the prior and the realization of the first full year of workforce reduction savings. The key factors for this increase are as follows:

- During the current fiscal year, sales tax revenue exceeded original budget projections due to the slight economic recovery. Sales tax revenue increased \$7.4 million (a total of 6.5%).
- The City saw an increase of \$7.5 million in capital grants and contributions due mainly to increases in fixed route bus service revenue and Valley Metro Rail contributions to the City's Transit program.
- During the fiscal year, the City had a one-time sale of land totaling \$8.5 million.
- In prior fiscal years City management anticipated the economic shortfall and implemented cost savings measures which included the elimination of 125 positions. Non-departmental expenses decreased by \$5.2 million due primarily to the one-time cost of incentivized retirement packages recognized in the fiscal year ended June 30, 2003 as part of the Workforce Reduction Program.

Fiscal Year 2003-04 Expenses and Program Revenues - Governmental Activities



Fiscal Year 2003-04 Revenues by Source - Governmental Activities



The charts above illustrate the City's governmental expenses and revenues by function and its revenues by source for the current fiscal year. A comparison of expense by function and the percentage of total expenses, for the five largest functions, is presented below.

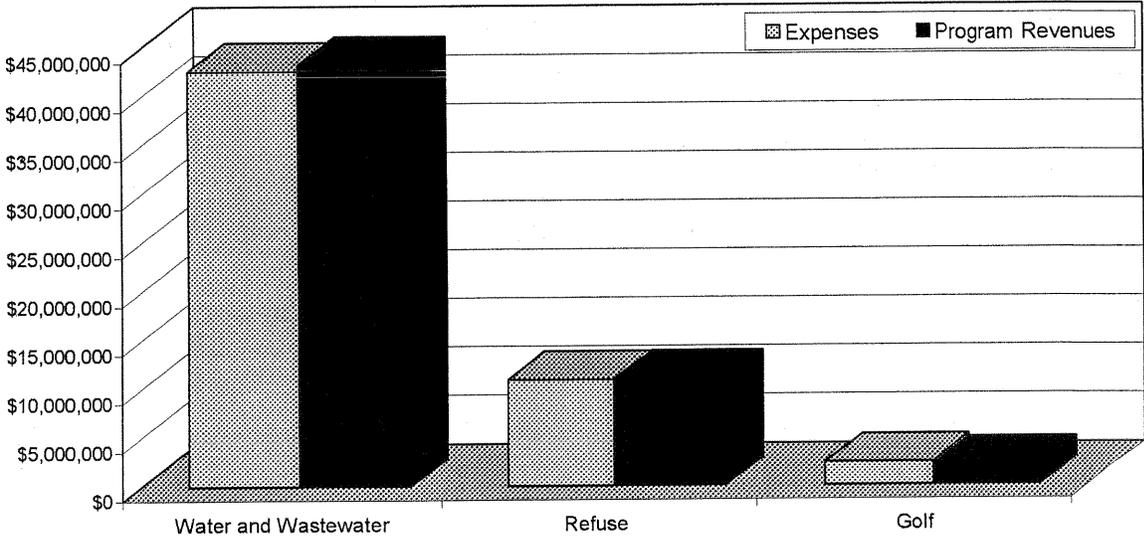
| | Fiscal Year Ended | | | |
|----------------------|-------------------|-------|---------------|-------|
| | June 30, 2004 | | June 30, 2003 | |
| Public Works | \$61,814,870 | 29.3% | \$57,917,031 | 27.8% |
| Police | 49,973,991 | 23.7 | 47,729,305 | 22.9 |
| Community Services | 20,629,836 | 9.8 | 20,307,801 | 9.8 |
| Development Services | 19,111,722 | 9.1 | 18,760,209 | 9.0 |
| Fire | 16,990,382 | 8.1 | 15,103,049 | 7.3 |

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, is presented below.

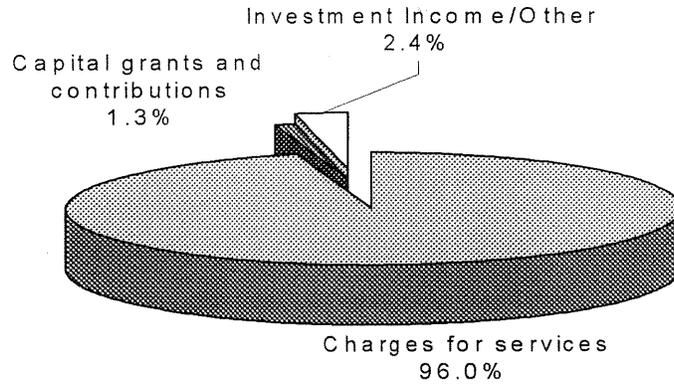
| | Fiscal Year Ended | | | |
|------------------------------------|-------------------|-------|---------------|-------|
| | June 30, 2004 | | June 30, 2003 | |
| Sales Taxes | \$120,075,959 | 53.6% | \$112,724,512 | 56.6% |
| Property Taxes | 22,580,678 | 10.0 | 21,269,140 | 10.7 |
| Charges for Services | 22,031,500 | 9.8 | 17,588,825 | 8.8 |
| Operating Grants and Contributions | 14,346,903 | 6.4 | 13,490,697 | 6.8 |

Business-type activities. Business-type activities increased the City's net assets by \$2.1 million for the year ended June 30, 2004 compared to an increase of \$6.0 million for the year ended June 30, 2003. There was not as significant of an increase in the current year net assets as compared to prior year due to current year revenues being consistent with prior year revenues while there was an increase in personal service costs and fees and services.

Fiscal Year 2003-04 Expenses and Program Revenues - Business-type Activities



Fiscal Year 2003-04 Revenues by Source - Business-type Activities



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

For the Year Ended June 30, 2004

| | Water and Wastewater | Refuse | Golf | Total |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|
| Charges for services | \$ 42,604,532 | \$ 11,014,949 | \$ 2,020,132 | \$ 55,639,613 |
| Capital grants and contributions | 751,525 | - | - | 751,525 |
| Investment Income/Other | 1,533,749 | 9,083 | 7,838 | 1,550,670 |
| Total | \$ 44,889,806 | \$ 11,024,032 | \$ 2,027,970 | \$ 57,941,808 |

For the Year Ended June 30, 2003

| | Water and Wastewater | Refuse | Golf | Total |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|
| Charges for services | \$ 43,315,681 | \$ 10,496,774 | \$ 1,920,699 | \$ 55,733,154 |
| Capital grants and contributions | 179,754 | - | - | 179,754 |
| Investment Income/Other | 1,313,000 | 51,702 | 17,119 | 1,381,821 |
| Total | \$ 44,808,435 | \$ 10,548,476 | \$ 1,937,818 | \$ 57,294,729 |

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 \$42.7 million for the fiscal year, followed by Refuse with \$10.9 million, and Golf with \$2.4 million. For the fiscal year, revenues exceeded expenses in both the Water and Wastewater and Refuse operations. Expenses exceeded revenues in the Golf operations. The City will be reviewing potential increases to Water and Wastewater, Refuse and Golf rates during the next fiscal year. During the fiscal year, charges for services provided the largest share of revenues (96.0%) for all of the business-type activities.

FUND STATEMENTS FINANCIAL ANALYSIS

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$226.7 million, an increase of \$20.8 million from the prior year. Approximately \$174.0 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$37.3 million), (2) to pay debt service (\$13.8 million), and (3) for other restricted purposes (\$1.6 million).

Revenues for governmental functions overall totaled approximately \$219.1 million in the fiscal year ended June 30, 2004, which represents an increase of 8.0% from the fiscal year ended June 30, 2003. Expenditures for governmental functions, totaling \$240.5 million, decreased by approximately 1.1% from the fiscal year ended June 30, 2003. In the fiscal year ended June 30, 2004, expenditures for governmental functions exceeded revenues by \$21.4 million or 9.8% of revenues. An analysis of each individual major fund follows.

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$72.8 million (the undesignated portion equaled \$34.5 million), while total fund balance was \$74.8 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balances to total fund revenues.

| | Fiscal Year Ended | |
|---------------------------------------|-------------------|----------------|
| | June 30, 2004 | June 30, 2003 |
| Revenues | \$ 125,778,061 | \$ 122,219,318 |
| Total Fund Balance | 74,784,670 | 66,620,244 |
| Unreserved Fund Balance | 72,823,641 | 63,670,728 |
| Unreserved, Undesignated Fund Balance | 34,480,754 | 34,473,270 |
| | 59.5 % | 54.5 % |
| | 57.9 | 52.1 |
| | 27.4 | 28.2 |

The fund balance in the City's general fund increased by \$8.1 million during the fiscal year due mainly to the one-time sale of land totaling \$8.5 million and a slight economic recovery. In addition, the City realized a full year of savings due to the work force reductions that was implemented in the prior year. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2004 of \$5.0 million. This is an increase of \$9.1 million over the comparable figure from the prior year of expenditures in excess of revenues of \$4.1 million.

The **Transit Special Revenue Fund** is used to account for receipts and expenditures of Transit Tax monies. The unreserved fund balance totaled \$42.1 million at June 30, 2004, compared to a \$49.0 million unreserved fund balance at June 30, 2003. The net change in fund balance for the year ended June 30, 2004 was a decrease of \$6.8 million compared to an increase of \$8.1 million for the year ended June 30, 2003. A large portion of the transit fund balance will be applied towards new and replacement buses, a new Transit Center, the City's light rail project and other capital projects. A total of \$17.7 million was transferred from the Transit Special Revenue Fund to the Transit Capital Projects Fund for the fiscal year ended June 30, 2004.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (restricted for general obligation debt service payments) decreased slightly from \$13.5 million at June 30, 2003 to \$13.3 million at June 30, 2004. The total debt service fund balance will be used to service future debt issuances consistent with the City's Debt Management Plan.

The **Special Assessment Debt Service Fund** accounts for the accumulation of resources for and payments of special assessment debt. Total fund balance (restricted for special assessment debt service payments) increased slightly from \$0.1 million at June 30, 2003 to \$0.5 million at June 30, 2004. Total special assessments receivable decreased from \$18.5 million to \$16.8 million, as there were no special assessment debt issued for the year ended June 30, 2004.

The **Performing Arts Capital Projects Fund** accounts for the construction of the performing and visual arts center. Total fund balance increased from \$5.6 million at June 30, 2003 to \$22.6 million at June 30, 2004 due primarily to \$25.3 million in proceeds from the issuance of excise tax revenue obligations debt.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system and other traffic flow improvements. Total fund balance decreased from \$23.0 million at June 30, 2003 to \$21.1 million at June 30, 2004 due primarily to increased spending related to the City's light rail project.

The **Community Development Capital Projects Fund** accounts for the acquisition, reconstruction, remodeling, renovating and equipping of existing buildings that house municipal departments. In addition, the fund is used for the redevelopment of the downtown area, information technology initiatives and various other projects. Total expenditures decreased from \$20.9 million for the fiscal year ended June 30, 2003 to \$3.3 million for the fiscal year ended June 30, 2004. This is due primarily to the purchase of the Hayden Flour Mill for redevelopment purposes 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 follows:

| | Fiscal Year Ended | |
|---------------------------|--------------------------|----------------------|
| | June 30, 2004 | June 30, 2003 |
| Water and Wastewater Fund | \$78,405,486 | \$80,705,662 |
| Refuse Fund | 1,138,305 | 469,027 |
| Golf Fund | 604,703 | 680,101 |
| Internal Service Fund | 1,573,729 | 1,819,673 |

The **Water and Wastewater Fund** accounts for the provision of water and sewer services to the City and the adjoining Town of Guadalupe. The fund saw an increase in net assets of \$2.3 million for the fiscal year ended June 30, 2004. This increase was less than prior year's \$6.0 million increase due to revenues remaining consist between years while there was an increase in personal services and fees and services for the current fiscal year. A rate increase was authorized effective November 1, 2004.

The **Refuse Fund** accounts for the provision of refuse collection and disposal services for both residential and commercial customers. The net assets in the fund increased by \$0.1 million due primarily to consistent revenue and operating expenses between years. A rate increase was authorized effective August 1, 2004.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The \$0.3 million loss in the Golf fund was due to continued competition from golf courses in neighboring cities resulting in reduced rounds of play.

Budget Highlights

The City's final budget differs from the original budget for the General Fund primarily in that it contains carry-forward appropriations for encumbrances rolled forward from the prior fiscal year, and budget transfers from other funds. Carry-forward appropriations for rolled forward encumbrances were \$2.1 million and budget transfers from other funds were \$310,000 for the General Fund.

During the year, actual revenues exceeded budgetary estimates by \$5.4 million (4.4% of total budgeted revenue) in the General Fund. This is due primarily to sales taxes and intergovernmental revenues exceeding budgetary estimates by \$2.5 million and \$1.7 million, respectively because of the slight economic recovery.

Actual expenditures were less than budgetary estimates by \$3.4 million (2.8% of final budgetary estimates) in the General Fund. This positive variance was attributable to all general fund operations and does not have a significant effect on future services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2004 amount to \$835.4 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$24.4 million (3.0%). The tables below reflect the capital assets at the end of the fiscal year June 30, 2004 and 2003, respectively.

Capital Assets, Net of Depreciation June 30, 2004

| | Governmental Activities | Business-type Activities | Total |
|--------------------------|------------------------------------|-------------------------------------|-----------------------|
| Land | \$ 36,676,925 | \$ 10,011,732 | \$ 46,688,657 |
| Buildings | 86,684,766 | 35,144,311 | 121,829,077 |
| Infrastructure | 377,657,384 | 84,335,548 | 461,992,932 |
| Improvements | 44,092,750 | 57,611,590 | 101,704,340 |
| Machinery and equipment | 35,323,551 | 9,254,142 | 44,577,693 |
| Construction in progress | 57,999,193 | 577,805 | 58,576,998 |
| Total | <u>\$ 638,434,569</u> | <u>\$ 196,935,128</u> | <u>\$ 835,369,697</u> |

Capital Assets, Net of Depreciation June 30, 2003

| | Governmental Activities | Business-type Activities | Total |
|--------------------------|------------------------------------|-------------------------------------|-----------------------|
| Land | \$ 45,103,658 | \$ 9,935,732 | \$ 55,039,390 |
| Buildings | 89,177,012 | 35,831,853 | 125,008,865 |
| Infrastructure | 386,233,670 | 85,239,168 | 471,472,838 |
| Improvements | 35,945,019 | 43,961,244 | 79,906,263 |
| Machinery and equipment | 38,782,284 | 10,529,746 | 49,312,030 |
| Construction in progress | 23,002,378 | 7,227,605 | 30,229,983 |
| Total | <u>\$ 618,244,021</u> | <u>\$ 192,725,348</u> | <u>\$ 810,969,369</u> |

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

- The City, along with other participating valley cities, is in the early stages of construction of a light rail mass transit system to serve the transportation needs of the region. Infrastructure, planning and design costs of \$22.8 million were incurred during the year.
- Construction continued on the Tempe Center for the Arts. The center will include a 600-seat main theater, a 200-seat studio theater, a 3,100 square foot multi-purpose room, a 3,500 square foot visual arts gallery and related administrative, technical and support spaces. The total project is expected to cost \$63 million. Phase one consists of \$3.2 million in undergrounding of utilities, \$9 million in landfill remediation and \$2.8 million in design costs. Phase two consists of building construction of the Center for the Arts facility and Performing Arts park. Expenditures related to the Tempe Center for the Arts totaled \$8.7 million for the fiscal year ended June 30, 2004.
- In the Rio Salado Capital Projects Fund construction continued on the north bank marina. Expenditures totaled \$2.6 million for this project during the fiscal year.
- Improvements to the Johnny G. Martinez Water Treatment Plant totaled \$3.5 million. In addition, capital replacement and expansion of the Kyrene Water Reclamation Plant continued during the year with \$4.4 million spent towards this effort.

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 9 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 \$322.7 million. Of this amount, \$195.4 million is general obligation bonds backed by the full faith and credit of the City, \$88.4 million represent excise tax revenue obligations, and \$16.7 million is improvement district bonds. The remainder includes other governmental activities.

Outstanding Long-term Obligations June 30, 2004

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------|
| General obligation bonds | \$ 91,640,000 | \$ 103,735,000 | \$ 195,375,000 |
| Special Assessment bonds | 16,725,000 | - | 16,725,000 |
| TMPC bonds | - | 400,000 | 400,000 |
| Certificates of Participation | 2,840,000 | - | 2,840,000 |
| Excise Tax Revenue Refunding Obligations | 37,935,000 | - | 37,935,000 |
| Excise Tax Revenue Obligations | 37,595,000 | - | 37,595,000 |
| Capital improvement notes | 9,638,112 | - | 9,638,112 |
| Total debt payable | 196,373,112 | 104,135,000 | 300,508,112 |
| Capital leases | 7,186,712 | - | 7,186,712 |
| Compensated absences | 11,488,907 | - | 11,488,907 |
| Claims and judgements | 3,535,417 | - | 3,535,417 |
| Total long-term obligations | \$ 218,584,148 | \$ 104,135,000 | \$ 322,719,148 |

The City's issued \$19.9 million in new general obligation debt during the current fiscal year for water and wastewater system improvements, street improvements, park improvements, police facilities and a replacement radio system. A total of \$18.8 million was issued to refund prior outstanding general obligation debt. The City also issued \$37.6 million in excise tax revenue obligations (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's total governmental general obligation bonded debt increased by approximately \$14.9 million. The ratio of net (total bonded debt less debt service reserves) general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, oversight bodies and investors. A comparison of these indicators follows:

| | Fiscal Year 2003/2004 | Fiscal Year 2002/2003 |
|--|----------------------------------|----------------------------------|
| Net General Bonded Debt | \$78,305,294 | \$76,923,296 |
| Net General Bonded Debt per capita | 491 | 483 |
| Ratio of net General bonded debt to net Assessed value | 4.6% | 4.9% |
| Debt service tax rate per \$100 of taxable Valuation | \$ 0.80 | \$ 0.83 |

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, 2004 is \$35.6 million and \$195.5 million under the 6% and 20% limitation, respectively. Additional information on the statutory debt limitations may be found in Note 10 to the Financial Statements and the Statistical Section (Exhibit S-16) of this report.

During the year, the City maintained its AA+ rating from Standard & Poors Corporation, its Aa1 rating from Moody's Investors Service, and its AAA rating from Fitch Ratings on its outstanding debt.

Additional information on the City's long-term debt can be found in Note 10 to the Financial Statements.

OTHER MATTERS

The City has incorporated into its fiscal year 2003/2005 biennial budget sales tax revenue growth between 1.7% to 2.1%, annually. This is down from the growth the City experienced from the mid 1990's through mid-year 2001.

In the planning of the 2003/2005 biennial budget, management began to take steps to ensure that the City has a balanced budget. These steps include a reduction in our work force, no planned cost of living salary increases, minimal capital replacement efforts, suspension of the City's required Maintenance of Effort contribution until fiscal year 2005/2006 and no addition of personnel. In addition, the City is also reviewing ways in which it could improve its revenue base including continued review of ongoing fees for service charges. These are just some of the initiatives undertaken by the City to help strengthen its economic future.

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

City of Tempe, Arizona
Statement of Net Assets
June 30, 2004

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------|
| <u>Assets</u> | | | |
| Pooled cash and investments | \$ 216,328,116 | \$ 81,433,662 | \$ 297,761,778 |
| Receivables: | | | |
| Taxes | 10,622,028 | - | 10,622,028 |
| Accounts, net | 3,312,178 | 5,564,341 | 8,876,519 |
| Accrued interest | 1,498,489 | 657,732 | 2,156,221 |
| Due from other governments | 13,301,591 | - | 13,301,591 |
| Inventories | 1,018,194 | 769,595 | 1,787,789 |
| Restricted cash and investments | 35,230,463 | 9,068,617 | 44,299,080 |
| Special assessment receivables | 16,759,474 | - | 16,759,474 |
| Capital improvement notes receivable | - | 3,258,112 | 3,258,112 |
| Equity in joint venture | - | 88,756,546 | 88,756,546 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 36,676,925 | 10,011,732 | 46,688,657 |
| Buildings | 86,684,766 | 35,144,311 | 121,829,077 |
| Infrastructure | 377,657,384 | 84,335,548 | 461,992,932 |
| Improvements | 44,092,750 | 57,611,590 | 101,704,340 |
| Machinery and equipment | 35,323,551 | 9,254,142 | 44,577,693 |
| Construction in progress | 57,999,193 | 577,805 | 58,576,998 |
| Total assets | 936,505,102 | 386,443,733 | 1,322,948,835 |
| <u>Liabilities</u> | | | |
| Accounts payable | 19,138,306 | 5,752,394 | 24,890,700 |
| Deposits | 7,662,168 | 785,859 | 8,448,027 |
| Accrued expenses | 9,395,852 | 2,752,664 | 12,148,516 |
| Due to other governments | 53,004 | - | 53,004 |
| Deferred revenue | 5,611,117 | - | 5,611,117 |
| Liabilities payable from restricted assets | 11,724,490 | 9,013,824 | 20,738,314 |
| Long-term liabilities: | | | |
| Special assessment debt with a governmental commitment: | | | |
| Due within one year | 14,940,000 | - | 14,940,000 |
| Due in more than one year | 1,785,000 | - | 1,785,000 |
| Other long-term liabilities: | | | |
| Due within one year | 9,976,354 | 4,935,000 | 14,911,354 |
| Due in more than one year | 193,807,932 | 99,200,000 | 293,007,932 |
| Total liabilities | 274,094,223 | 122,439,741 | 396,533,964 |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 426,857,287 | 174,841,674 | 601,698,961 |
| Restricted for: | | | |
| Transit | 63,316,936 | - | 63,316,936 |
| Cultural and recreation | 37,576,491 | - | 37,576,491 |
| Highways and streets | 8,545,392 | - | 8,545,392 |
| Court enhancements | 631,708 | - | 631,708 |
| Debt Service | 33,653,212 | 9,013,824 | 42,667,036 |
| Unrestricted | 91,829,853 | 80,148,494 | 171,978,347 |
| Total net assets | \$ 662,410,879 | \$ 264,003,992 | \$ 926,414,871 |

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

City of Tempe, Arizona
Statement of Activities
For the Year Ended June 30, 2004

| <u>Functions/Programs</u> | Program Revenues | | | |
|--------------------------------|------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Police | \$ 49,973,991 | \$ 836,081 | \$ 947,837 | \$ - |
| Fire | 16,990,382 | 305,964 | - | - |
| Community services | 20,629,836 | 5,213,032 | 907,991 | - |
| Public works | 61,814,870 | 5,261,301 | 1,273,154 | 12,341,317 |
| Community relations | 2,472,966 | - | - | - |
| Mayor and council | 407,818 | - | - | - |
| City manager | 209,830 | - | - | - |
| Diversity program | 505,865 | - | - | - |
| Internal audit/consulting | 440,660 | - | - | - |
| City clerk and elections | 652,442 | - | - | - |
| City attorney | 2,087,009 | - | - | - |
| Municipal courts | 4,053,127 | 5,857,804 | - | - |
| Development services | 19,111,722 | 2,881,155 | 11,152,942 | - |
| Economic development | 4,021,965 | 238,417 | - | 248,500 |
| Financial services | 3,946,238 | 1,378,148 | 64,979 | - |
| Human resources | 2,418,605 | - | - | - |
| Information technology | 2,280,717 | - | - | - |
| Non-departmental | 9,637,203 | 59,598 | - | - |
| Interest on long-term debt | 8,974,827 | - | - | - |
| Total governmental activities | 210,630,073 | 22,031,500 | 14,346,903 | 12,589,817 |
| Business-type activities: | | | | |
| Water/Wastewater | 42,739,236 | 42,604,532 | - | 751,525 |
| Refuse | 10,912,307 | 11,014,949 | - | - |
| Golf course | 2,353,586 | 2,020,132 | - | - |
| Total business-type activities | 56,005,129 | 55,639,613 | - | 751,525 |
| Total government | \$ 266,635,202 | \$ 77,671,113 | \$ 14,346,903 | \$ 13,341,342 |

General revenues:
Sales taxes
State income taxes
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

(continued)

City of Tempe, Arizona
Statement of Activities
For the Year Ended June 30, 2004

Net (Expense) Revenue and
Changes in Net Assets

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|-----------------------|
| \$ (48,190,073) | \$ - | \$ (48,190,073) |
| (16,684,418) | - | (16,684,418) |
| (14,508,813) | - | (14,508,813) |
| (42,939,098) | - | (42,939,098) |
| (2,472,966) | - | (2,472,966) |
| (407,818) | - | (407,818) |
| (209,830) | - | (209,830) |
| (505,865) | - | (505,865) |
| (440,660) | - | (440,660) |
| (652,442) | - | (652,442) |
| (2,087,009) | - | (2,087,009) |
| 1,804,677 | - | 1,804,677 |
| (5,077,625) | - | (5,077,625) |
| (3,535,048) | - | (3,535,048) |
| (2,503,111) | - | (2,503,111) |
| (2,418,605) | - | (2,418,605) |
| (2,280,717) | - | (2,280,717) |
| (9,577,605) | - | (9,577,605) |
| (8,974,827) | - | (8,974,827) |
| <u>(161,661,853)</u> | <u>-</u> | <u>(161,661,853)</u> |
| - | 616,821 | 616,821 |
| - | 102,642 | 102,642 |
| - | (333,454) | (333,454) |
| <u>-</u> | <u>386,009</u> | <u>386,009</u> |
| <u>(161,661,853)</u> | <u>386,009</u> | <u>(161,275,844)</u> |
| 120,075,959 | - | 120,075,959 |
| 14,303,004 | - | 14,303,004 |
| 22,580,678 | - | 22,580,678 |
| 1,457,085 | - | 1,457,085 |
| 6,427,396 | - | 6,427,396 |
| 2,336,129 | 959,081 | 3,295,210 |
| 1,681,895 | 567,189 | 2,249,084 |
| 6,362,790 | 24,400 | 6,387,190 |
| (199,750) | 199,750 | - |
| <u>175,025,186</u> | <u>1,750,420</u> | <u>176,775,606</u> |
| 13,363,333 | 2,136,429 | 15,499,762 |
| 649,047,546 | 261,867,563 | 910,915,109 |
| <u>\$ 662,410,879</u> | <u>\$ 264,003,992</u> | <u>\$ 926,414,871</u> |

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

City of Tempe, Arizona
Balance Sheet
Governmental Funds
June 30, 2004

| | General | Transit Special Revenue | General Obligation Debt Service | Special Assessment Debt Service |
|---|----------------------|----------------------------|---------------------------------------|---------------------------------------|
| <u>Assets</u> | | | | |
| Pooled cash and investments | \$ 79,001,607 | \$ 42,391,630 | \$ 13,145,669 | \$ 482,441 |
| Receivables: | | | | |
| Taxes | 7,291,651 | 2,357,156 | 478,159 | - |
| Accounts | 2,595,054 | - | - | - |
| Accrued interest | 1,135,527 | 250,095 | - | - |
| Due from other funds | 734,814 | - | - | - |
| Due from other governments | 1,330,914 | 5,861,961 | - | - |
| Inventories | 300,382 | - | - | - |
| Restricted cash and investments | 62,356 | - | 9,082,945 | 467,577 |
| Special assessments | - | - | - | 16,759,474 |
| Total assets | <u>\$ 92,452,305</u> | <u>\$ 50,860,842</u> | <u>\$ 22,706,773</u> | <u>\$ 17,709,492</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 3,426,826 | \$ 8,541,257 | \$ 15,528 | \$ 2,734 |
| Deposits | 7,312,085 | - | - | - |
| Accrued expenditures | 4,604,330 | 84,588 | - | - |
| Claims and judgements | 816,607 | 15,216 | - | - |
| Due to other funds | - | - | - | - |
| Due to other governments | 53,004 | - | - | - |
| Deferred revenue | 1,452,783 | - | 313,178 | 16,759,474 |
| Matured bonds payable | - | - | 6,655,000 | - |
| Matured interest payable | - | - | 2,387,361 | 467,258 |
| Total liabilities | <u>17,665,635</u> | <u>8,641,061</u> | <u>9,371,067</u> | <u>17,229,466</u> |
| <u>Fund Balances</u> | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | 1,092,647 | 110,134 | - | - |
| Inventories | 300,382 | - | - | - |
| Notes receivable | 570,000 | - | - | - |
| Debt Service | - | - | 13,335,706 | 480,026 |
| Unreserved, designated (see note 17) | 38,342,887 | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 34,480,754 | - | - | - |
| Special revenue funds | - | 42,109,647 | - | - |
| Capital projects funds | - | - | - | - |
| Total fund balances | <u>74,786,670</u> | <u>42,219,781</u> | <u>13,335,706</u> | <u>480,026</u> |
| Total liabilities and fund balances | <u>\$ 92,452,305</u> | <u>\$ 50,860,842</u> | <u>\$ 22,706,773</u> | <u>\$ 17,709,492</u> |

(continued)

City of Tempe, Arizona
Balance Sheet
Governmental Funds
June 30, 2004

| Performing Arts Capital Projects | Transit Capital Projects | Community Development Capital Projects | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|-----------------------------|--|--------------------------------|-----------------------------|
| \$ - | \$ 20,060,826 | \$ 971,328 | \$ 54,216,140 | \$ 210,269,641 |
| - | - | - | 495,062 | 10,622,028 |
| - | - | 475,000 | 242,124 | 3,312,178 |
| - | - | - | 112,867 | 1,498,489 |
| - | - | - | - | 734,814 |
| - | 3,969,194 | - | 2,139,522 | 13,301,591 |
| - | - | - | 717,812 | 1,018,194 |
| 25,271,088 | - | - | 346,497 | 35,230,463 |
| - | - | - | - | 16,759,474 |
| <u>\$ 25,271,088</u> | <u>\$ 24,030,020</u> | <u>\$ 1,446,328</u> | <u>\$ 58,270,024</u> | <u>\$ 292,746,872</u> |
| \$ 2,209,144 | \$ 2,932,865 | \$ 122,866 | \$ 1,708,978 | \$ 18,960,198 |
| 20,300 | - | 164,196 | 165,587 | 7,662,168 |
| - | - | - | 400,296 | 5,089,214 |
| - | - | - | 47,023 | 878,846 |
| 453,015 | - | 75,295 | 206,504 | 734,814 |
| - | - | - | - | 53,004 |
| - | - | - | 2,422,899 | 20,948,334 |
| - | - | - | 1,340,000 | 7,995,000 |
| - | - | - | 874,871 | 3,729,490 |
| <u>2,682,459</u> | <u>2,932,865</u> | <u>362,357</u> | <u>7,166,158</u> | <u>66,051,068</u> |
| 5,401,215 | 19,552,356 | 248,204 | 10,852,695 | 37,257,251 |
| - | - | - | 717,812 | 1,018,194 |
| - | - | - | - | 570,000 |
| - | - | - | - | 13,815,732 |
| - | - | - | - | 38,342,887 |
| - | - | - | - | 34,480,754 |
| - | - | - | 22,725,696 | 64,835,343 |
| 17,187,414 | 1,544,799 | 835,767 | 16,807,663 | 36,375,643 |
| <u>22,588,629</u> | <u>21,097,155</u> | <u>1,083,971</u> | <u>51,103,866</u> | <u>226,695,804</u> |
| <u>\$ 25,271,088</u> | <u>\$ 24,030,020</u> | <u>\$ 1,446,328</u> | <u>\$ 58,270,024</u> | <u>\$ 292,746,872</u> |

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

City of Tempe, Arizona
Reconciliation of the Balance Sheet
to the Statement of Net Assets
June 30, 2004

| | |
|--|------------------------------|
| Fund balances- total governmental funds | \$ 226,695,804 |
| <p>Amounts reported for the governmental activities in the statement of net assets are different because:</p> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 638,434,569 |
| Bond premium net of issuance costs are not financial resources and, therefore are not reported in the funds. | (3,188,218) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds. | (219,630,440) |
| Other long-term assets are not available to pay current-period expenditures and, therefore are offset by deferred revenue in the funds. | 18,525,435 |
| Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities. | <u>1,573,729</u> |
| Net assets of governmental activities | <u><u>\$ 662,410,879</u></u> |

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



City of Tempe, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

| | General | Transit Special Revenue | General Obligation Debt Service | Special Assessment Debt Service |
|--|----------------------|----------------------------|---------------------------------------|---------------------------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 63,251,917 | \$ 26,740,623 | \$ - | \$ - |
| Property taxes | 8,694,632 | - | 13,710,180 | - |
| Franchise taxes | 1,457,085 | - | - | - |
| Intergovernmental: | | | | |
| Federal grants | 705 | 217,600 | - | - |
| State grants | - | 209,741 | - | - |
| State sales tax | 13,345,152 | - | - | - |
| State income tax | 14,303,004 | - | - | - |
| Auto lieu tax | 6,427,396 | - | - | - |
| Other | - | - | - | - |
| Investment income | 1,344,972 | 777,768 | 513 | - |
| Charges for services | 7,704,140 | 6,152,604 | - | - |
| Fines and forfeitures | 5,831,133 | 560,336 | - | - |
| Special assessments | - | - | - | 2,781,314 |
| Licenses and permits | 1,131,517 | - | - | - |
| Miscellaneous | 2,286,408 | 102,550 | - | 262 |
| Total revenues | <u>125,778,061</u> | <u>34,761,222</u> | <u>13,710,693</u> | <u>2,781,576</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Police | 47,620,789 | - | - | - |
| Fire | 15,622,805 | - | - | - |
| Community services | 17,566,583 | - | - | - |
| Public works | 13,070,045 | 23,542,108 | - | - |
| Community relations | 2,414,527 | - | - | - |
| Mayor and council | 407,818 | - | - | - |
| City manager | 254,578 | - | - | - |
| Diversity program | 472,233 | - | - | - |
| Internal audit/consulting | 408,862 | - | - | - |
| City clerk and elections | 641,753 | - | - | - |
| City attorney | 2,079,092 | - | - | - |
| Municipal courts | 3,213,824 | - | - | - |
| Development services | 6,043,836 | - | - | - |
| Economic development | 771,272 | - | - | - |
| Financial services | 3,743,137 | - | - | - |
| Human resources | 2,388,877 | - | - | - |
| Information technology | 633,533 | - | - | - |
| Non-departmental | 3,440,150 | - | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | 6,655,000 | 1,795,000 |
| Interest and fiscal fees | - | - | 5,011,989 | 1,027,006 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>120,793,714</u> | <u>23,542,108</u> | <u>11,666,989</u> | <u>2,822,006</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>4,984,347</u> | <u>11,219,114</u> | <u>2,043,704</u> | <u>(40,430)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 120,165 | 281,938 | 2,000,000 | 405,126 |
| Transfers out | (6,064,486) | (18,334,570) | (4,318,901) | - |
| Issuance of debt | - | - | - | - |
| Premium on issuance of debt | - | - | - | - |
| Capital lease proceeds | 633,533 | - | - | - |
| Proceeds from sale of capital assets | 8,492,867 | - | - | - |
| Proceeds of refunding bonds | - | - | 10,760,000 | - |
| Payment to refunded bond escrow agent | - | - | (10,620,801) | - |
| Total other financing sources (uses) | <u>3,182,079</u> | <u>(18,052,632)</u> | <u>(2,179,702)</u> | <u>405,126</u> |
| Net change in fund balances | 8,166,426 | (6,833,518) | (135,998) | 364,696 |
| Fund balance at beginning of year | 66,620,244 | 49,053,299 | 13,471,704 | 115,330 |
| Fund balance at end of year | <u>\$ 74,786,670</u> | <u>\$ 42,219,781</u> | <u>\$ 13,335,706</u> | <u>\$ 480,026</u> |

(continued)

City of Tempe, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

| Performing Arts Capital Projects | Transit Capital Projects | Community Development Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------------|--|--------------------------------|--------------------------------|
| \$ - | \$ - | \$ - | \$ 5,756,541 | \$ 95,749,081 |
| - | - | - | 62,065 | 22,466,877 |
| - | - | - | - | 1,457,085 |
| - | 2,881,233 | - | 11,836,619 | 14,936,157 |
| - | - | - | 887,410 | 1,097,151 |
| - | - | - | 10,981,726 | 24,326,878 |
| - | - | - | - | 14,303,004 |
| - | - | - | - | 6,427,396 |
| - | 5,957,070 | 18,094 | 1,226,831 | 7,201,995 |
| - | - | - | 212,876 | 2,336,129 |
| - | - | - | 171,202 | 14,027,946 |
| - | - | - | 838,598 | 7,230,067 |
| - | - | - | - | 2,781,314 |
| - | - | - | - | 1,131,517 |
| - | 8,059 | 495,334 | 777,202 | 3,669,815 |
| <u>-</u> | <u>8,846,362</u> | <u>513,428</u> | <u>32,751,070</u> | <u>219,142,412</u> |
| - | - | - | 955,371 | 48,576,160 |
| - | - | - | - | 15,622,805 |
| - | - | - | 1,243,143 | 18,809,726 |
| - | - | - | 7,199,086 | 43,811,239 |
| - | - | - | - | 2,414,527 |
| - | - | - | - | 407,818 |
| - | - | - | - | 254,578 |
| - | - | - | - | 472,233 |
| - | - | - | - | 408,862 |
| - | - | - | - | 641,753 |
| - | - | - | - | 2,079,092 |
| - | - | - | 825,840 | 4,039,664 |
| - | - | - | 11,241,631 | 17,285,467 |
| - | - | - | 3,231,522 | 4,002,794 |
| - | - | - | - | 3,743,137 |
| - | - | - | - | 2,388,877 |
| - | - | - | - | 633,533 |
| - | - | - | - | 3,440,150 |
| - | - | - | 1,895,000 | 10,345,000 |
| - | - | - | 2,431,158 | 8,470,153 |
| 8,716,766 | 28,495,133 | 3,340,548 | 12,116,678 | 52,669,125 |
| <u>8,716,766</u> | <u>28,495,133</u> | <u>3,340,548</u> | <u>41,139,429</u> | <u>240,516,693</u> |
| <u>(8,716,766)</u> | <u>(19,648,771)</u> | <u>(2,827,120)</u> | <u>(8,388,359)</u> | <u>(21,374,281)</u> |
| 400,000 | 18,646,763 | 2,552,667 | 10,854,952 | 35,261,611 |
| - | (860,770) | (1,113,576) | (4,769,058) | (35,461,361) |
| 23,410,000 | - | - | 7,150,000 | 30,560,000 |
| 1,861,088 | - | - | - | 1,861,088 |
| - | - | - | - | 633,533 |
| - | - | - | - | 8,492,867 |
| - | - | - | 14,185,000 | 24,945,000 |
| - | - | - | (13,524,201) | (24,145,002) |
| <u>25,671,088</u> | <u>17,785,993</u> | <u>1,439,091</u> | <u>13,896,693</u> | <u>42,147,736</u> |
| 16,954,322 | (1,862,778) | (1,388,029) | 5,508,334 | 20,773,455 |
| 5,634,307 | 22,959,933 | 2,472,000 | 45,595,532 | 205,922,349 |
| <u>\$ 22,588,629</u> | <u>\$ 21,097,155</u> | <u>\$ 1,083,971</u> | <u>\$ 51,103,866</u> | <u>\$ 226,695,804</u> |

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

City of Tempe, Arizona
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2004

| | |
|--|----------------------|
| Net change in fund balances- total governmental funds | \$ 20,773,455 |
| <p>Amounts reported for the governmental activities in the statement of activities are different because:</p> | |
| Some expenses 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. | (3,308,130) |
| Certain revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds. | (1,312,046) |
| 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. This is the amount by which capital outlays exceeded depreciation in the current period. | 20,190,548 |
| 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. This is the amount by which principal payments exceed new capital leases. | 249,567 |
| Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year amortization exceeds current year bond issuance costs. | (504,674) |
| 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 governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which the bond proceeds exceeded the retirement in the current period. | (22,479,443) |
| The net revenues of certain activities of internal service funds is reported with governmental activities. | <u>(245,944)</u> |
| Changes in net assets of governmental activities | <u>\$ 13,363,333</u> |

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

**City of Tempe, Arizona
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual
For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual Amounts (budgetary basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------------|--|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 71,447,751 | \$ 71,447,751 | \$ 73,403,634 | \$ 1,955,883 |
| Intergovernmental | 32,466,160 | 32,466,160 | 34,076,257 | 1,610,097 |
| Investment income | 2,600,000 | 2,600,000 | 2,764,848 | 164,848 |
| Charges for services | 6,974,051 | 6,974,051 | 7,704,140 | 730,089 |
| Fines and forfeitures | 4,947,486 | 4,947,486 | 5,831,133 | 883,647 |
| Licenses and permits | 1,104,877 | 1,104,877 | 1,131,517 | 26,640 |
| Miscellaneous | 2,285,637 | 2,285,637 | 2,286,408 | 771 |
| Total revenues | <u>121,825,962</u> | <u>121,825,962</u> | <u>127,197,937</u> | <u>5,371,975</u> |
| Expenditures | | | | |
| Police | 46,266,001 | 46,629,399 | 47,152,367 | (522,968) |
| Fire | 15,389,129 | 16,360,163 | 16,359,383 | 780 |
| Community services | 17,405,253 | 17,479,793 | 17,307,973 | 171,820 |
| Public works | 12,953,151 | 13,540,181 | 12,968,518 | 571,663 |
| Community relations | 2,618,742 | 2,715,635 | 2,559,858 | 155,777 |
| Mayor and council | 374,066 | 420,513 | 420,240 | 273 |
| City manager | 269,047 | 269,047 | 266,044 | 3,003 |
| Diversity program | 430,513 | 454,055 | 468,027 | (13,972) |
| Internal audit/consulting | 412,235 | 412,235 | 404,985 | 7,250 |
| City clerk and elections | 669,770 | 669,770 | 638,446 | 31,324 |
| City attorney | 2,171,149 | 2,175,267 | 2,049,038 | 126,229 |
| Municipal courts | 3,077,668 | 3,161,135 | 3,183,941 | (22,806) |
| Development services | 6,846,657 | 7,113,227 | 6,242,938 | 870,289 |
| Economic development | 676,033 | 875,563 | 811,585 | 63,978 |
| Financial services | 3,990,060 | 4,030,678 | 3,542,677 | 488,001 |
| Human resources | 2,000,755 | 2,525,860 | 2,481,200 | 44,660 |
| Information technology | - | 742,697 | 225,307 | 517,390 |
| Non-departmental | 6,042,762 | 4,385,596 | 3,448,745 | 936,851 |
| Total expenditures | <u>121,592,991</u> | <u>123,960,814</u> | <u>120,531,272</u> | <u>3,429,542</u> |
| Other financing sources (uses) | | | | |
| Transfers from other funds | - | - | 120,165 | 120,165 |
| Transfers to other funds | (232,971) | (232,971) | (6,064,486) | (5,831,515) |
| Proceeds from sale of capital assets | - | - | 8,492,867 | 8,492,867 |
| Total other financing sources (uses) | <u>(232,971)</u> | <u>(232,971)</u> | <u>2,548,546</u> | <u>2,781,517</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (2,367,823)</u> | <u>9,215,211</u> | <u>\$ 11,583,034</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 | (1,419,876) |
| The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis | (515,443) |
| The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes | 1,150,721 |
| The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis | (264,187) |
| Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds | <u>\$ 8,166,426</u> |

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

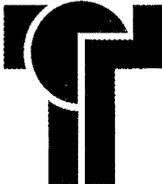
**City of Tempe, Arizona
Transit Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual
For the Year Ended June 30, 2004**

| | Budgeted Amounts | | Actual Amounts (budgetary basis) | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------------|------------------------|--|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 26,027,864 | \$ 26,027,864 | \$ 26,740,623 | \$ 712,759 |
| Intergovernmental | 5,817,697 | 5,817,697 | 6,579,945 | 762,248 |
| Investment income | 1,261,900 | 1,261,900 | 777,768 | (484,132) |
| Fines and forfeitures | 510,932 | 510,932 | 560,336 | 49,404 |
| Miscellaneous | - | - | 102,550 | 102,550 |
| Total revenues | <u>33,618,393</u> | <u>33,618,393</u> | <u>34,761,222</u> | <u>1,142,829</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works | 23,224,962 | 23,234,972 | 22,852,443 | 382,529 |
| Contingency | 449,232 | 449,232 | - | 449,232 |
| Debt service: | | | | |
| Principal retirement | 1,147,173 | 1,147,173 | - | 1,147,173 |
| Interest and fiscal fees | 2,200,000 | 2,200,000 | - | 2,200,000 |
| Total expenditures | <u>27,021,367</u> | <u>27,031,377</u> | <u>22,852,443</u> | <u>4,178,934</u> |
| Other financing sources (uses) | | | | |
| Transfers from other funds | 291,600 | 291,600 | 281,938 | (9,662) |
| Transfers to other funds | (18,330,070) | (18,330,070) | (18,334,570) | (4,500) |
| Total other financing sources (uses) | <u>(18,038,470)</u> | <u>(18,038,470)</u> | <u>(18,052,632)</u> | <u>(14,162)</u> |
| Net change in fund balance | <u>\$ (11,441,446)</u> | <u>\$ (11,451,454)</u> | <u>(6,143,853)</u> | <u>\$ 5,307,601</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 | (769,029) |
| The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis | (29,321) |
| The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes | 110,134 |
| The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis | (1,449) |
| Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds | <u>\$ (6,833,518)</u> |

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



City of Tempe, Arizona
Statement of Net Assets
Proprietary Funds
June 30, 2004

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|---------------------|---------------------|-----------------------|---|
| | Water and Wastewater | Refuse | Golf Course | Total | |
| Assets | | | | | |
| Current assets: | | | | | |
| Pooled cash and investments | \$ 79,039,833 | \$ 1,598,306 | \$ 795,523 | \$ 81,433,662 | \$ 6,058,475 |
| Restricted cash and investments | 8,933,705 | - | 134,912 | 9,068,617 | - |
| Accounts receivable, net | 4,882,815 | 681,526 | - | 5,564,341 | - |
| Accrued interest receivable | 593,841 | 49,512 | 14,379 | 657,732 | - |
| Inventories | 769,595 | - | - | 769,595 | - |
| Total current assets | <u>94,219,789</u> | <u>2,329,344</u> | <u>944,814</u> | <u>97,493,947</u> | <u>6,058,475</u> |
| Noncurrent assets: | | | | | |
| Capital improvement notes receivable | 3,258,112 | - | - | 3,258,112 | - |
| Equity in joint venture | 88,756,546 | - | - | 88,756,546 | - |
| Capital Assets: | | | | | |
| Land | 9,649,184 | - | 362,548 | 10,011,732 | - |
| Buildings | 46,401,242 | 1,265,783 | 1,822,663 | 49,489,688 | - |
| Infrastructure | 170,779,585 | - | - | 170,779,585 | - |
| Improvements | 95,484,945 | - | 4,498,598 | 99,983,543 | - |
| Machinery and equipment | 24,025,180 | 14,875,751 | 1,217,366 | 40,118,297 | - |
| Construction in progress | 523,753 | - | 54,052 | 577,805 | - |
| Less accumulated depreciation | <u>(157,231,009)</u> | <u>(12,603,642)</u> | <u>(4,190,871)</u> | <u>(174,025,522)</u> | <u>-</u> |
| Total capital assets (net of accumulated depreciation) | 189,632,880 | 3,537,892 | 3,764,356 | 196,935,128 | - |
| Total noncurrent assets | <u>281,647,538</u> | <u>3,537,892</u> | <u>3,764,356</u> | <u>288,949,786</u> | <u>-</u> |
| Total assets | <u>\$ 375,867,327</u> | <u>\$ 5,867,236</u> | <u>\$ 4,709,170</u> | <u>\$ 386,443,733</u> | <u>\$ 6,058,475</u> |

(continued)

City of Tempe, Arizona
Statement of Net Assets
Proprietary Funds
June 30, 2004

| | Business-type Activities- Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|--|---------------------|---------------------|-----------------------|--|
| | Water and Wastewater | Refuse | Golf Course | Total | |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 5,087,473 | \$ 636,830 | \$ 28,091 | \$ 5,752,394 | \$ 178,108 |
| Deposits | 753,776 | 32,083 | - | 785,859 | - |
| Accrued expenses | 2,068,194 | 522,126 | 162,344 | 2,752,664 | 4,306,638 |
| Total current liabilities | <u>7,909,443</u> | <u>1,191,039</u> | <u>190,435</u> | <u>9,290,917</u> | <u>4,484,746</u> |
| Current liabilities payable from restricted assets: | | | | | |
| Accrued interest payable | 2,283,986 | - | 14,838 | 2,298,824 | - |
| General obligation bonds- current | 6,595,000 | - | - | 6,595,000 | - |
| Tempe Municipal Property Corporation bonds payable | - | - | 120,000 | 120,000 | - |
| Total current liabilities payable from restricted assets | <u>8,878,986</u> | <u>-</u> | <u>134,838</u> | <u>9,013,824</u> | <u>-</u> |
| Noncurrent liabilities: | | | | | |
| General obligation bonds payable | 103,735,000 | - | - | 103,735,000 | - |
| Tempe Municipal Property Corporation bonds payable | - | - | 400,000 | 400,000 | - |
| Total noncurrent liabilities | <u>103,735,000</u> | <u>-</u> | <u>400,000</u> | <u>104,135,000</u> | <u>-</u> |
| Total liabilities | <u>120,523,429</u> | <u>1,191,039</u> | <u>725,273</u> | <u>122,439,741</u> | <u>4,484,746</u> |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 168,059,426 | 3,537,892 | 3,244,356 | 174,841,674 | - |
| Restricted: | | | | | |
| Debt service | 8,878,986 | - | 134,838 | 9,013,824 | - |
| Unrestricted | 78,405,486 | 1,138,305 | 604,703 | 80,148,494 | 1,573,729 |
| Total net assets | <u>\$ 255,343,898</u> | <u>\$ 4,676,197</u> | <u>\$ 3,983,897</u> | <u>\$ 264,003,992</u> | <u>\$ 1,573,729</u> |

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

City of Tempe, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

| | Business-type Activities- Enterprise Funds | | | Governmental Activities- Internal Service Funds |
|--|--|---------------------|---------------------|--|
| | Water and Wastewater | Refuse | Golf Course | |
| Operating revenues: | | | | |
| Charges for services | \$ 42,604,532 | \$ 11,014,949 | \$ 2,020,132 | \$ 55,639,613 |
| Miscellaneous | 567,189 | - | - | 567,189 |
| Total operating revenues | <u>43,171,721</u> | <u>11,014,949</u> | <u>2,020,132</u> | <u>56,206,802</u> |
| Operating expenses: | | | | |
| Personal services | 11,234,082 | 3,899,045 | 1,056,830 | 16,189,957 |
| Supplies and materials | 1,650,383 | 227,411 | 271,432 | 2,149,226 |
| Fees and services | 14,383,507 | 5,883,232 | 629,575 | 20,896,314 |
| Depreciation | 9,239,753 | 902,619 | 364,060 | 10,506,432 |
| Total operating expenses | <u>36,507,725</u> | <u>10,912,307</u> | <u>2,321,897</u> | <u>49,741,929</u> |
| Operating income (loss) | 6,663,996 | 102,642 | (301,765) | 6,464,873 |
| Nonoperating revenues (expenses): | | | | |
| Investment income | 942,160 | 9,083 | 7,838 | 959,081 |
| Interest and fiscal fees | (4,749,898) | - | (31,689) | (4,781,587) |
| Gain on sale of capital asset | 24,400 | - | - | 24,400 |
| Net loss from joint venture | (1,481,613) | - | - | (1,481,613) |
| Income (loss) before operating transfers | <u>1,399,045</u> | <u>111,725</u> | <u>(325,616)</u> | <u>1,185,154</u> |
| Capital contributions | 751,525 | - | - | 751,525 |
| Transfers in | 2,037,016 | - | 39,923 | 2,076,939 |
| Transfers out | (1,877,189) | - | - | (1,877,189) |
| Change in net assets | <u>2,310,397</u> | <u>111,725</u> | <u>(285,693)</u> | <u>2,136,429</u> |
| Total net assets- beginning | 253,033,501 | 4,564,472 | 4,269,590 | 261,867,563 |
| Total net assets- ending | <u>\$ 255,343,898</u> | <u>\$ 4,676,197</u> | <u>\$ 3,983,897</u> | <u>\$ 264,003,992</u> |

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

City of Tempe, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

| | Business-type Activities- Enterprise Funds | | | | Total | Governmental Activities- Internal Service Funds |
|---|--|---------------------|--------------------|-----------------------|-----------------------|---|
| | Water and Wastewater | Refuse | Golf Course | | | |
| Cash flows from operating activities: | | | | | | |
| Receipts from customers | \$ 44,130,210 | \$ 11,117,723 | \$ 1,940,132 | \$ 57,188,065 | \$ 18,310,825 | |
| Receipts from other funds | (10,934,757) | (3,828,319) | (1,048,665) | (15,811,741) | - | |
| Payments to employees for services | (14,072,623) | (5,782,949) | (930,447) | (20,786,019) | - | |
| Payment for premiums and settlement of claims | - | - | - | - | (19,496,460) | |
| Net cash provided (used) by operating activities | <u>19,122,830</u> | <u>1,506,455</u> | <u>(38,980)</u> | <u>20,590,305</u> | <u>(1,185,635)</u> | |
| Cash flows from noncapital financing activities: | | | | | | |
| Transfers in | 2,037,016 | - | 39,923 | 2,076,939 | - | |
| Transfers out | (1,877,189) | - | - | (1,877,189) | - | |
| Net cash provided by noncapital financing activities | <u>159,827</u> | <u>-</u> | <u>39,923</u> | <u>199,750</u> | <u>-</u> | |
| Cash flows from capital and related financing activities: | | | | | | |
| Proceeds from sale of bonds | 12,750,000 | - | - | 12,750,000 | - | |
| Principal paid on long-term debt | (6,080,000) | - | (110,000) | (6,190,000) | - | |
| Interest and fiscal fees | (4,388,817) | - | (34,741) | (4,423,558) | - | |
| Acquisition of capital assets | (14,334,329) | (345,066) | (36,817) | (14,716,212) | - | |
| Capital contributions | 751,525 | - | - | 751,525 | - | |
| Proceeds from the sale of assets | 24,400 | - | - | 24,400 | - | |
| Investment in joint venture | (12,991,529) | - | - | (12,991,529) | - | |
| Net cash used by capital and related financing activities | <u>(24,268,750)</u> | <u>(345,066)</u> | <u>(181,558)</u> | <u>(24,795,374)</u> | <u>-</u> | |
| Cash flows from investing activities: | | | | | | |
| Interest received | 812,840 | 8,164 | 6,772 | 827,776 | - | |
| Collection of notes receivable | 396,643 | - | - | 396,643 | - | |
| Net cash provided by investing activities | <u>1,209,483</u> | <u>8,164</u> | <u>6,772</u> | <u>1,224,419</u> | <u>-</u> | |
| Cash and cash equivalents at beginning of year | (3,776,610) | 1,169,553 | (173,843) | (2,780,900) | (1,185,635) | |
| Cash and cash equivalents at end of year | 91,750,148 | 428,753 | 1,104,278 | 93,283,179 | 7,244,110 | |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | <u>\$ 87,973,538</u> | <u>\$ 1,598,306</u> | <u>\$ 930,435</u> | <u>\$ 90,502,279</u> | <u>\$ 6,058,475</u> | |
| Operating income (loss) | \$ 6,663,996 | \$ 102,642 | \$ (301,765) | \$ 6,464,873 | \$ (245,944) | |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | 9,239,753 | 902,619 | 364,060 | 10,506,432 | - | |
| Change in assets and liabilities: | | | | | | |
| (Increase) decrease in receivables | 958,489 | 102,774 | - | 1,061,263 | - | |
| (Increase) decrease in inventories | (231,962) | - | - | (231,962) | - | |
| Increase (decrease) in deposits | (87,416) | 17,168 | - | (70,248) | - | |
| Increase (decrease) in payables | 2,280,645 | 310,526 | (109,440) | 2,481,731 | - | |
| Increase (decrease) in accrued expenses | 299,325 | 70,726 | 8,165 | 378,216 | (939,691) | |
| Net cash provided (used) by operating activities | <u>\$ 19,122,830</u> | <u>\$ 1,506,455</u> | <u>\$ (38,980)</u> | <u>\$ 20,590,305</u> | <u>\$ (1,185,635)</u> | |
| Noncash investing, capital, and financing activities: | | | | | | |
| Net loss from joint venture | \$ (1,481,613) | \$ - | \$ - | \$ (1,481,613) | \$ - | |
| Total noncash investing, capital, and financing activities: | <u>\$ (1,481,613)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,481,613)</u> | <u>\$ -</u> | |

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





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 all its component units, collectively referred to as "the financial reporting entity". In accordance with the Governmental Accounting Standards Board's ("GASB") Statement 14, as amended, the component units discussed below have been included in the City's financial reporting entity because of the significance of their financial relationships with the City.

City of Tempe Municipal Property Corporation: The Tempe Municipal Property Corporation (the "Municipal Property Corporation") is a nonprofit corporation organized under the laws of the State of Arizona to assist the City in financing its capital improvements projects.

Tempe Sports Authority Corporation: The Tempe Sports Authority Corporation is a nonprofit corporation organized under the laws of the State of Arizona for the express purpose of aiding and assisting the City in financing municipal facilities.

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.

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

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole and its component units) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the City as a whole or major individual funds (within the 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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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 general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. 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 Fund Types

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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Fund Types (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, general 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 Proprietary Funds). Three capital project funds are presented as major funds in the basic financial statements:

Performing Arts Capital Projects Fund - used for the construction of the performing and visual arts center.

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

Community Development Capital Projects 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.

Proprietary Fund Types

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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Fund Types (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 8). 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.

Refuse 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.

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.

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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 biennial 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.

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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 proprietary 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

Even though Tempe has adopted a biennial budget plan, State law mandates that cities and towns adopt a budget annually. As a result, an operating budget is legally adopted by resolution 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 biennial 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 3 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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenditure Limitation

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments, which restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimates Commission to determine each year the expenditure limitation for the following fiscal year for each city. The limitation is calculated based upon the amount of FY 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population and inflation to reach the expenditure limitations. The City of Tempe's 2003-2004 Expenditure Limitation is \$235,178,143.

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

Inventories consist of expendable supplies held for consumption. The Enterprise Fund inventory and the auto parts inventory in the General Fund are valued at average cost. Other inventories in the General Fund and inventory in the Special Revenue Funds are valued at cost as determined on the first-in first-out ("FIFO") basis. Inventories are accounted for using the consumption method.



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 fixed 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 | 30-70 |
| Improvements | 10-50 |
| Machinery and equipment | 5-20 |
| Infrastructure | 20-100 |

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. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these 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 (not more than 240 hours) 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



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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.

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.



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds differ from net assets of governmental activities reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

| | Total Governmental Funds | Long-term Assets, Liabilities (1) | Internal Service Funds (2) | Reclassifications and Eliminations | Statement of Net Assets |
|---|--------------------------------|---|----------------------------------|---------------------------------------|----------------------------|
| Assets | | | | | |
| Pooled cash and investments | \$210,269,641 | \$ - | \$6,058,475 | \$ - | \$216,328,116 |
| Receivables: | | | | | |
| Taxes | 10,622,028 | - | - | - | 10,622,028 |
| Accounts | 3,312,178 | - | - | - | 3,312,178 |
| Accrued interest | 1,498,489 | - | - | - | 1,498,489 |
| Due from other funds | 734,814 | - | - | (734,814) | - |
| Due from other governments | 13,301,591 | - | - | - | 13,301,591 |
| Inventories | 1,018,194 | - | - | - | 1,018,194 |
| Restricted cash and investments | 35,230,463 | - | - | - | 35,230,463 |
| Special assessments | 16,759,474 | - | - | - | 16,759,474 |
| Capital assets (net): | - | 638,434,569 | - | - | 638,434,569 |
| Total assets | 292,746,872 | 638,434,569 | 6,058,475 | (734,814) | 936,505,102 |
| Liabilities | | | | | |
| Accounts payable | 18,960,198 | - | 178,108 | - | 19,138,306 |
| Deposits | 7,662,168 | - | - | - | 7,662,168 |
| Accrued expenditures (due within 1 year) | 5,089,214 | - | 4,306,638 | - | 9,395,852 |
| Claims and judgements (<1 year) | 878,846 | - | - | - | 878,846 |
| Compensated absences (<1 year) | - | - | - | - | - |
| Due to other funds | 734,814 | - | - | (734,814) | - |
| Due to other governments | 53,004 | - | - | - | 53,004 |
| Deferred revenue | 20,948,334 | (15,337,217) | - | - | 5,611,117 |
| Matured bonds payable (restrict) | 7,995,000 | - | - | - | 7,995,000 |
| Matured interest payable (restrict) | 3,729,490 | - | - | - | 3,729,490 |
| Capital Leases | - | 7,186,712 | - | - | 7,186,712 |
| Capital improvement notes payable | - | 9,638,112 | - | - | 9,638,112 |
| Long term debt | - | 186,735,000 | - | - | 186,735,000 |
| Compensated absences (>1 year) | - | 11,488,907 | - | - | 11,488,907 |
| Claims and judgements (>1 year) | - | 4,581,709 | - | - | 4,581,709 |
| Total liabilities | 66,051,068 | 204,293,223 | 4,484,746 | (734,814) | 274,094,223 |
| Fund balance/net assets | | | | | |
| Total fund balance/net assets | 226,695,804 | 434,141,346 | 1,573,729 | - | 662,410,879 |
| Total liabilities and fund balances/net assets | <u>\$292,746,872</u> | <u>\$638,434,569</u> | <u>\$6,058,475</u> | <u>\$ (734,814)</u> | <u>\$936,505,102</u> |



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (Continued)

(1) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

| | |
|--------------------------|----------------------|
| Cost of capital assets | \$961,998,342 |
| Accumulated depreciation | <u>(323,563,773)</u> |
| | <u>\$638,434,569</u> |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

| | |
|---|----------------------|
| Compensated absences | \$11,488,907 |
| Claims and judgements | 4,581,709 |
| Bonds, capital improvement notes and capital leases | <u>203,559,824</u> |
| | <u>\$219,630,440</u> |

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. Deferred revenue for the long-term special assessment receivables shown on the governmental fund statements is not deferred on the statement of net assets.

| | |
|-------------------------------------|---------------------|
| Deferred special assessment revenue | \$ 16,759,474 |
| Deferred tax revenue | 502,979 |
| Deferred court revenue | 1,262,982 |
| Unamortized premium | <u>(3,188,218)</u> |
| | <u>\$15,337,217</u> |

(2) Internal service funds are used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

\$1,573,729



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds differ from the change in net assets for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

| | Total Governmental Funds | Long-term Revenues/ Expenditures (3) | Capital- related Items (4) | Long-term Debt Transactions (5) | Internal Service Funds (6) | Statement of Activities |
|------------------------------|--------------------------------|---|----------------------------------|--|-------------------------------------|----------------------------|
| Revenues | | | | | | |
| Taxes: | | | | | | |
| Sales taxes | \$95,749,081 | \$ - | \$ - | \$ - | \$ - | \$95,749,081 |
| Property taxes | 22,466,877 | 113,801 | - | - | - | 22,580,678 |
| Franchise taxes | 1,457,085 | - | - | - | - | 1,457,085 |
| Intergovernmental: | | | | | | |
| Federal grants | 17,836,415 | - | - | - | - | 17,836,415 |
| State grants | 1,097,151 | - | - | - | - | 1,097,151 |
| State sales tax | 24,326,878 | - | - | - | - | 24,326,878 |
| State income tax | 14,303,004 | - | - | - | - | 14,303,004 |
| Auto lieu tax | 6,427,396 | - | - | - | - | 6,427,396 |
| Other | 4,301,737 | - | - | - | - | 4,301,737 |
| Investment income | 2,336,129 | - | - | - | - | 2,336,129 |
| Charges for services | 14,027,946 | 329,535 | - | - | - | 14,357,481 |
| Fines and forfeitures | 7,230,067 | - | - | - | - | 7,230,067 |
| Special assessments | 2,781,314 | (1,755,382) | - | - | - | 1,025,932 |
| Licenses and permits | 1,131,517 | - | - | - | - | 1,131,517 |
| Miscellaneous | 3,669,815 | - | - | - | - | 3,669,815 |
| Total Revenues | 219,142,412 | (1,312,046) | - | - | - | 217,830,366 |
| Expenditures/expenses | | | | | | |
| Current: | | | | | | |
| Police | 48,576,160 | 252,971 | 1,144,860 | - | - | 49,973,991 |
| Fire | 15,622,805 | 1,327,831 | 39,746 | - | - | 16,990,382 |
| Community services | 18,809,726 | 118,138 | 1,701,972 | - | - | 20,629,836 |
| Public works | 43,811,239 | 1,321,239 | 16,908,805 | (226,413) | - | 61,814,870 |
| Community relations | 2,414,527 | 38,624 | 19,815 | - | - | 2,472,966 |
| Mayor and council | 407,818 | - | - | - | - | 407,818 |
| City manager | 254,578 | (55,937) | 11,189 | - | - | 209,830 |
| Diversity program | 472,233 | 33,632 | - | - | - | 505,865 |
| Internal audit/consulting | 408,862 | 31,798 | - | - | - | 440,660 |
| City clerk and elections | 641,753 | 9,478 | 1,211 | - | - | 652,442 |
| City attorney | 2,079,092 | 7,917 | - | - | - | 2,087,009 |
| Municipal courts | 4,039,664 | 51,017 | (37,554) | - | - | 4,053,127 |
| Development services | 17,285,467 | 10,769 | 1,815,486 | - | - | 19,111,722 |
| Economic development | 4,002,794 | 16,716 | 2,455 | - | - | 4,021,965 |
| Financial services | 3,743,137 | 9,853 | 193,248 | - | - | 3,946,238 |
| Human resources | 2,388,877 | 27,243 | 2,485 | - | - | 2,418,605 |
| Information technology | 633,533 | 106,841 | 2,185,571 | (645,228) | - | 2,280,717 |
| Non-departmental | 3,440,150 | - | 6,359,211 | (408,102) | 245,944 | 9,637,203 |



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities
(Continued)

| | | | | | | |
|---|---------------------|----------------------|---------------------|-----------------------|--------------------|----------------------|
| Debt Service: | | | | | | |
| Principal retirement | 10,345,000 | - | - | (10,345,000) | - | - |
| Interest and fiscal fees | 8,470,153 | - | - | 504,674 | - | 8,974,827 |
| Capital outlay | 52,669,125 | - | (52,669,125) | - | - | - |
| Total expenditures | <u>240,516,693</u> | <u>3,308,130</u> | <u>(22,320,625)</u> | <u>(11,120,069)</u> | <u>245,944</u> | <u>210,630,073</u> |
| Other financing sources (uses)/changes in net assets | | | | | | |
| Operating transfers, net | (199,750) | - | - | - | - | (199,750) |
| Issuance of debt | 30,560,000 | - | - | (30,560,000) | - | - |
| Premium on issuance of debt | 1,861,088 | - | - | (1,861,088) | - | - |
| Capital lease proceeds | 633,533 | - | - | (633,533) | - | - |
| Proceeds from sale of capital assets | 8,492,867 | - | (8,492,867) | - | - | - |
| Proceeds of refunding bonds | 24,945,000 | - | - | (24,945,000) | - | - |
| Payment to refunded bond Escrow agent | (24,145,002) | - | - | 24,145,002 | - | - |
| Gain on sale of capital assets | - | - | 6,362,790 | - | - | 6,362,790 |
| Total other financing sources (uses)/changes in net assets | <u>42,147,736</u> | <u>-</u> | <u>(2,130,077)</u> | <u>(33,854,619)</u> | <u>-</u> | <u>6,163,040</u> |
| Net change for the year | <u>\$20,773,455</u> | <u>\$(4,620,176)</u> | <u>\$20,190,548</u> | <u>\$(22,734,550)</u> | <u>\$(245,944)</u> | <u>\$ 13,363,333</u> |

(3) Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. The revenue is however recognized in the government-wide statements. At the time that the revenue is received, it is recorded in the governmental funds and reversed from the government-wide statements.

| | |
|------------------------------|-----------------------|
| Property tax | \$ 113,801 |
| Court revenue | 329,535 |
| Special assessments received | <u>(1,755,382)</u> |
| | <u>\$ (1,312,046)</u> |

Some expenses 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.

| | |
|--|-----------------------|
| Accrual for compensated absences and long-term claims and judgements | <u>\$ (3,308,130)</u> |
|--|-----------------------|



NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities
(Continued)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

| | |
|-----------------------|---------------------|
| Capital expenditures | \$49,331,483 |
| Depreciation expenses | <u>(29,140,935)</u> |
| Difference | <u>\$20,190,548</u> |

(5) Capital Lease Payments are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because the current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to the lessor. Conversely, capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, entering into capital leases increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

| | |
|--------------------------|-------------------|
| Principal payments made | \$ 883,100 |
| Capital lease agreements | <u>(633,533)</u> |
| Difference | <u>\$ 249,567</u> |

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

| | |
|-------------------------------------|---------------------|
| Bond issuance costs | \$ (353,641) |
| Amortization of bond issuance costs | <u>(151,033)</u> |
| Difference | <u>\$ (504,674)</u> |

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

| | |
|---------------------------------|----------------------|
| Principal payments made | \$ 10,741,643 |
| Payment made to refunding agent | <u>24,145,002</u> |
| | <u>\$ 34,886,645</u> |

Issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

| | |
|------------------------------------|-----------------------|
| General obligation bonds | \$(32,421,088) |
| Refunding general obligation bonds | <u>(24,945,000)</u> |
| | <u>\$(57,366,088)</u> |

(6) 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 for the year.

| | |
|--|---------------------|
| | <u>\$ (245,944)</u> |
|--|---------------------|



NOTE 3 - 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 Balances - 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).

NOTE 4 - 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 2004 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.



NOTE 5 - 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 \$5,575,589 and the bank balance was \$10,065,691. Of the bank balance, \$200,000 was covered by federal depository insurance (Category 1) and \$9,865,691 was covered by collateral held in the pledging bank's trust department in the City's name (Category 2).

Investments

City Charter, Ordinance, and Trust Agreements authorize the City to invest in U.S. government, federal agency, and instrumentality obligations. In addition, the City may invest in certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements, and the State of Arizona's 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 State Treasurer's office is under the control of the Arizona State Legislature.

The City's investments at June 30, 2004 stated at fair value, are categorized below to give an indication of the level of risk assumed by the City. Category 1 includes investments that are insured or registered or for which the securities are held or registered by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department in the City's name. Category 3 includes uninsured and unregistered investments for which the securities custodian is the counterparty.

| | Category 1 | Category 2 | Category 3 | Carrying Amount |
|----------------------------|----------------------|---------------------|---------------|--------------------|
| U.S. Government Securities | \$148,795,491 | \$79,522,953 | \$ - | \$228,318,444 |
| Repurchase Agreements | - | 15,890,697 | - | 15,890,697 |
| | <u>\$148,795,491</u> | <u>\$95,413,650</u> | <u>\$ -</u> | |

Investments in State of Arizona Local Government Investment Pools:

| | |
|-----------------------------------|----------------------|
| LGIP | 51,810,707 |
| LGIP-GOVT | 14,216,501 |
| Investments in Money Market Funds | 26,248,920 |
| Total Investments | <u>\$336,485,269</u> |



NOTE 5 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

Reconciliation of pooled cash and investments as reported on the Government-wide Statement of Net Assets

| | |
|--|----------------------|
| Carrying Amount of Investments | \$336,485,269 |
| Carrying Amount of Cash Deposits | 5,575,589 |
| Total Pooled Cash and Investments | <u>\$342,060,858</u> |
| Pooled Cash and Investments – unrestricted | \$297,761,778 |
| Restricted Cash and Investments | 44,299,080 |
| Total Pooled Cash and Investments | <u>\$342,060,858</u> |

The City had a net decrease in the fair value of investments during fiscal year 2003/04 of \$3,386,302. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

NOTE 6 - DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS

Due to/from other funds consisted of the following at June 30, 2004:

| | <u>Due to</u> | <u>Due from</u> |
|--|------------------|------------------|
| General Fund | \$ - | \$734,814 |
| Performing Arts Capital Projects | 453,015 | - |
| Community Development Capital Projects | 75,295 | - |
| Nonmajor Governmental | 206,504 | - |
| | <u>\$734,814</u> | <u>\$734,814</u> |

The interfund balances at June 30, 2004 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2004 are expected to be repaid within one year.

| | | Transfers Out | | | | | | | |
|--------------|--|----------------------|---------------------|--------------------|------------------|--------------------|--------------------|--------------------|---------------------|
| | | General | | | Community | | | | |
| | | Transit | Obligation | Transit | Development | Nonmajor | Water and | | |
| | | Special | Debt | Capital | Capital | Govern- | Wastewater | Total | |
| | | Revenue | Service | Projects | Projects | mental | | | |
| Transfers In | General | | | | | | | | |
| | General | \$ - | \$ 4,500 | \$ - | \$ - | \$ 3,936 | \$ 70,283 | \$ 41,446 | \$ 120,165 |
| | Transit special revenue | - | - | - | - | - | 281,938 | - | 281,938 |
| | General obligation debt service | - | - | - | - | - | 2,000,000 | - | 2,000,000 |
| | Special assessments | - | - | - | - | - | 405,126 | - | 405,126 |
| | Performing arts | - | - | - | - | - | 400,000 | - | 400,000 |
| | Transit capital projects | - | 17,655,070 | - | - | 941,140 | 50,553 | - | 18,646,763 |
| | Community development capital projects | 246,926 | - | - | 615,070 | - | 68,428 | 1,622,243 | 2,552,667 |
| | Nonmajor governmental | 5,544,666 | 675,000 | 3,091,901 | - | 168,500 | 1,161,385 | 213,500 | 10,854,952 |
| | Water and wastewater | 232,971 | - | 1,227,000 | 245,700 | - | 331,345 | - | 2,037,016 |
| | Golf | 39,923 | - | - | - | - | - | - | 39,923 |
| | Total | <u>\$6,064,486</u> | <u>\$18,334,570</u> | <u>\$4,318,901</u> | <u>\$860,770</u> | <u>\$1,113,576</u> | <u>\$4,769,058</u> | <u>\$1,877,189</u> | <u>\$37,338,550</u> |

The interfund transfers generally fall within one of the following categories: 1) pay-as-you-go financing transfers into capital project funds; 2) transfers to cover debt service payments; or 3) transfers to cover operating expenditures in accordance with City policy. There were no significant transfers during fiscal year 2004 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.



NOTE 7 - CAPITAL IMPROVEMENT NOTES RECEIVABLE

Capital improvement notes receivable represent loans to provide long-term financing for certain major capital improvement projects. Repayment of the receivable to the Water and Wastewater Fund will be made from the General and Highway User Special Revenue funds.

At June 30, 2004, capital improvement notes receivable totaled \$3,258,112 in the Water and Wastewater Fund. The notes bear interest at 4.00% (see Note 10).

NOTE 8 - JOINT VENTURE

The City currently participates in two joint ventures, the Subregional Operating Group and the 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 sewerage 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 June 30, 2003 (the latest information available), the City has a 15% equity interest or purchased capacity in the 91st Avenue Wastewater Treatment Plant and other varied, yet less significant percentages of equity interest in the other jointly used facilities. Purchased capacity is a measure of the right of use owned by the City in the total capacity of the wastewater treatment plant. The City contributes to capital improvements based upon equity interest and contributes to operating and maintenance expenses based upon proportional flow and sewage strength. The City has financed its share of capital improvement costs through the issuance of general obligation bonds, development fees and grants. The bonds are collateralized by a pledge of water revenues and are recorded in the Water and Wastewater Enterprise Fund. 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, 2003 (the latest information available) is as follows (in thousands):

| | |
|---|------------------|
| Total assets | \$518,715 |
| Total liabilities | <u>(50,872)</u> |
| Total net assets | <u>\$467,843</u> |
| | |
| Total revenues | \$100,567 |
| Total expenses | (44,355) |
| Total non-operating revenues (expenses) | <u>475</u> |
| Net increase in net assets | <u>\$ 56,687</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, 2004, was \$88,756,546. The City's net loss from joint venture was \$1,481,613 for the fiscal year ended June 30, 2004. 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.



NOTE 8 - 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. The Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint powers agreement between the cities. The 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 budget.

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 based on the number of rail mileage located within each City. The City expended \$22.8 million in the fiscal year ended June 30, 2004. These expenditures were reflected in the financial statements as capital outlay in the Transit Capital Projects fund and as construction in process in the government-wide financial statements. Therefore, the City does not have an equity interest at June 30, 2004. Separate financial statements may be obtained from Valley Metro Rail, Inc., 411 North Central Avenue, Suite 200, Phoenix, Arizona 85004.

NOTE 9 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ended June 30, 2004 is as follows:

| | Balances June 30, 2003 | Additions | Retirements | Transfers in (out) | Balances June 30, 2004 |
|---|---------------------------|--------------|----------------|-----------------------|---------------------------|
| Governmental activities: | | | | | |
| Non-depreciable assets: | | | | | |
| Land | \$ 45,103,658 | \$ - | \$ (2,130,077) | \$ (6,296,656) | \$ 36,676,925 |
| Construction-in-progress | 23,002,378 | 52,669,124 | (3,210,765) | (14,461,544) | 57,999,193 |
| Total non-depreciable assets | 68,106,036 | 52,669,124 | (5,340,842) | (20,758,200) | 94,676,118 |
| Depreciable assets: | | | | | |
| Buildings | 111,769,859 | 29,000 | - | 623,328 | 112,422,187 |
| Infrastructure | 583,730,695 | - | - | 4,911,782 | 588,642,477 |
| Improvements | 51,991,113 | 67,879 | - | 10,161,147 | 62,220,139 |
| Machinery and equipment | 97,370,559 | 1,888,502 | (283,583) | 5,061,943 | 104,037,421 |
| Total depreciable assets | 844,862,226 | 1,985,381 | (283,583) | 20,758,200 | 867,322,224 |
| Accumulated depreciation: | | | | | |
| Buildings | (22,592,847) | (3,144,574) | - | - | (25,737,421) |
| Infrastructure | (197,497,025) | (13,488,068) | - | - | (210,985,093) |
| Improvements | (16,046,094) | (2,081,295) | - | - | (18,127,389) |
| Machinery and equipment | (58,588,275) | (10,426,997) | 301,402 | - | (68,713,870) |
| Total accumulated depreciation | (294,724,241) | (29,140,934) | 301,402 | - | (323,563,773) |
| Governmental activities capital assets, net | \$618,244,021 | \$25,513,571 | \$ (5,323,023) | \$ - | \$638,434,569 |



NOTE 9 - CAPITAL ASSETS (Continued)

| | Balances June 30, 2003 | Additions | Retirements | Transfers in (out) | Balances June 30, 2004 |
|--|---------------------------|---------------------|-------------|-----------------------|---------------------------|
| Business-type activities: | | | | | |
| Non-depreciable assets: | | | | | |
| Land | \$ 9,935,732 | \$ - | \$ - | \$ 76,000 | \$ 10,011,732 |
| Construction-in-progress | 7,227,605 | 14,203,997 | - | (20,853,797) | 577,805 |
| Total non-depreciable assets | 17,163,337 | 14,203,997 | - | (20,777,797) | 10,589,537 |
| Depreciable assets: | | | | | |
| Buildings | 49,080,864 | - | - | 408,824 | 49,489,688 |
| Infrastructure | 167,903,618 | - | - | 2,875,967 | 170,779,585 |
| Improvements | 83,111,165 | - | - | 16,872,378 | 99,983,543 |
| Machinery and equipment | 39,186,866 | 512,214 | (201,411) | 620,628 | 40,118,297 |
| Total depreciable assets | 339,282,513 | 512,214 | (201,411) | 20,777,797 | 360,371,113 |
| Accumulated depreciation: | | | | | |
| Buildings | (13,249,011) | (1,096,366) | - | - | (14,345,377) |
| Infrastructure | (82,664,450) | (3,779,587) | - | - | (86,444,037) |
| Improvements | (39,149,921) | (3,222,032) | - | - | (42,371,953) |
| Machinery and equipment | (28,657,120) | (2,408,446) | 201,411 | - | (30,864,155) |
| Total accumulated depreciation | (163,720,502) | (10,506,431) | 201,411 | - | (174,025,522) |
| Business-type activities capital assets, net | <u>\$ 192,725,348</u> | <u>\$ 4,209,780</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$196,935,128</u> |

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

| | |
|----------------------------|----------------------|
| Police | \$ 1,099,848 |
| Fire | 935,889 |
| Community services | 1,051,458 |
| Public works | 17,043,711 |
| Community relations | 19,815 |
| City manager | 11,189 |
| City clerk and elections | 1,211 |
| Municipal courts | 17,104 |
| Development services | 385,743 |
| Economic development | 16,326 |
| Financial services | 50,755 |
| Human resources | 2,485 |
| Information technology | 2,146,189 |
| Non-departmental | 6,359,211 |
| Total depreciation expense | <u>\$ 29,140,934</u> |



NOTE 10 - 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 addition, general obligation bonds have been issued to refund 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, 2004, 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% | \$ 9,835,000 |
| \$26,300,000 1995 Capital Improvement Serial Bonds due in annual installments of \$800,000 to \$2,130,000 beginning July 1, 1997 through July 1, 2015; interest at 4.50% to 6.50% | 9,160,000 |
| \$14,500,000 1997 Capital Improvement Serial Bonds due in annual installments of \$300,000 to \$1,150,000 beginning July 1, 1998 through July 1, 2017; interest at 5.125% to 6.625% | 3,405,000 |
| \$12,755,000 1998 Capital Improvements Refunding Issue Serial Bonds due in annual installments of \$90,000 to \$2,450,000 beginning July 1, 2002 through July 1, 2010; interest at 4.25% to 4.90% | 10,125,000 |
| \$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% | 29,000,000 |
| \$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% | 21,925,000 |
| \$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% | 8,800,000 |
| \$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% | 20,585,000 |
| \$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% | 43,865,000 |
| \$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% | 19,900,000 |
| \$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% | <u>18,775,000</u> |
| Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding) | <u>\$195,375,000</u> |

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, 2004, the special assessments receivable of \$16,759,474, 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, 2004, were as follows:

| | |
|--|---------------------|
| \$28,185,000 Special Assessment Bonds Payable with Governmental Commitment issued May 1, 1985 through April 6, 1999; maturing through January 1, 2015; due in annual installments of \$5,000 to \$1,655,000; interest at 4.700% to 10.125% | <u>\$16,725,000</u> |
|--|---------------------|



NOTE 10 - LONG-TERM DEBT (Continued)

Tempe Municipal Property Corporation Bonds. In 1992, the Corporation issued \$1,400,000 of excise tax revenue bonds. Proceeds were used to renovate and replace the irrigation system at the City's Ken McDonald Municipal Golf Course and pay costs incurred to issue the bonds.

The City has entered into contracts with the Corporation whereby the City will pay the Corporation amounts sufficient to retire the above Corporation bonds and related interest. The City has collateralized all the bonds of the Corporation by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

Tempe Municipal Property Corporation Bonds (TMPC) outstanding at June 30, 2004 are as follows:

| | |
|--|-------------------|
| \$1,400,000 1992 Excise Tax Revenue Bonds due in annual installments of \$70,000 to \$140,000 through July 1, 2007; interest rate at 5.5% to 7.1%; retirements are to a sinking fund account | <u>\$ 400,000</u> |
|--|-------------------|

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

| | |
|--|---------------------|
| \$5,110,000 1999 Refunding Certificates of Participation due in annual installments of \$400,000 to \$625,000 through July 1, 2009; interest at 4.20% to 4.90% | <u>\$ 2,840,000</u> |
|--|---------------------|

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

| | |
|--|---------------------|
| \$39,275,000 2003 Excise Tax Revenue Refunding Obligations due in annual installments of \$475,000 to \$2,950,000 through July 1, 2023; interest at 2.00% to 5.25% | <u>\$37,935,000</u> |
|--|---------------------|



NOTE 10 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Refunding Obligations (Continued)

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

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2005 | \$ 1,365,000 | \$ 1,722,941 | \$ 3,087,941 |
| 2006 | 1,395,000 | 1,692,229 | 3,087,229 |
| 2007 | 1,430,000 | 1,659,098 | 3,089,098 |
| 2008 | 1,470,000 | 1,620,488 | 3,090,488 |
| 2009 | 1,540,000 | 1,546,988 | 3,086,988 |
| 2010-2014 | 8,780,000 | 6,662,715 | 15,442,715 |
| 2015-2019 | 10,970,000 | 4,472,039 | 15,442,039 |
| 2020 | 10,985,000 | 1,362,252 | 12,347,252 |
| | <u>\$ 37,935,000</u> | <u>\$ 20,738,750</u> | <u>\$ 58,673,750</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.

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.



NOTE 10 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

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

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

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2005 | \$ 1,500,000 | \$ 2,021,108 | \$ 3,521,108 |
| 2006 | 1,695,000 | 1,831,888 | 3,526,888 |
| 2007 | 1,780,000 | 1,747,138 | 3,527,138 |
| 2008 | 1,835,000 | 1,684,838 | 3,519,838 |
| 2009 | 1,910,000 | 1,611,438 | 3,521,438 |
| 2010-2014 | 11,140,000 | 6,470,102 | 17,610,102 |
| 2015-2019 | 14,385,000 | 3,222,452 | 17,607,452 |
| 2020 | 3,350,000 | 175,868 | 3,525,868 |
| | <u>\$ 37,595,000</u> | <u>\$ 18,764,832</u> | <u>\$ 56,359,832</u> |



NOTE 10 - 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 7).

Capital improvement notes outstanding at June 30, 2004 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% | \$ 3,258,112 |
| \$17,310,000 2000A capital improvement excise tax obligations due in semi-annual payments from January 1, 2001, through July 1, 2002, and then annual payments from July 1, 2003, through July 1, 2016. A final payment is then due on July 1, 2020. Payments range from \$245,000 to \$2,880,000; interest at 4.825% to 5.625%. | <u>6,380,000</u> |
| Total capital improvement notes outstanding (excluding current portion of Enterprise Fund capital improvement notes outstanding) | <u><u>\$ 9,638,112</u></u> |

The City has collateralized the 2000A capital improvement excise tax obligations by a pledge of all excise taxes (transaction, franchise, privilege, business taxes, state-shared sales and income taxes, and fees for licenses and permits) which the City presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose. The City covenants and agrees that the excise taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of excise taxes shall be equal to at least three times the total obligation debt service requirements for all outstanding parity obligations in such fiscal year.

During the fiscal year ended June 30, 2004, the City refinanced the 1990 capital improvement notes due to the Water and Wastewater Enterprise fund from the General Fund and Highway Users Special Revenue Fund from a 7.50% interest rate to a 4.00% interest rate.

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

| Fiscal Year | General Fund and HURF to Water/Wastewater Fund | 2002A Excise Tax Obligations | Total |
|-------------|--|------------------------------------|----------------------|
| 2005 | \$ 542,832 | \$ 604,895 | \$ 1,147,727 |
| 2006 | 542,833 | 606,910 | 1,149,743 |
| 2007 | 542,833 | 608,050 | 1,150,883 |
| 2008 | 542,833 | 608,300 | 1,151,133 |
| 2009 | 542,833 | 607,645 | 1,150,478 |
| 2010-2014 | 1,085,666 | 3,030,705 | 4,116,371 |
| 2015-2018 | - | 3,031,159 | 3,031,159 |
| 2019-2020 | - | 897,344 | 897,344 |
| | <u>\$ 3,799,830</u> | <u>\$ 9,995,008</u> | <u>\$ 13,794,838</u> |



NOTE 10 - LONG-TERM DEBT (Continued)

Capital Improvement Notes (Continued)

The following discloses debt service requirements as of June 30, 2004 segregating principal and interest, for the next five years and five-year increments thereafter:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|---------------------|----------------------|
| 2005 | \$ 677,508 | \$ 470,219 | \$ 1,147,727 |
| 2006 | 709,008 | 440,735 | 1,149,743 |
| 2007 | 741,169 | 409,714 | 1,150,883 |
| 2008 | 774,016 | 377,117 | 1,151,133 |
| 2009 | 807,576 | 342,902 | 1,150,478 |
| 2010-2014 | 2,908,835 | 1,207,536 | 4,116,371 |
| 2015-2019 | 2,445,000 | 586,159 | 3,031,159 |
| 2020-2024 | 575,000 | 322,344 | 897,344 |
| | <u>\$ 9,638,112</u> | <u>\$ 4,156,726</u> | <u>\$ 13,794,838</u> |

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

The assets acquired through capital leases are as follows:

| | Amount |
|-----------|---------------------|
| Land | \$ 6,435,562 |
| Buildings | 1,200,748 |
| Equipment | 2,234,126 |
| Total | <u>\$ 9,870,436</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, 2004.

| | Fiscal Years Ending June 30, | Total |
|--|---------------------------------|---------------------|
| | 2005 | \$ 1,351,539 |
| | 2006 | 1,059,051 |
| | 2007 | 823,196 |
| | 2008 | 812,750 |
| | 2009 | 812,750 |
| | 2010-2014 | 4,063,750 |
| | 2015-2017 | 2,438,250 |
| Total minimum lease payments | | 11,361,286 |
| Less: interest at 0.00 % to 14.11% | | (4,174,574) |
| Present value of future minimum lease payments | | <u>\$ 7,186,712</u> |



NOTE 10 - LONG-TERM DEBT (Continued)

Statutory Debt Limitation. In the absence of more restrictive bond authorization ballot limitations, the City is subject to state statutory limitations on the amount of net bonded debt (exclusive of revenue and special assessment bonds and purchase contracts) it may have outstanding. The statutory debt limitation is 20 percent of the secondary assessed valuation for purposes of water, sewer, open space and artificial lighting and 6 percent of the secondary assessed valuation for all other purposes.

At June 30, 2004, the 20 percent debt limitation was \$337,690,483 with \$142,185,000 of outstanding debt. This provided a 20 percent debt margin of \$195,505,483. The 6 percent debt limitation was \$101,307,145 with \$65,690,000 of outstanding debt. This provided a 6 percent debt margin of \$35,617,145. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2004, was \$104,670,000.

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

Arbitrage. Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, the earnings from the investment of tax exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and revenue bond issue subject to the arbitrage rebate requirements and has determined that no liability exists at June 30, 2004. However, the City has designated \$500,000 in the General Fund for this purpose.

Debt Service Requirements to Maturity. The following is a summary of debt service cash requirements to maturity for all fixed rate general obligation bonds, special assessment bonds, Tempe Municipal Property Corporation bonds and Certificates of Participation:

| Fiscal Years Ending June 30, | Enterprise Funds | General Obligation Governmental Funds | Special Assessment | Tempe Municipal Property Corporation | Series 10 Certificate of Participation | Total |
|---------------------------------------|----------------------|--|-----------------------|---|---|----------------------|
| 2005 | \$ 10,354,583 | \$ 9,326,004 | \$ 2,704,827 | \$ 148,015 | \$ 654,160 | \$ 23,187,589 |
| 2006 | 10,213,857 | 9,653,914 | 2,665,507 | 150,953 | 650,760 | 23,334,991 |
| 2007 | 9,755,507 | 9,199,921 | 2,621,712 | 148,190 | 645,785 | 22,371,115 |
| 2008 | 9,855,335 | 9,093,496 | 2,578,394 | - | 654,185 | 22,181,410 |
| 2009 | 9,949,030 | 8,965,091 | 2,437,769 | - | 655,625 | 22,007,515 |
| 2010-2014 | 45,382,113 | 41,509,586 | 7,403,669 | - | - | 94,295,368 |
| 2015-2019 | 33,503,443 | 27,374,493 | 568,043 | - | - | 61,445,979 |
| 2020-2024 | 17,962,487 | 12,340,813 | - | - | - | 30,303,300 |
| Less interest | (43,241,355) | (35,823,318) | (4,254,921) | (47,158) | (420,515) | (83,787,267) |
| | <u>\$103,735,000</u> | <u>\$91,640,000</u> | <u>\$16,725,000</u> | <u>\$ 400,000</u> | <u>\$ 2,840,000</u> | <u>\$215,340,000</u> |



NOTE 10 - LONG-TERM DEBT (Continued)

Debt Service Requirements to Maturity (Continued)

The following discloses the debt service requirements as of June 30, 2004 segregating principal and interest, for the next five years and in five-year increments thereafter:

| Fiscal Years Ending June 30, | Principal | Interest | Total |
|---------------------------------|----------------------|---------------------|----------------------|
| 2005 | \$ 12,960,000 | \$10,227,589 | \$ 23,187,589 |
| 2006 | 14,010,000 | 9,324,991 | 23,334,991 |
| 2007 | 13,765,000 | 8,606,115 | 22,371,115 |
| 2008 | 14,260,000 | 7,921,410 | 22,181,410 |
| 2009 | 14,810,000 | 7,197,515 | 22,007,515 |
| 2010-2014 | 68,465,000 | 25,830,368 | 94,295,368 |
| 2015-2019 | 49,490,000 | 11,955,979 | 61,445,979 |
| 2020-2022 | 27,580,000 | 2,723,300 | 30,303,300 |
| Total | <u>\$215,340,000</u> | <u>\$83,787,267</u> | <u>\$299,127,267</u> |

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2004:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Debt Payable: | | | | | |
| General obligation bonds payable | \$ 90,395,000 | \$ 7,150,000 | \$ (5,905,000) | \$ 91,640,000 | \$ 5,035,000 |
| Special Assessments | 18,520,000 | - | (1,795,000) | 16,725,000 | 1,785,000 |
| Certificate of Participation | 3,335,000 | - | (495,000) | 2,840,000 | 520,000 |
| Excise Tax Revenue Refunding Obligations | 39,275,000 | - | (1,340,000) | 37,935,000 | 1,365,000 |
| Variable Rate Demand Excise (Refunded) | 14,740,000 | - | (14,740,000) | - | - |
| Excise Tax Revenue Obligations | - | 37,595,000 | - | 37,595,000 | 1,500,000 |
| Capital Improvement Notes Payable | 10,289,755 | - | (651,643) | 9,638,112 | 677,508 |
| Total Debt Payable | <u>176,554,755</u> | <u>44,745,000</u> | <u>(24,926,643)</u> | <u>196,373,112</u> | <u>10,882,508</u> |
| Capital leases | 7,436,279 | 633,533 | (883,100) | 7,186,712 | 1,351,539 |
| Compensated absences | 10,421,892 | 8,426,537 | (7,359,522) | 11,488,907 | 7,873,999 |
| Claims and judgments | 3,040,733 | 4,042,796 | (1,622,974) | 5,460,555 | 878,846 |
| Governmental activities long-term | <u>\$197,453,659</u> | <u>\$57,847,866</u> | <u>\$(34,792,239)</u> | <u>\$220,509,286</u> | <u>\$20,986,892</u> |
| Business-type activities: | | | | | |
| General obligation bonds payable | \$ 97,580,000 | \$12,750,000 | \$ (6,595,000) | \$103,735,000 | \$ 4,810,000 |
| TMPC Bonds | 520,000 | - | (120,000) | 400,000 | 125,000 |
| Total Debt Payable | <u>\$ 98,100,000</u> | <u>\$12,750,000</u> | <u>\$ (6,715,000)</u> | <u>\$104,135,000</u> | <u>\$ 4,935,000</u> |



NOTE 10 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. (Continued)

Governmental activities: (Continued)

The long-term liabilities at June 30, 2004, reported above, have been reduced by deposits made with the City's fiscal agent for July 1, 2004 maturities.

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

NOTE 11 - 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, 2004, the City issued \$18,775,000 of general obligation refunding bonds with a premium of \$1,677,537 to partially refund \$2,015,000 of Series 1994; \$9,090,000 of Series 1995; and \$7,670,000 of Series 1997 outstanding general obligation bonds. The bonds were issued with an average interest rate of 4.34%. The net proceeds of \$20,209,650, after payment of \$238,982 issuance costs and accrued interest of \$67,587, 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 \$1,149,965, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$962,875.

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2004, are as follows:

| | |
|--|--------------|
| \$15,000,000 general obligation bonds issued in 1991 and refunded in 1994 | \$ 8,805,000 |
| \$17,500,000 general obligation bonds issued in 1992 and partially refunded in 1998 | 9,620,000 |
| \$17,500,000 general obligation bonds issued in 1992 and partially refunded in 2002. | 2,105,000 |
| \$14,000,000 general obligation bonds issued in 1994 and partially refunded in 2002. | 7,400,000 |
| \$14,000,000 general obligation bonds issued in 1994 and partially refunded in 2004. | 2,015,000 |
| \$26,300,000 general obligation bonds issued in 1995 and partially refunded in 2004. | 9,090,000 |
| \$14,500,000 general obligation bonds issued in 1997 and partially refunded in 2004. | 7,670,000 |
| Total bonds advance refunded | \$46,705,000 |

Current Bond Refunding

On June 1, 2004, the City issued \$14,185,000 of Excise Tax Revenue Obligations refunding obligations with a premium of \$908,518 to fully refund \$14,740,000 of series 2002 Variable Rate Demand Excise Tax Revenue Obligations. The refunding was undertaken to take advantage of historically low interest rates and enhance capacity for future issuance of excise tax revenue obligations.



NOTE 12 - COMMITMENTS

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

At June 30, 2004 the City's construction commitments are as follows:

| | <u>Construction in Progress</u> | <u>Commitment</u> |
|----------------------------|-------------------------------------|---------------------|
| Governmental funds: | | |
| Performing Arts | \$17,409,115 | \$ 5,401,215 |
| Transit | 30,446,116 | 19,552,356 |
| Streets | 861,816 | 6,291,419 |
| Police | 77,133 | 912,888 |
| Fire | - | 303,442 |
| Storm Sewers | - | 3,000 |
| Parks | 2,320,448 | 2,520,039 |
| Rio Salado | 6,329,033 | 32,601 |
| Community Development | 534,951 | 248,204 |
| Bikeways | - | - |
| Signals | 20,581 | 87,353 |
| | <u>\$57,999,193</u> | <u>\$35,352,517</u> |
| Proprietary funds: | | |
| Water and Wastewater | \$ 523,753 | \$25,614,320 |
| Golf | 54,052 | 546 |
| | <u>\$ 577,805</u> | <u>\$25,614,866</u> |

NOTE 13 - OPERATING LEASES

The City leases copiers under certain noncancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Current year lease costs for the fiscal year ended June 30, 2004 was \$346,544.

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

| <u>Years Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|------------------|
| 2005 | \$311,862 |
| 2006 | 190,328 |
| 2007 | 76,359 |
| 2008 | 22,971 |
| 2009 | 15,198 |
| Total minimum payments required | <u>\$616,718</u> |



NOTE 14 - RETIREMENT AND PENSION PLANS

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

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

A. Plan Description

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

B. Funding Policy

PSPRS members are required to contribute 7.65% for fire (2% of which was paid for by the City based on a labor agreement) and 7.65% for police of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for fiscal year 2003-04 was 5.16% for fire personnel and 9.73% for police members. Benefit and contribution provisions are established by law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

C. Annual Pension Cost

Police personnel contributed \$1,479,300 and fire personnel \$478,216 during fiscal year 2003-04. For 2004, the City's annual pension cost of \$1,881,514 for police and \$606,022 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation determining contribution requirements for fiscal year 2003/2004, using the entry age actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (b) projected salary increases of 6.50% per year compounded annually, attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 0.00% to 3.00% per year, depending on age, 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, 2003 was 20 years.



NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

D. Three Year Trend Information for PSPRS (Latest Available Information):

Police

| Fiscal Years Ended June 30, | Annual Pension Cost (APC) | Percentage Contributed | Net Pension Obligation |
|-----------------------------|---------------------------|------------------------|------------------------|
| 2001 | \$1,754,395 | 100% | - |
| 2002 | 1,683,966 | 100 | - |
| 2003 | 1,233,257 | 100 | - |

Fire

| Fiscal Years Ended June 30, | Annual Pension Cost (APC) | Percentage Contributed | Net Pension Obligation |
|-----------------------------|---------------------------|------------------------|------------------------|
| 2001 | \$411,169 | 100% | - |
| 2002 | 469,435 | 100 | - |
| 2003 | 567,868 | 100 | - |

E. Required Supplementary Information (Unaudited)

Schedule of Funding Progress (Latest Information Available):

Police

| Valuation Date June 30, | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability (AAL) | Percent Funded | Unfunded AAL | Annual Covered Payroll | Unfunded AAL as a % of Covered Payroll |
|-------------------------|---------------------------|---|----------------|----------------|------------------------|--|
| 2001 | \$80,721,051 | \$70,096,118 | 115.2% | \$(10,624,933) | \$17,908,908 | N/A |
| 2002 | 81,813,815 | 81,417,297 | 100.5 | (396,518) | 20,023,353 | N/A |
| 2003 | 83,828,503 | 91,847,582 | 91.3 | 8,019,079 | 19,292,127 | 41.6 |

Fire

| Valuation Date June 30, | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability (AAL) | Percent Funded | Unfunded AAL | Annual Covered Payroll | Unfunded AAL as a % of Covered Payroll |
|-------------------------|---------------------------|---|----------------|----------------|------------------------|--|
| 2001 | \$68,227,165 | \$50,865,552 | 134.1% | \$(17,361,613) | \$8,930,332 | N/A |
| 2002 | 67,919,632 | 58,288,980 | 116.5 | (9,630,652) | 8,198,575 | N/A |
| 2003 | 68,913,223 | 64,615,601 | 106.7 | (4,297,622) | 8,308,897 | N/A |

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.



NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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

B. Funding Policy

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

Covered employees contributed 5.7% of their annual compensation to the plan, as actuarially determined and set by State statute and the City contributed an amount equal to employee contributions each pay period. The City's contributions to the ASRS for the years ended June 30, 2004, 2003, and 2002 were \$3,564,811, \$1,321,928 and \$1,271,195 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, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 1-602-255-5575.

B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7% of their annual covered salary. The employer rate for 2003-04 was 13.49%. The City's contributions to EORP for the fiscal years ended June 30, 2004, 2003 and 2002 were \$23,138, \$11,314, and \$9,465 respectively, equal to the annual required contributions for each year. The City's employees contributed \$12,007, \$11,362, and \$9,506 for the same time period.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the City offers the continuation of group health insurance benefits, in accordance with Resolution 90.63 of the City Council, to all retired employees who meet the following eligibility requirements: (a) have at least 10 years of service, (b) be enrolled in one of the City's group health insurance plans, and (c) at the time of retirement, be or have been eligible to receive benefits from one of the City sponsored state retirement plans. Currently, 515 retirees meet those eligibility requirements.

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



NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City and the pension administrators subsidize the health insurance premium of eligible retirees depending on type of health plan chosen, coverage selected, and years of service. Approximately 67% of retiree premiums were subsidized by the City during the fiscal year. The City's accounting policy with regard to expenditure recognition of these health insurance benefits is to record the benefits when they are paid. During the fiscal year, expenditures of \$2,266,389 were recognized for post retirement health care.

NOTE 16 - DEFERRED COMPENSATION PLANS

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

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

NOTE 17 - FUND BALANCE /NET ASSETS RESERVATIONS AND DESIGNATIONS

Reservations of Fund Balances

At June 30, 2004, 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; debt service - for payment of future amounts of principal and interest due.

Designations of Fund Balances

At June 30, 2004, amounts were designated for the following purposes: self-insurance - amount designated for payment of material, unanticipated claims against the City; rainy day - amounts designated for unforeseen events; Capital Projects - amounts designated for future capital projects; Rio Salado - amount designated for future operation and maintenance costs related to the Rio Salado Town Lake project; compensated absences - amount designated for future payment of compensated absences; arbitrage rebate - amount designated for future arbitrage rebate.

| | Amount |
|--------------------------|----------------------|
| General Fund: | |
| Self-insurance purposes | \$ 8,841,391 |
| Rainy day | 8,000,000 |
| Capital projects | 5,216,396 |
| Rio Salado | 8,759,029 |
| Compensated absences | 7,026,071 |
| Arbitrage rebate | 500,000 |
| Total Governmental Funds | <u>\$ 38,342,887</u> |



NOTE 18 - 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 self-insured for the first \$2.0 million for general liability and automobile liability claims. The City is self-insured for property, health claims, employer's liability and statutory workers' compensation claims up to \$328.4 million, \$10.5 million, \$1.0 million, and statutory limitation amounts, respectively. The self-insured retention per incident is \$100,000, \$150,000, \$500,000 and \$500,000, respectively. Coverage in excess of the self-insured retention level per incident is provided through the purchase of commercial insurance. During the year, there were no significant reductions in the amounts of excess coverage purchased, nor has the City experienced any settlements in excess of insurance coverage over the past ten years.

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, 2004, 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, 2003 | Claims Incurred Net of Change in Estimates | Payments | June 30, 2004 |
|-----------------------|---------------------|--|-----------------------|---------------------|
| General liability | \$ 3,595,026 | \$ (195,080) | \$ (225,841) | \$ 3,174,105 |
| Automobile liability | 58,792 | 165,097 | (177,919) | 45,970 |
| Property liability | 6,402 | 82,799 | (77,034) | 12,167 |
| Workers' compensation | 1,529,965 | 617,490 | (1,084,042) | 1,063,413 |
| Health insurance | 816,392 | 10,317,682 | (10,098,076) | 1,035,998 |
| | <u>\$ 6,006,577</u> | <u>\$10,987,988</u> | <u>\$(11,662,912)</u> | <u>\$5,331,653</u> |
| | June 30, 2002 | Claims Incurred Net of Change in Estimates | Payments | June 30, 2003 |
| General liability | \$ 4,231,045 | \$ (8,612) | \$ (627,407) | \$ 3,595,026 |
| Automobile liability | 75,387 | 138,274 | (154,869) | 58,792 |
| Property liability | 85,573 | 5,741 | (84,912) | 6,402 |
| Workers' compensation | 773,615 | 1,807,155 | (1,050,805) | 1,529,965 |
| Health insurance | 632,817 | 8,629,034 | (8,445,459) | 816,392 |
| | <u>\$ 5,798,437</u> | <u>\$10,571,592</u> | <u>\$(10,363,452)</u> | <u>\$ 6,006,577</u> |

Additionally, at June 30, 2004, the City had \$8,841,391 of General Fund fund balance designated for self-insurance purposes.



NOTE 19 - 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.

NOTE 20 - 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 21 - DEFICIT IN FUND BALANCE

The Bikeways Capital Projects Fund had a deficit fund balance of \$16,186 at June 30, 2004. The deficit will be funded by general obligation bonds expected to be issued during fiscal year 2004-2005.





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.

CAPITAL PROJECTS FUNDS

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

- Streets Fund - used for improving, constructing and reconstructing major streets, highways, collector and local streets within the City, and to acquire rights-of-way.
- Police Fund - used for purchasing, constructing and equipping public safety buildings.
- Fire Fund - used for purchasing, constructing and equipping fire stations.
- Storm Sewers Fund - used for planning, constructing, extending and improving storm drain trunk lines and detention basins.
- Parks Fund - used for acquiring, developing and equipping parks, playgrounds and recreation facilities.



CAPITAL PROJECTS FUNDS (Continued)

- Rio Salado Fund - used for consulting and engineering studies necessary to the design of the Rio Salado lakes and for constructing a wildlife habitat.
- Bikeways Fund - used for improving, constructing and reconstructing bikeways within the City, and to acquire rights-of-way.
- Signals Fund - used for purchasing, constructing and equipping street light and traffic signal upgrades and for the planning of an overall transportation plan.

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

Special Revenue

| | Special Revenue | | | |
|--|----------------------------|---------------------------------|--|----------------------------------|
| | Performing Arts | Highway User Revenue | Local Transportation Assistance | Community Development |
| Assets | | | | |
| Pooled cash and investments | \$ 14,295,977 | \$ 4,284,876 | \$ 3,010,941 | \$ - |
| Receivables: | | | | |
| Taxes | 465,062 | - | - | - |
| Accounts | - | - | - | - |
| Accrued interest | 58,892 | - | - | - |
| Due from other governments | - | 949,050 | - | 385,425 |
| Inventories | - | 717,812 | - | - |
| Restricted cash and investments | 187,437 | - | - | - |
| Total assets | \$ 15,007,368 | \$ 5,951,738 | \$ 3,010,941 | \$ 385,425 |
| Liabilities | | | | |
| Accounts payable | \$ 8,731 | \$ 236,348 | \$ - | \$ 115,834 |
| Deposits | - | - | - | - |
| Accrued expenditures | 9,372 | 148,751 | - | 29,361 |
| Claims and judgements | 1,403 | 32,188 | - | 4,548 |
| Due to other funds | - | - | - | 157,035 |
| Deferred revenue | - | - | - | 78,647 |
| Matured bonds payable | - | - | - | - |
| Matured interest payable | - | - | - | - |
| Total liabilities | 19,506 | 417,287 | - | 385,425 |
| Fund Balances | | | | |
| Fund balance (deficit): | | | | |
| Reserved for: | | | | |
| Encumbrances | - | 224,792 | - | 18,838 |
| Inventories | - | 717,812 | - | - |
| Unreserved: | | | | |
| Undesignated | 14,987,862 | 4,591,847 | 3,010,941 | (18,838) |
| Total fund balances (deficit) | 14,987,862 | 5,534,451 | 3,010,941 | - |
| Total liabilities and fund balances | \$ 15,007,368 | \$ 5,951,738 | \$ 3,010,941 | \$ 385,425 |

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

Special Revenue

| Housing Assistance | Rio Salado | Grants and Court Awards | Community Facilities District | Total |
|-----------------------|------------------|----------------------------|----------------------------------|----------------------|
| \$ 656,405 | \$ - | \$ 2,303,987 | \$ 2,322,296 | \$ 26,874,482 |
| - | 30,000 | - | - | 495,062 |
| - | - | 124 | - | 124 |
| - | 53,975 | - | - | 112,867 |
| 164,303 | - | 591,750 | - | 2,090,528 |
| - | - | - | - | 717,812 |
| - | - | - | 26,118 | 213,555 |
| <u>\$ 820,708</u> | <u>\$ 83,975</u> | <u>\$ 2,895,861</u> | <u>\$ 2,348,414</u> | <u>\$ 30,504,430</u> |
| \$ 4,475 | \$ 19,971 | \$ 379,572 | \$ 133,543 | \$ 898,474 |
| - | - | 165,587 | - | 165,587 |
| 160,027 | 25,189 | 27,596 | - | 400,296 |
| 3,352 | 5,532 | - | - | 47,023 |
| - | 33,283 | - | - | 190,318 |
| 652,854 | - | 1,691,398 | - | 2,422,899 |
| - | - | - | 1,340,000 | 1,340,000 |
| - | - | - | 874,871 | 874,871 |
| <u>820,708</u> | <u>83,975</u> | <u>2,264,153</u> | <u>2,348,414</u> | <u>6,339,468</u> |
| 3,791 | 7,050 | 466,983 | - | 721,454 |
| - | - | - | - | 717,812 |
| (3,791) | (7,050) | 164,725 | - | 22,725,696 |
| - | - | 631,708 | - | 24,164,962 |
| <u>\$ 820,708</u> | <u>\$ 83,975</u> | <u>\$ 2,895,861</u> | <u>\$ 2,348,414</u> | <u>\$ 30,504,430</u> |

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

Capital Projects

| | Streets | Police | Fire | Storm Sewers | Parks |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Pooled cash and investments | \$ 9,251,748 | \$ 2,057,598 | \$ 1,263,672 | \$ 1,214,894 | \$ 5,466,846 |
| Receivables: | | | | | |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Accrued interest | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Inventories | - | - | - | - | - |
| Restricted cash and investments | 132,942 | - | - | - | - |
| Total assets | \$ 9,384,690 | \$ 2,057,598 | \$ 1,263,672 | \$ 1,214,894 | \$ 5,466,846 |
| Liabilities | | | | | |
| Accounts payable | \$ 270,794 | \$ 26,493 | \$ 5,056 | \$ 5,279 | \$ 433,553 |
| Deposits | - | - | - | - | - |
| Accrued expenditures | - | - | - | - | - |
| Claims and judgements | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - |
| Matured bonds payable | - | - | - | - | - |
| Matured interest payable | - | - | - | - | - |
| Total liabilities | 270,794 | 26,493 | 5,056 | 5,279 | 433,553 |
| Fund Balances | | | | | |
| Fund balance (deficit): | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 6,291,418 | 912,888 | 303,442 | 3,000 | 2,500,539 |
| Inventories | - | - | - | - | - |
| Unreserved: | | | | | |
| Undesignated | 2,822,478 | 1,118,217 | 955,174 | 1,206,615 | 2,532,754 |
| Total fund balances (deficit) | 9,113,896 | 2,031,105 | 1,258,616 | 1,209,615 | 5,033,293 |
| Total liabilities and fund balances | \$ 9,384,690 | \$ 2,057,598 | \$ 1,263,672 | \$ 1,214,894 | \$ 5,466,846 |

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

Capital Projects

| Rio Salado | Bikeways | Signals | Total | Total Nonmajor Governmental Funds |
|---------------------|---------------|---------------------|----------------------|--------------------------------------|
| \$ 6,961,005 | \$ - | \$ 1,125,895 | \$ 27,341,658 | \$ 54,216,140 |
| - | - | - | - | 495,062 |
| 242,000 | - | - | 242,000 | 242,124 |
| - | - | - | - | 112,867 |
| 48,994 | - | - | 48,994 | 2,139,522 |
| - | - | - | - | 717,812 |
| - | - | - | 132,942 | 346,497 |
| <u>\$ 7,251,999</u> | <u>\$ -</u> | <u>\$ 1,125,895</u> | <u>\$ 27,765,594</u> | <u>\$ 58,270,024</u> |
| \$ 36,518 | \$ - | \$ 32,811 | \$ 810,504 | \$ 1,708,978 |
| - | - | - | - | 165,587 |
| - | - | - | - | 400,296 |
| - | - | - | - | 47,023 |
| - | 16,186 | - | 16,186 | 206,504 |
| - | - | - | - | 2,422,899 |
| - | - | - | - | 1,340,000 |
| - | - | - | - | 874,871 |
| <u>36,518</u> | <u>16,186</u> | <u>32,811</u> | <u>826,690</u> | <u>7,166,158</u> |
| 32,601 | - | 87,353 | 10,131,241 | 10,852,695 |
| - | - | - | - | 717,812 |
| 7,182,880 | (16,186) | 1,005,731 | 16,807,663 | 39,533,359 |
| 7,215,481 | (16,186) | 1,093,084 | 26,938,904 | 51,103,866 |
| <u>\$ 7,251,999</u> | <u>\$ -</u> | <u>\$ 1,125,895</u> | <u>\$ 27,765,594</u> | <u>\$ 58,270,024</u> |

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

| | Special Revenue | | | |
|---|----------------------|----------------------|---------------------------------|-----------------------|
| | Performing Arts | Highway User Revenue | Local Transportation Assistance | Community Development |
| Revenues: | | | | |
| Sales Taxes | \$ 5,279,580 | \$ - | \$ - | \$ - |
| Property Taxes | - | - | - | - |
| Intergovernmental: | | | | |
| Federal grants | - | - | - | 2,412,298 |
| State grants | - | - | - | - |
| State sales tax | - | 10,981,726 | - | - |
| Other | - | - | 845,813 | 381,018 |
| Investment income | 98,384 | - | - | 321 |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Other entities' participation | - | - | - | - |
| Miscellaneous | - | 2,905 | - | - |
| Total revenues | <u>5,377,964</u> | <u>10,984,631</u> | <u>845,813</u> | <u>2,793,637</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Police | - | - | - | - |
| Fire | - | - | - | - |
| Community services | 274,441 | - | - | - |
| Public works | - | 7,199,086 | - | - |
| Municipal courts | - | - | - | - |
| Development services | - | - | - | 2,793,637 |
| Economic development | - | - | - | - |
| Principal retirement | 555,000 | - | - | - |
| Interest and fiscal fees | 679,257 | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>1,508,698</u> | <u>7,199,086</u> | <u>-</u> | <u>2,793,637</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>3,869,266</u> | <u>3,785,545</u> | <u>845,813</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in: | | | | |
| General fund | - | - | - | - |
| Special revenue funds | - | - | - | - |
| Debt service funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Enterprise funds | - | - | - | - |
| Transfers out: | | | | |
| General fund | - | - | - | - |
| Special revenue funds | - | - | (281,938) | - |
| Debt service funds | - | (2,000,000) | - | - |
| Capital projects funds | (400,000) | (1,108,034) | - | - |
| Enterprise funds | - | (309,862) | - | - |
| Issuance of debt | - | - | - | - |
| Proceeds of refunding bonds | 14,185,000 | - | - | - |
| Payment to refunded bond escrow agent | (13,524,201) | - | - | - |
| Total other financing sources (uses) | <u>260,799</u> | <u>(3,417,896)</u> | <u>(281,938)</u> | <u>-</u> |
| Net change in fund balances | 4,130,065 | 367,649 | 563,875 | - |
| Fund balance at beginning of year | 10,857,797 | 5,166,802 | 2,447,066 | - |
| Fund balance (deficit) at end of year | <u>\$ 14,987,862</u> | <u>\$ 5,534,451</u> | <u>\$ 3,010,941</u> | <u>\$ -</u> |

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

| Special Revenue | | | | |
|--------------------|----------------|-------------------------|-------------------------------|----------------------|
| Housing Assistance | Rio Salado | Grants and Court Awards | Community Facilities District | Total |
| \$ - | \$ 476,961 | \$ - | \$ - | \$ 5,756,541 |
| - | 62,065 | - | - | 62,065 |
| 8,359,626 | - | 1,064,482 | - | 11,836,406 |
| - | - | 445,410 | - | 445,410 |
| - | - | - | - | 10,981,726 |
| - | - | - | - | 1,226,831 |
| 5,241 | 71,141 | 37,657 | 132 | 212,876 |
| - | 12,052 | 98,514 | 39,231 | 149,797 |
| - | - | 838,598 | - | 838,598 |
| - | - | - | - | - |
| - | 53,401 | 341,430 | 187,134 | 584,870 |
| <u>8,364,867</u> | <u>675,620</u> | <u>2,826,091</u> | <u>226,497</u> | <u>32,095,120</u> |
| - | - | 955,371 | - | 955,371 |
| - | - | - | - | - |
| - | - | 968,702 | - | 1,243,143 |
| - | - | - | - | 7,199,086 |
| - | - | 825,840 | - | 825,840 |
| 8,364,867 | 83,127 | - | - | 11,241,631 |
| - | 899,027 | - | 2,332,495 | 3,231,522 |
| - | - | - | 1,340,000 | 1,895,000 |
| - | - | - | 1,751,901 | 2,431,158 |
| - | - | - | - | - |
| <u>8,364,867</u> | <u>982,154</u> | <u>2,749,913</u> | <u>5,424,396</u> | <u>29,022,751</u> |
| - | (306,534) | 76,178 | (5,197,899) | 3,072,369 |
| - | 307,479 | - | 2,104,207 | 2,411,686 |
| - | - | - | - | - |
| - | - | - | 3,091,901 | 3,091,901 |
| - | - | - | 1,791 | 1,791 |
| - | - | - | - | - |
| - | (945) | - | - | (945) |
| - | - | - | - | (281,938) |
| - | - | - | - | (2,000,000) |
| - | - | (68,428) | - | (1,576,462) |
| - | - | - | - | (309,862) |
| - | - | - | - | - |
| - | - | - | - | 14,185,000 |
| - | - | - | - | (13,524,201) |
| - | 306,534 | (68,428) | 5,197,899 | 1,996,970 |
| - | - | 7,750 | - | 5,069,339 |
| - | - | 623,958 | - | 19,095,623 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 631,708</u> | <u>\$ -</u> | <u>\$ 24,164,962</u> |

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

Capital Projects

| | Streets | Police | Fire | Storm Sewers | Parks |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | |
| Sales Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Property Taxes | - | - | - | - | - |
| Intergovernmental: | | | | | |
| Federal grants | - | - | - | - | - |
| State grants | - | - | - | - | - |
| State sales tax | - | - | - | - | - |
| Other | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Charges for services | 21,405 | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Other entities' participation | - | - | - | - | - |
| Miscellaneous | 46,529 | 37,123 | - | - | 940 |
| Total revenues | <u>67,934</u> | <u>37,123</u> | <u>-</u> | <u>-</u> | <u>940</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Municipal courts | - | - | - | - | - |
| Development services | - | - | - | - | - |
| Economic development | - | - | - | - | - |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal fees | - | - | - | - | - |
| Capital outlay | 2,441,592 | 1,448,370 | 1,435,491 | 16,316 | 1,831,499 |
| Total expenditures | <u>2,441,592</u> | <u>1,448,370</u> | <u>1,435,491</u> | <u>16,316</u> | <u>1,831,499</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>(2,373,658)</u> | <u>(1,411,247)</u> | <u>(1,435,491)</u> | <u>(16,316)</u> | <u>(1,830,559)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in: | | | | | |
| General fund | 32,980 | - | - | - | - |
| Special revenue funds | 26,856 | - | - | - | 675,000 |
| Debt service funds | - | - | - | - | - |
| Capital projects funds | 48,592 | - | - | - | 168,500 |
| Enterprise funds | - | - | - | 200,000 | 13,500 |
| Transfers out: | | | | | |
| General fund | - | (69,338) | - | - | - |
| Special revenue funds | - | - | - | - | - |
| Debt service funds | (405,126) | - | - | - | - |
| Capital projects funds | - | - | - | - | (51,560) |
| Enterprise funds | - | (21,483) | - | - | - |
| Issuance of debt | 3,935,000 | 795,000 | 1,300,000 | - | 1,120,000 |
| Proceeds of refunding bonds | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - |
| Total other financing sources (uses) | <u>3,638,302</u> | <u>704,179</u> | <u>1,300,000</u> | <u>200,000</u> | <u>1,925,440</u> |
| Net change in fund balances | 1,264,644 | (707,068) | (135,491) | 183,684 | 94,881 |
| Fund balance at beginning of year | 7,849,252 | 2,738,173 | 1,394,107 | 1,025,931 | 4,938,412 |
| Fund balance (deficit) at end of year | <u>\$ 9,113,896</u> | <u>\$ 2,031,105</u> | <u>\$ 1,258,616</u> | <u>\$ 1,209,615</u> | <u>\$ 5,033,293</u> |

(continued)

City of Tempe, Arizona
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2004

| Capital Projects | | | Total Nonmajor Governmental Funds | |
|---------------------|--------------------|---------------------|---|----------------------|
| Rio Salado | Bikeways | Signals | Total | Funds |
| \$ - | \$ - | \$ - | \$ - | \$ 5,756,541 |
| - | - | - | - | 62,065 |
| - | - | 213 | 213 | 11,836,619 |
| 242,000 | 200,000 | - | 442,000 | 887,410 |
| - | - | - | - | 10,981,726 |
| - | - | - | - | 1,226,831 |
| - | - | - | - | 212,876 |
| - | - | - | 21,405 | 171,202 |
| - | - | - | - | 838,598 |
| - | - | - | - | - |
| 6,500 | - | 101,240 | 192,332 | 777,202 |
| <u>248,500</u> | <u>200,000</u> | <u>101,453</u> | <u>655,950</u> | <u>32,751,070</u> |
| - | - | - | - | 955,371 |
| - | - | - | - | - |
| - | - | - | - | 1,243,143 |
| - | - | - | - | 7,199,086 |
| - | - | - | - | 825,840 |
| - | - | - | - | 11,241,631 |
| - | - | - | - | 3,231,522 |
| - | - | - | - | 1,895,000 |
| - | - | - | - | 2,431,158 |
| 3,702,761 | 149,077 | 1,091,572 | 12,116,678 | 12,116,678 |
| <u>3,702,761</u> | <u>149,077</u> | <u>1,091,572</u> | <u>12,116,678</u> | <u>41,139,429</u> |
| <u>(3,454,261)</u> | <u>50,923</u> | <u>(990,119)</u> | <u>(11,460,728)</u> | <u>(8,388,359)</u> |
| 3,100,000 | - | - | 3,132,980 | 5,544,666 |
| - | - | 1,081,178 | 1,783,034 | 1,783,034 |
| - | - | - | - | 3,091,901 |
| 2,968 | - | - | 220,060 | 221,851 |
| - | - | - | 213,500 | 213,500 |
| - | - | - | (69,338) | (70,283) |
| (1,791) | - | - | (1,791) | (283,729) |
| - | - | - | (405,126) | (2,405,126) |
| (50,553) | - | - | (102,113) | (1,678,575) |
| - | - | - | (21,483) | (331,345) |
| - | - | - | 7,150,000 | 7,150,000 |
| - | - | - | - | 14,185,000 |
| - | - | - | - | (13,524,201) |
| <u>3,050,624</u> | <u>-</u> | <u>1,081,178</u> | <u>11,899,723</u> | <u>13,896,693</u> |
| (403,637) | 50,923 | 91,059 | 438,995 | 5,508,334 |
| 7,619,118 | (67,109) | 1,002,025 | 26,499,909 | 45,595,532 |
| <u>\$ 7,215,481</u> | <u>\$ (16,186)</u> | <u>\$ 1,093,084</u> | <u>\$ 26,938,904</u> | <u>\$ 51,103,866</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.

City of Tempe, Arizona
Internal Service Funds
Combining Statement of Net Assets
June 30, 2004

| | Risk Management | Health | Total |
|-------------------------------------|--------------------|--------------|--------------|
| <u>Assets</u> | | | |
| Current assets: | | | |
| Pooled cash and investments | \$ 4,326,356 | \$ 1,732,119 | \$ 6,058,475 |
| Total assets | 4,326,356 | 1,732,119 | 6,058,475 |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable | 19,718 | 158,390 | 178,108 |
| Accrued expenses and claims payable | 4,306,638 | - | 4,306,638 |
| Total liabilities | 4,326,356 | 158,390 | 4,484,746 |
| <u>Net Assets</u> | | | |
| Unrestricted | - | 1,573,729 | 1,573,729 |
| Total net assets | \$ - | \$ 1,573,729 | \$ 1,573,729 |

City of Tempe, Arizona
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2004

| | <u>Risk Management</u> | <u>Health</u> | <u>Total</u> |
|-----------------------------|----------------------------|---------------------|---------------------|
| Operating revenues: | | | |
| Contributions | \$ 2,080,535 | \$ 16,230,290 | \$ 18,310,825 |
| Total operating revenues | <u>2,080,535</u> | <u>16,230,290</u> | <u>18,310,825</u> |
| Operating expenses: | | | |
| Claims incurred | 2,080,535 | 16,476,234 | 18,556,769 |
| Total operating expenses | <u>2,080,535</u> | <u>16,476,234</u> | <u>18,556,769</u> |
| Change in net assets | - | (245,944) | (245,944) |
| Total net assets- beginning | - | 1,819,673 | 1,819,673 |
| Total net assets- ending | <u>\$ -</u> | <u>\$ 1,573,729</u> | <u>\$ 1,573,729</u> |

**City of Tempe, Arizona
Internal Service Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2004**

| | Risk Management | Health | Total |
|---|---------------------|---------------------|-----------------------|
| Cash flows from operating activities: | | | |
| Receipts from other funds | \$ 2,080,535 | \$ 16,230,290 | \$ 18,310,825 |
| Payments for settlement of claims | <u>(3,065,577)</u> | <u>(16,430,883)</u> | <u>(19,496,460)</u> |
| Net cash provided (used) by operating activities | <u>(985,042)</u> | <u>(200,593)</u> | <u>(1,185,635)</u> |
| Net increase (decrease) in cash and cash equivalents | (985,042) | (200,593) | (1,185,635) |
| Cash and cash equivalents, beginning of year | <u>5,311,398</u> | <u>1,932,712</u> | <u>7,244,110</u> |
| Cash and cash equivalents, end of year | <u>\$ 4,326,356</u> | <u>\$ 1,732,119</u> | <u>\$ 6,058,475</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ - | \$ (245,944) | \$ (245,944) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Change in assets and liabilities: | | | |
| Increase (decrease) in accrued expenses | <u>(985,042)</u> | <u>45,351</u> | <u>(939,691)</u> |
| Net cash provided (used) by operating activities | <u>\$ (985,042)</u> | <u>\$ (200,593)</u> | <u>\$ (1,185,635)</u> |



Other Supplementary Information





BUDGETARY COMPARISON SCHEDULES



City of Tempe, Arizona
General, Special Revenue, and Debt Service Fund Types
Combined Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual
Budget Basis
For the Year Ended June 30, 2004

| | Final Budget Amounts | Actual Amounts (budgetary basis) | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|--|---|
| Revenues | | | |
| Taxes | \$ 117,576,711 | \$ 119,673,043 | \$ 2,096,332 |
| Intergovernmental | 61,674,070 | 63,636,729 | 1,962,659 |
| Investment income | 4,206,000 | 3,718,348 | (487,652) |
| Charges for services | 6,982,751 | 7,755,423 | 772,672 |
| Fines and forfeitures | 5,458,418 | 6,391,469 | 933,051 |
| Licenses and permits | 1,104,877 | 1,131,517 | 26,640 |
| Miscellaneous | 2,326,137 | 2,632,398 | 306,261 |
| Total revenues | <u>199,328,964</u> | <u>204,938,927</u> | <u>5,609,963</u> |
| Expenditures | | | |
| Current: | | | |
| Police | 46,629,399 | 47,152,367 | (522,968) |
| Fire | 16,360,163 | 16,359,383 | 780 |
| Community services | 17,880,441 | 17,577,882 | 302,559 |
| Public works | 44,484,608 | 43,267,188 | 1,217,420 |
| Community relations | 2,715,635 | 2,559,858 | 155,777 |
| Mayor and council | 420,513 | 420,240 | 273 |
| City manager | 269,047 | 266,044 | 3,003 |
| Diversity program | 454,055 | 468,027 | (13,972) |
| Internal audit/consulting | 412,235 | 404,985 | 7,250 |
| City clerk and elections | 669,770 | 638,446 | 31,324 |
| City attorney | 2,175,267 | 2,049,038 | 126,229 |
| Municipal courts | 3,161,135 | 3,183,941 | (22,806) |
| Development services | 20,040,055 | 18,383,221 | 1,656,834 |
| Economic development | 3,144,511 | 3,146,128 | (1,617) |
| Financial Services | 4,030,678 | 3,542,677 | 488,001 |
| Human resources | 2,525,860 | 2,481,200 | 44,660 |
| Information technology | 742,697 | 225,307 | 517,390 |
| Non-departmental | 4,385,596 | 3,448,745 | 936,851 |
| Contingency | 449,232 | - | 449,232 |
| Debt Service: | | | |
| Principal | 12,083,633 | 8,550,000 | 3,533,633 |
| Interest and fiscal fees | 13,331,899 | 7,443,147 | 5,888,752 |
| Total expenditures | <u>196,366,429</u> | <u>181,567,824</u> | <u>14,798,605</u> |
| Other financing sources (uses) | | | |
| Transfers from other funds | (108,400) | 7,907,481 | 8,015,881 |
| Transfers to other funds | (20,109,503) | (32,818,736) | (12,709,233) |
| Proceeds from sale of capital assets | - | 8,492,867 | 8,492,867 |
| Total other financing sources (uses) | <u>(20,217,903)</u> | <u>(16,418,388)</u> | <u>3,799,515</u> |
| Net change in fund balance | <u>\$ (17,255,368)</u> | <u>\$ 6,952,715</u> | <u>\$ 24,208,083</u> |

City of Tempe, Arizona
General Obligation Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004

| | Final Budget Amounts | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|--|-------------------------|---|--|
| Revenues: | | | |
| Property taxes | \$ 14,209,096 | \$ 13,710,180 | \$ (498,916) |
| Investment income | - | 513 | 513 |
| Miscellaneous | - | - | - |
| Total revenues | <u>14,209,096</u> | <u>13,710,693</u> | <u>(498,403)</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal retirement | 7,281,966 | 6,655,000 | 626,966 |
| Interest and fiscal fees | 5,801,642 | 5,011,989 | 789,653 |
| Total expenditures | <u>13,083,608</u> | <u>11,666,989</u> | <u>1,416,619</u> |
| Excess of revenues over expenditures before other financing sources (uses) | 1,125,488 | 2,043,704 | 918,216 |
| Other financing sources (uses): | | | |
| Transfers in | - | 2,000,000 | 2,000,000 |
| Transfers out | - | (4,318,901) | (4,318,901) |
| Total other financing sources (uses) | <u>-</u> | <u>(2,318,901)</u> | <u>(2,318,901)</u> |
| Excess of revenues and other sources over expenditures and other uses | 1,125,488 | (275,197) | (1,400,685) |
| Fund balance at beginning of year | <u>13,471,704</u> | <u>13,471,704</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 14,597,192</u> | <u>\$ 13,196,507</u> | <u>\$ (1,400,685)</u> |

**City of Tempe, Arizona
Performing Arts Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004**

| | <u>Final Budget Amounts</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|---------------------------------|---|--|
| Revenues: | | | |
| Sales Taxes | \$ 5,239,000 | \$ 5,279,580 | \$ 40,580 |
| Investment income | 189,500 | 98,384 | (91,116) |
| Total revenues | <u>5,428,500</u> | <u>5,377,964</u> | <u>(50,536)</u> |
| Expenditures: | | | |
| Current: | | | |
| Community services | 400,648 | 269,909 | 130,739 |
| Debt service: | | | |
| Principal retirement | 2,314,494 | 555,000 | 1,759,494 |
| Interest and fiscal fees | 3,500,515 | 679,257 | 2,821,258 |
| Total expenditures | <u>6,215,657</u> | <u>1,504,166</u> | <u>4,711,491</u> |
| Excess of revenues over expenditures before other financing sources (uses) | (787,157) | 3,873,798 | 4,660,955 |
| Other financing uses: | | | |
| Transfers out | (400,000) | (400,000) | - |
| Total other financing uses | <u>(400,000)</u> | <u>(400,000)</u> | <u>-</u> |
| Excess of revenues over expenditures and other uses | (1,187,157) | 3,473,798 | 4,660,955 |
| Fund balance at beginning of year | <u>10,865,891</u> | <u>10,865,891</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 9,678,734</u> | <u>\$ 14,339,689</u> | <u>\$ 4,660,955</u> |

City of Tempe, Arizona
Highway User Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004

| | <u>Final Budget Amounts</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|---------------------------------|---|--|
| Revenues: | | | |
| Intergovernmental: | | | |
| State sales tax | \$ 10,986,169 | \$ 10,981,726 | \$ (4,443) |
| Miscellaneous | - | 2,905 | 2,905 |
| Total revenues | <u>10,986,169</u> | <u>10,984,631</u> | <u>(1,538)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 7,709,455 | 7,446,227 | 263,228 |
| Total expenditures | <u>7,709,455</u> | <u>7,446,227</u> | <u>263,228</u> |
| Excess of revenues over expenditures before other financing sources (uses) | 3,276,714 | 3,538,404 | 261,690 |
| Other financing uses: | | | |
| Transfers out | (1,254,862) | (3,417,896) | (2,163,034) |
| Total other financing uses | <u>(1,254,862)</u> | <u>(3,417,896)</u> | <u>(2,163,034)</u> |
| Excess of revenues over expenditures and other uses | 2,021,852 | 120,508 | (1,901,344) |
| Fund balance at beginning of year | <u>4,878,789</u> | <u>4,878,789</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 6,900,641</u> | <u>\$ 4,999,297</u> | <u>\$ (1,901,344)</u> |

City of Tempe, Arizona
Local Transportation Assistance Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004

| | Final Budget Amounts | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|--|-------------------------|---|--|
| Revenues: | | | |
| Intergovernmental: | | | |
| Other | \$ 883,600 | \$ 845,813 | \$ (37,787) |
| Total revenues | 883,600 | 845,813 | (37,787) |
| Expenditures: | | | |
| Current: | | | |
| Public works | - | - | - |
| Total expenditures | - | - | - |
| Excess of revenues over expenditures before other financing uses | 883,600 | 845,813 | (37,787) |
| Other financing uses: | | | |
| Transfers out | (291,600) | (281,938) | 9,662 |
| Total other financing uses | (291,600) | (281,938) | 9,662 |
| Excess of revenues over expenditures and other uses | 592,000 | 563,875 | (28,125) |
| Fund balance at beginning of year | 2,447,066 | 2,447,066 | - |
| Fund balance at end of year | \$ 3,039,066 | \$ 3,010,941 | \$ (28,125) |

City of Tempe, Arizona
Community Development Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004

| | <u>Final Budget Amounts</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--------------------------------------|---------------------------------|---|--|
| Revenues: | | | |
| Intergovernmental: | | | |
| Federal grants | \$ 2,391,230 | \$ 2,416,631 | \$ 25,401 |
| Other | 900,000 | 381,018 | (518,982) |
| Investment income | - | 321 | 321 |
| Total revenues | <u>3,291,230</u> | <u>2,797,970</u> | <u>(493,260)</u> |
| Expenditures: | | | |
| Current: | | | |
| Development services | <u>3,291,230</u> | <u>2,797,970</u> | <u>493,260</u> |
| Total expenditures | <u>3,291,230</u> | <u>2,797,970</u> | <u>493,260</u> |
| Excess of expenditures over revenues | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

**City of Tempe, Arizona
Housing Assistance Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004**

| | <u>Final Budget Amounts</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--------------------------------------|---------------------------------|---|--|
| Revenues: | | | |
| Intergovernmental: | | | |
| Federal grants | \$ 8,229,214 | \$ 8,355,339 | \$ 126,125 |
| Investment income | - | 5,241 | 5,241 |
| Total revenues | <u>8,229,214</u> | <u>8,360,580</u> | <u>131,366</u> |
| Expenditures: | | | |
| Current: | | | |
| Development services | 8,229,214 | 8,360,580 | (131,366) |
| Total expenditures | <u>8,229,214</u> | <u>8,360,580</u> | <u>(131,366)</u> |
| Excess of expenditures over revenues | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Tempe, Arizona
Rio Salado Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004

| | Final Budget Amounts | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|---|-------------------------|---|--|
| Revenues: | | | |
| Sales taxes | \$ 653,000 | \$ 476,961 | \$ (176,039) |
| Property taxes | - | 62,065 | 62,065 |
| Investment income | 154,600 | 71,141 | (83,459) |
| Charges for services | 8,700 | 12,052 | 3,352 |
| Miscellaneous | 40,500 | 53,401 | 12,901 |
| Total revenues | <u>856,800</u> | <u>675,620</u> | <u>(181,180)</u> |
| Expenditures: | | | |
| Current: | | | |
| Development services | 1,406,384 | 981,733 | 424,651 |
| Total expenditures | <u>1,406,384</u> | <u>981,733</u> | <u>424,651</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (549,584) | (306,113) | 243,471 |
| Other financing sources (uses): | | | |
| Transfers in | - | 307,479 | 307,479 |
| Transfers out | - | (945) | (945) |
| Total other financing sources (uses) | <u>-</u> | <u>306,534</u> | <u>306,534</u> |
| Deficiency of revenues and other sources over expenditures and other uses | (549,584) | 421 | 550,005 |
| Fund balance at beginning of year | <u>20,309</u> | <u>20,309</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ (529,275)</u> | <u>\$ 20,730</u> | <u>\$ 550,005</u> |

City of Tempe, Arizona
Community Facilities District Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance- Budget to Actual-
Budget Basis
For the Year Ended June 30, 2004

| | Final Budget Amounts | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|--|-------------------------|---|--|
| Revenues: | | | |
| Investment income | \$ - | \$ 132 | \$ 132 |
| Charges for services | - | 39,231 | 39,231 |
| Miscellaneous | - | 187,134 | 187,134 |
| Total revenues | <u>-</u> | <u>226,497</u> | <u>226,497</u> |
| Expenditures: | | | |
| Current: | | | |
| Economic development | 2,268,948 | 2,334,543 | (65,595) |
| Debt service: | | | |
| Principal | 1,340,000 | 1,340,000 | - |
| Interest and fiscal fees | 1,829,742 | 1,751,901 | 77,841 |
| Total expenditures | <u>5,438,690</u> | <u>5,426,444</u> | <u>12,246</u> |
| Excess of revenues over expenditures before other financing sources (uses) | (5,438,690) | (5,199,947) | 238,743 |
| Other financing sources: | | | |
| Transfers in | - | 5,197,899 | 5,197,899 |
| Total other financing sources | <u>-</u> | <u>5,197,899</u> | <u>5,197,899</u> |
| Deficiency of revenues and other sources over expenditures | (5,438,690) | (2,048) | 5,436,642 |
| Fund balance at beginning of year | <u>(431,700)</u> | <u>(431,700)</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ (5,870,390)</u> | <u>\$ (433,748)</u> | <u>\$ 5,436,642</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.

City of Tempe, Arizona
 Housing Assistance Fund
 Other Supplementary Information - Financial Data Schedule
 Balance Sheet
 June 30, 2004

| <u>Line Item #</u> | <u>Account Description</u> | <u>Section 8 Voucher Program</u> |
|---------------------------|-------------------------------------|----------------------------------|
| <u>Assets</u> | | |
| 111 | Cash - Unrestricted | \$ 656,405 |
| 121 | Accounts Receivable - PHA Projects | 164,303 |
| | Total Assets | <u>\$ 820,708</u> |
| <u>Liabilities</u> | | |
| 312 | Accounts Payable <= 90 days | \$ 7,827 |
| 321 | Accrued Wage/Payroll Taxes Payable | 20,160 |
| 331 | Accounts Payable - HUD PHA Programs | 139,867 |
| 342 | Deferred Revenues | 652,854 |
| | Total Liabilities | <u>820,708</u> |
| <u>Equity</u> | | |
| 512 | Undesignated Fund Balance | - |
| | Total Equity | <u>-</u> |
| | Total Liabilities and Equity | <u>\$ 820,708</u> |

City of Tempe, Arizona
Housing Assistance Fund
Other Supplementary Information - Financial Data Schedule
Revenue and Expenses
For the Fiscal Year ended June 30, 2004

| Line Item # | Account Description | Section 8 Voucher Program |
|--|---|----------------------------|
| <u>Revenues</u> | | |
| 706 | HUD PHA Grants | \$ 8,359,523 |
| 711 | Investment Income - Unrestricted | 1,009 |
| 715 | Other Revenue | <u>8,360,532</u> |
| | Total Revenues | |
| <u>Expenses</u> | | |
| 911 | Administrative Salaries | \$ 372,771 |
| 912 | Auditing Fees | 9,333 |
| 914 | Compensated Absences | 29,405 |
| 915 | Employee Benefit Contributions - Administrative | 86,794 |
| 916 | Other Operating - Administrative | 59,515 |
| 973 | Housing Assistance Payments | <u>7,802,714</u> |
| | Total Expenses | 8,360,532 |
| | Excess (Deficiency) of Revenues Over (Under) Expenses | <u><u>\$ -</u></u> |
| <u>Memo Account Information</u> | | |
| 1113 | Maximum Annual Contributions Commitment (Per ACC) | \$ 8,229,025 |
| 1115 | Contingency Reserve, ACC Program Reserve | 644,866 |
| 1116 | Total Annual Contributions Available | <u><u>\$ 8,873,891</u></u> |
| 1120 | Unit Months Available | 12984 |
| 1121 | Number of Unit Months Leased | 12106 |





CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

City of Tempe, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2004

| Program | Balance | | Additions | Retirements | Balance | |
|--------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|---------------|
| | June 30, 2003 | June 30, 2004 | | | June 30, 2003 | June 30, 2004 |
| Police | \$ 18,517,148 | \$ 19,774,332 | \$ 1,473,424 | \$ (216,240) | \$ 19,774,332 | |
| Fire | 17,745,571 | 20,095,318 | 2,354,606 | (4,859) | 20,095,318 | |
| Community services | 46,667,248 | 57,664,716 | 11,223,046 | (225,578) | 57,664,716 | |
| Public works | 655,052,689 | 690,890,160 | 37,027,286 | (1,189,815) | 690,890,160 | |
| Community relations | 356,636 | 356,636 | - | - | 356,636 | |
| City manager | 1,429,281 | 1,453,332 | - | 24,051 | 1,453,332 | |
| City clerk and elections | 25,760 | 25,760 | - | - | 25,760 | |
| Municipal courts | 282,613 | 337,271 | 54,658 | - | 337,271 | |
| Development services | 14,259,786 | 14,330,865 | 1,534,791 | (1,463,712) | 14,330,865 | |
| Economic development | 266,600 | 280,471 | 13,871 | - | 280,471 | |
| Financial services | 1,251,184 | 1,251,184 | 142,493 | (142,493) | 1,251,184 | |
| Human resources | 55,455 | 55,455 | - | - | 55,455 | |
| Information technology | 37,623,804 | 38,178,432 | 830,329 | (275,701) | 38,178,432 | |
| Non-departmental | 119,434,487 | 117,304,410 | - | (2,130,077) | 117,304,410 | |
| Total | \$ 912,968,262 | \$ 961,998,342 | \$ 54,654,504 | \$ (5,624,424) | \$ 961,998,342 | |

City of Tempe, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2004

| Program | Land | Buildings | Infrastructure | Improvements | Machinery and Equipment | Construction in Progress | Total |
|---|---------------|---------------|----------------|---------------|-------------------------|--------------------------|----------------|
| Police | \$ 1,652,277 | \$ 4,125,097 | \$ - | \$ 4,380,690 | \$ 9,539,135 | \$ 77,133 | \$ 19,774,332 |
| Fire | 1,107,061 | 10,121,150 | - | 854,171 | 8,012,936 | - | 20,095,318 |
| Community services | 4,716,752 | 15,244,057 | - | 14,556,788 | 2,930,472 | 20,216,647 | 57,664,716 |
| Public works | 10,305,101 | 5,556,277 | 588,642,477 | 20,554,423 | 28,136,266 | 37,695,616 | 690,890,160 |
| Community relations | - | - | - | 99,828 | 256,808 | - | 356,636 |
| City manager | 1,350,184 | - | - | 39,621 | 63,527 | - | 1,453,332 |
| City clerk and elections | - | - | - | - | 25,760 | - | 25,760 |
| Municipal courts | - | - | - | - | 337,271 | - | 337,271 |
| Development services | 3,458,318 | 9,813,137 | - | 138,267 | 919,218 | 1,925 | 14,330,865 |
| Economic development | 140,600 | - | - | - | 139,871 | - | 280,471 |
| Financial services | - | - | - | 426,312 | 824,872 | - | 1,251,184 |
| Human resources | - | - | - | 49,705 | 5,750 | - | 55,455 |
| Information technology | - | 12,780,292 | - | - | 25,390,268 | 7,872 | 38,178,432 |
| Non-departmental | 13,946,632 | 54,782,177 | - | 21,120,334 | 27,455,267 | - | 117,304,410 |
| Subtotal | 36,676,925 | 112,422,187 | 588,642,477 | 62,220,139 | 104,037,421 | 57,999,193 | 961,998,342 |
| Less: accumulated depreciation | - | (25,737,421) | (210,985,093) | (18,127,389) | (68,713,870) | - | (323,563,773) |
| Total governmental funds capital assets | \$ 36,676,925 | \$ 86,684,766 | \$ 377,657,384 | \$ 44,092,750 | \$ 35,323,551 | \$ 57,999,193 | \$ 638,434,569 |



City of Tempe, Arizona
Government-wide Expenses by Function (Exhibit S-1)
Three Fiscal Years

| | Fiscal Year 2001-02 | Fiscal Year 2002-03 | Fiscal Year 2003-04 |
|--------------------------------|---------------------------|---------------------------|---------------------------|
| Governmental activities: | | | |
| Police | \$ 45,265,995 | \$ 47,729,305 | \$ 49,973,991 |
| Fire | 15,988,363 | 15,103,049 | 16,990,382 |
| Community services | 20,874,630 | 20,307,801 | 20,629,836 |
| Public works | 57,047,822 | 57,917,031 | 61,814,870 |
| Community relations | 2,212,271 | 2,845,176 | 2,472,966 |
| Mayor and council | 516,899 | 579,089 | 407,818 |
| City manager | 1,414,543 | 918,556 | 209,830 |
| Diversity program | - | - | 505,865 |
| Internal audit/consulting | - | - | 440,660 |
| City clerk and elections | 784,099 | 433,922 | 652,442 |
| City attorney | 2,420,285 | 2,027,045 | 2,087,009 |
| Municipal courts | 3,325,642 | 3,230,817 | 4,053,127 |
| Development services | 16,808,229 | 18,760,209 | 19,111,722 |
| Economic development | 2,485,774 | 3,245,906 | 4,021,965 |
| Financial services | 4,906,157 | 5,404,942 | 3,946,238 |
| Human resources | 4,058,772 | 3,762,782 | 2,418,605 |
| Information technology | 804,751 | 4,185,163 | 2,280,717 |
| Non-departmental | 7,594,725 | 14,852,873 | 9,637,203 |
| Interest on long-term debt | 6,588,170 | 6,956,107 | 8,974,827 |
| Total governmental activities | <u>193,097,127</u> | <u>208,259,773</u> | <u>210,630,073</u> |
| Business-type activities: | | | |
| Water/Wastewater | 37,017,484 | 38,417,396 | 42,739,236 |
| Refuse | 10,294,641 | 10,205,570 | 10,912,307 |
| Golf course | 2,441,907 | 2,435,783 | 2,353,586 |
| Total business-type activities | <u>49,754,032</u> | <u>51,058,749</u> | <u>56,005,129</u> |
| Total government | <u>\$ 242,851,159</u> | <u>\$ 259,318,522</u> | <u>\$ 266,635,202</u> |

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.

City of Tempe, Arizona
Government-wide Revenues by Source (Exhibit S-2)
Three Fiscal Years

| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Sales Taxes | State Income Taxes | Property Taxes | Franchise Taxes | Auto-Lieu Taxes | Unrestricted Investment Earnings | Miscellaneous | Gain on Sale of Capital Assets | Total |
|-------------|----------------------|------------------------------------|----------------------------------|----------------|--------------------|----------------|-----------------|-----------------|----------------------------------|---------------|--------------------------------|----------------|
| | | | | | | | | | | | | |
| 2001-02 | \$ 71,539,934 | \$ 11,782,757 | \$ 11,409,733 | \$ 111,538,072 | \$ 16,544,791 | \$ 20,375,185 | \$ 1,810,590 | \$ 5,233,512 | \$ 14,968,864 | \$ 1,770,718 | \$ 408,156 | \$ 250,234,574 |
| 2002-03 | 73,321,979 | 13,490,697 | 5,278,431 | 112,724,512 | 16,882,535 | 21,269,140 | 1,476,718 | 6,247,543 | 3,798,880 | 1,950,642 | - | 250,691,555 |
| 2003-04 | 77,671,113 | 14,346,903 | 13,341,342 | 120,075,959 | 14,303,004 | 22,580,678 | 1,457,085 | 6,427,396 | 3,295,210 | 2,249,084 | 6,387,190 | 282,134,964 |

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.

City of Tempe, Arizona
General Governmental
(General, Special Revenue and Debt Service Funds)
Revenues By Source - GAAP Basis (Exhibit S-3)
Last Ten Fiscal Years

| Fiscal Year | Taxes | Inter-governmental | Investment Income | Charges for Services | Fines and Forfeitures | Special Assessments | Licenses and Permits | Miscellaneous | Total |
|-------------|---------------|--------------------|-------------------|----------------------|-----------------------|---------------------|----------------------|---------------|----------------|
| | | | | | | | | | |
| 1994-95 | \$ 61,169,579 | \$ 43,067,593 | \$ 3,704,351 | \$ 5,829,027 | \$ 3,031,153 | \$ 2,673,189 | \$ 862,605 | \$ 2,008,062 | \$ 122,345,559 |
| 1995-96 | 64,307,545 | 42,974,050 | 4,819,518 | 5,923,546 | 3,691,911 | 2,527,526 | 951,585 | 5,479,838 | 130,675,519 |
| 1996-97 | 77,573,590 | 44,565,117 | 5,309,812 | 7,120,367 | 3,522,706 | 17,735,854 | 936,866 | 4,120,450 | 160,884,762 |
| 1997-98 | 98,767,270 | 48,136,786 | 6,794,487 | 7,760,931 | 4,089,198 | 1,949,841 | 946,895 | 1,543,932 | 169,989,340 |
| 1998-99 | 101,865,345 | 53,161,165 | 7,178,510 | 6,576,694 | 4,877,353 | 2,603,350 | 1,100,281 | 2,156,437 | 179,519,135 |
| 1999-00 | 107,856,012 | 59,016,628 | 8,658,332 | 7,146,295 | 5,500,018 | 2,601,706 | 1,200,592 | 3,225,687 | 195,205,270 |
| 2000-01 | 116,709,523 | 60,987,547 | 14,889,640 | 6,977,643 | 4,924,823 | 2,899,583 | 1,081,485 | 2,705,437 | 211,175,681 |
| 2001-02 | 111,252,263 | 59,454,020 | 11,208,092 | 6,550,017 | 4,980,777 | 2,845,691 | 1,105,145 | 3,499,019 | 200,895,024 |
| 2002-03 | 112,859,765 | 64,374,191 | 2,864,224 | 7,660,472 | 6,058,944 | 2,835,480 | 1,263,163 | 2,751,374 | 200,667,613 |
| 2003-04 | 119,673,043 | 58,993,971 | 2,336,129 | 14,006,541 | 7,230,067 | 2,781,314 | 1,131,517 | 2,974,090 | 209,126,672 |

City of Tempe, Arizona
General Governmental
(General, Special Revenue, Debt Service, and Capital Projects Funds)
Tax Revenues By Source - GAAP Basis (Exhibit S-4)
Last Ten Fiscal Years

| Fiscal Year | City Sales (A) | Local Bed/ Other (B) | Primary Property | Secondary Property | SRP In-Lieu (C) | Residential | | Franchise | Total |
|-------------|----------------|-------------------------|---------------------|-----------------------|-----------------|-------------|------------|---------------|-------|
| | | | | | | Development | | | |
| 1994-95 | \$ 45,870,050 | \$ 1,160,235 | \$ 4,247,312 | \$ 7,068,557 | \$ 1,357,799 | \$ 566,915 | \$ 898,711 | \$ 61,169,579 | |
| 1995-96 | 48,488,110 | 1,236,459 | 4,760,417 | 7,537,093 | 1,322,950 | 372,790 | 962,516 | 64,680,335 | |
| 1996-97 | 60,931,843 | 1,551,297 | 5,141,986 | 7,666,645 | 1,263,705 | 554,387 | 1,018,984 | 78,128,847 | |
| 1997-98 | 80,495,003 | 1,779,972 | 5,382,818 | 8,449,186 | 1,199,458 | 636,430 | 1,368,373 | 99,311,240 | |
| 1998-99 | 82,509,157 | 1,820,476 | 5,665,473 | 9,506,815 | 1,144,363 | 173,515 | 1,220,941 | 102,040,740 | |
| 1999-00 | 86,935,628 | 1,970,165 | 6,145,575 | 10,416,361 | 1,110,420 | 256,610 | 1,278,333 | 108,113,092 | |
| 2000-01 | 94,253,436 | 2,315,997 | 6,879,783 | 10,778,142 | 967,193 | 6,110 | 1,514,502 | 116,715,163 | |
| 2001-02 | 87,952,618 | 1,583,185 | 7,135,100 | 11,729,480 | 1,041,290 | - | 1,810,590 | 111,252,263 | |
| 2002-03 | 87,998,797 | 2,034,972 | 7,563,180 | 12,675,695 | 1,110,403 | - | 1,476,718 | 112,859,765 | |
| 2003-04 | 93,335,982 | 2,413,099 | 8,313,398 | 13,059,813 | 1,093,665 | - | 1,457,085 | 119,673,042 | |

(A) In fiscal year 1996-97, City of Tempe voters approved a 0.5% increase in the City sales tax. In fiscal year 1999-00, City of Tempe voters approved a 0.1% increase in the City sales tax.

(B) Bed tax is included in the sales tax figure on the Statement of Revenues, Expenditures and Changes in Fund Balance.

(C) SRP In-Lieu tax is included in the property tax figure on the Statement of Revenues, Expenditures and Changes in Fund Balance.

City of Tempe, Arizona
General Governmental
(General and Special Revenue Funds)
Intergovernmental Revenues by Source - GAAP Basis (Exhibit S-5)
Last Ten Fiscal Years

| Fiscal Year | State | | Highway User Tax | State Income Tax | Local | | Federal Grants | Other | Total |
|-------------|---------------|-----------------|------------------|------------------|------------------|---------------------------|----------------|---------------|-------|
| | Sales Tax | State Sales Tax | | | Auto In-Lieu Tax | Transportation Assistance | | | |
| 1994-95 | \$ 10,937,688 | \$ 9,435,501 | \$ 11,139,519 | \$ 4,031,788 | \$ 1,107,750 | \$ 5,329,298 | \$ 1,086,049 | \$ 43,067,593 | |
| 1995-96 | 11,474,002 | 10,238,951 | 9,939,947 | 3,863,004 | 1,109,176 | 5,666,784 | 682,186 | 42,974,050 | |
| 1996-97 | 10,857,058 | 9,788,235 | 11,661,618 | 4,150,865 | 1,143,695 | 6,093,228 | 870,418 | 44,565,117 | |
| 1997-98 | 11,466,965 | 9,684,269 | 13,158,548 | 4,390,865 | 1,019,776 | 6,738,777 | 1,677,586 | 48,136,786 | |
| 1998-99 | 12,208,316 | 10,767,285 | 15,361,479 | 4,971,529 | 1,000,596 | 6,416,229 | 2,435,731 | 53,161,165 | |
| 1999-00 | 13,511,356 | 11,041,068 | 17,045,903 | 5,497,492 | 976,015 | 6,895,654 | 4,049,140 | 59,016,628 | |
| 2000-01 | 13,951,532 | 11,213,830 | 17,890,338 | 5,632,181 | 957,785 | 7,042,160 | 4,299,721 | 60,987,547 | |
| 2001-02 | 12,148,438 | 9,853,831 | 16,544,791 | 5,233,512 | 900,415 | 9,023,541 | 5,749,492 | 59,454,020 | |
| 2002-03 | 12,405,713 | 10,285,029 | 16,882,535 | 6,247,543 | 870,401 | 10,845,327 | 6,837,643 | 64,374,191 | |
| 2003-04 | 13,345,152 | 10,981,726 | 14,303,004 | 6,427,396 | 845,813 | 12,054,711 | 1,036,169 | 58,993,971 | |

City of Tempe, Arizona
General Governmental
(General, Special Revenue, Debt Service and Capital Projects Funds)
Expenditures by Function - GAAP Basis (Exhibit S-6)
Three Fiscal Years

| | Fiscal Year <u>2002-03</u> | Fiscal Year <u>2002-03</u> | Fiscal Year <u>2003-04</u> |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|
| Police | \$ 44,524,665 | \$ 45,287,397 | \$ 48,576,160 |
| Fire | 14,903,901 | 14,944,261 | 15,622,805 |
| Community services | 19,353,717 | 18,578,259 | 18,809,726 |
| Public works | 41,042,674 | 40,904,425 | 43,811,239 |
| Community relations | 2,126,245 | 2,904,697 | 2,414,527 |
| Mayor and council | 516,899 | 579,089 | 407,818 |
| City manager | 1,464,931 | 944,568 | 254,578 |
| Diversity program | - | - | 472,233 |
| Internal audit/consulting | - | - | 408,862 |
| City clerk and elections | 774,756 | 442,615 | 641,753 |
| City attorney | 2,437,072 | 2,121,212 | 2,079,092 |
| Municipal courts | 3,261,268 | 3,142,488 | 4,039,664 |
| Development services | 15,815,204 | 17,919,144 | 17,285,467 |
| Economic development | 2,445,475 | 2,956,263 | 4,002,794 |
| Financial services | 4,747,540 | 5,151,110 | 3,743,137 |
| Human resources | 4,049,591 | 3,797,137 | 2,388,877 |
| Information technology | 600,852 | 990,568 | 633,533 |
| Non-departmental | 1,412,665 | 9,197,356 | 3,440,150 |
| | <u>\$ 159,477,455</u> | <u>\$ 169,860,589</u> | <u>\$ 169,032,415</u> |

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 format.

City of Tempe, Arizona
General Property Tax Information (Exhibit S-7)

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, October 1st; second installment, March 1st.

Taxes Payable

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

Taxes Delinquent

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

Tax Sale

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

Tax Deed

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

Redemption

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

City of Tempe, Arizona
Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-8)
Last Ten Fiscal Years
(Continued)

| Fiscal Year | | Schools | | | | |
|-------------|-----------|---------------|---------------|----------------------|-------------------|---|
| | | City of Tempe | Tempe Union | Tempe Elementary (A) | Community College | East Valley Institute of Technology (C) |
| 1994-95 | Primary | \$ 4,463,534 | \$ 34,663,388 | \$ 26,296,909 | \$ 118,841,866 | \$ - |
| | Secondary | 7,350,000 | 10,348,734 | 7,233,778 | - | 2,863,873 |
| | Total | 11,813,534 | 45,012,122 | 33,530,687 | 118,841,866 | 2,863,873 |
| 1995-96 | Primary | 4,707,304 | 36,298,864 | 28,651,005 | 127,583,281 | - |
| | Secondary | 7,439,366 | 12,962,978 | 8,606,098 | 23,643,816 | 1,452,107 |
| | Total | 12,146,670 | 49,261,842 | 37,257,103 | 151,227,097 | 1,452,107 |
| 1996-97 | Primary | 5,058,289 | 35,822,152 | 26,455,974 | 136,570,230 | - |
| | Secondary | 7,548,414 | 15,067,689 | 8,781,347 | 10,099,590 | 6,120,184 |
| | Total | 12,606,703 | 50,889,841 | 35,237,321 | 146,669,820 | 6,120,184 |
| 1997-98 | Primary | 5,303,027 | 37,304,352 | 23,951,371 | 146,259,046 | - |
| | Secondary | 8,388,168 | 17,447,673 | 8,842,996 | 25,143,528 | 4,274,560 |
| | Total | 13,691,195 | 54,752,025 | 32,794,367 | 171,402,574 | 4,274,560 |
| 1998-99 | Primary | 5,612,357 | 42,137,221 | 27,500,363 | 158,026,342 | - |
| | Secondary | 9,490,562 | 24,250,898 | 10,736,890 | 21,173,925 | 5,130,129 |
| | Total | 15,102,919 | 66,388,119 | 38,237,253 | 179,200,267 | 5,130,129 |
| 1999-00 | Primary | 6,270,439 | 49,048,837 | 31,471,163 | 170,115,611 | - |
| | Secondary | 10,557,655 | 31,196,746 | 10,270,170 | 28,833,135 | 5,922,133 |
| | Total | 16,828,094 | 80,245,583 | 41,741,333 | 198,948,746 | 5,922,133 |
| 2000-01 | Primary | 6,956,983 | 45,938,017 | 35,072,934 | 187,642,684 | - |
| | Secondary | 10,812,099 | 30,369,063 | 11,339,936 | 31,377,241 | 6,155,098 |
| | Total | 17,769,082 | 76,307,080 | 46,412,870 | 219,019,925 | 6,155,098 |
| 2001-02 | Primary | 7,288,511 | 50,998,246 | 38,038,775 | 204,648,094 | - |
| | Secondary | 11,913,038 | 28,778,881 | 11,823,692 | 34,930,475 | 6,258,774 |
| | Total | 19,201,549 | 79,777,127 | 49,862,467 | 239,578,569 | 6,258,774 |
| 2002-03 | Primary | 7,682,987 | 56,994,879 | 40,319,642 | 221,156,802 | - |
| | Secondary | 12,897,095 | 31,162,656 | 12,272,916 | 36,526,312 | 6,175,823 |
| | Total | 20,580,082 | 88,157,535 | 52,592,558 | 257,683,114 | 6,175,823 |
| 2003-04 | Primary | 8,621,551 | 63,921,636 | 40,269,326 | 239,464,278 | - |
| | Secondary | 13,554,896 | 32,236,303 | 15,349,563 | 37,777,314 | 6,429,195 |
| | Total | 22,176,447 | 96,157,939 | 55,618,889 | 277,241,592 | 6,429,195 |

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 (S-15).
- (B) District which had its first secondary tax levies set in FY 87-88.
- (C) District which had its first secondary tax levy set in FY 91-92.

City of Tempe, Arizona
Property Tax Levies - All Direct and Overlapping Governments (Exhibit S-8)
Last Ten Fiscal Years

| Maricopa County | State of Arizona | Flood District | Central Arizona Project | Fire District Assistance (B) | County Free Library District (C) | Total |
|--------------------|---------------------|-------------------|-------------------------------|------------------------------------|--|----------------------|
| \$ 235,367,648 | \$ 62,520,935 | \$ - | \$ - | \$ - | \$ - | \$ 482,154,280 |
| 428,377 | - | 35,318,672 | 18,929,645 | 1,447,315 | 5,638,330 | 89,558,724 |
| <u>235,796,025</u> | <u>62,520,935</u> | <u>35,318,672</u> | <u>18,929,645</u> | <u>1,447,315</u> | <u>5,638,330</u> | <u>571,713,004</u> |
| 227,774,077 | 63,420,563 | - | - | - | - | 488,435,094 |
| 20,670,863 | - | 36,078,354 | 19,767,209 | 1,517,982 | 1,397,824 | 133,536,597 |
| <u>248,444,940</u> | <u>63,420,563</u> | <u>36,078,354</u> | <u>19,767,209</u> | <u>1,517,982</u> | <u>1,397,824</u> | <u>621,971,691</u> |
| 228,558,077 | - | - | - | - | - | 432,464,722 |
| 22,590,472 | - | 38,118,477 | 20,080,420 | 1,567,061 | 6,038,469 | 136,012,123 |
| <u>251,148,549</u> | <u>-</u> | <u>38,118,477</u> | <u>20,080,420</u> | <u>1,567,061</u> | <u>6,038,469</u> | <u>568,476,845</u> |
| 248,578,872 | - | - | - | - | - | 461,396,668 |
| 21,446,852 | - | 42,339,342 | 22,012,897 | 1,645,591 | 6,619,593 | 158,161,200 |
| <u>270,025,724</u> | <u>-</u> | <u>42,339,342</u> | <u>22,012,897</u> | <u>1,645,591</u> | <u>6,619,593</u> | <u>619,557,868</u> |
| 268,641,579 | - | - | - | - | - | 501,917,862 |
| 22,058,679 | - | 44,670,223 | 23,536,796 | 1,737,365 | 7,078,280 | 169,863,747 |
| <u>290,700,258</u> | <u>-</u> | <u>44,670,223</u> | <u>23,536,796</u> | <u>1,737,365</u> | <u>7,078,280</u> | <u>671,781,609</u> |
| 298,649,736 | - | - | - | - | - | 555,555,786 |
| 20,264,361 | - | 44,310,754 | 26,147,563 | 1,873,777 | 7,862,946 | 187,239,240 |
| <u>318,914,097</u> | <u>-</u> | <u>44,310,754</u> | <u>26,147,563</u> | <u>1,873,777</u> | <u>7,862,946</u> | <u>742,795,026</u> |
| 324,589,568 | - | - | - | - | - | 600,200,186 |
| 24,051,128 | - | 44,309,245 | 27,141,030 | 1,997,318 | 8,789,518 | 196,341,676 |
| <u>348,640,696</u> | <u>-</u> | <u>44,309,245</u> | <u>27,141,030</u> | <u>1,997,318</u> | <u>8,789,518</u> | <u>796,541,862</u> |
| 358,897,617 | - | - | - | - | - | 659,871,243 |
| 20,071,906 | - | 45,322,696 | 29,787,075 | 2,086,084 | 9,646,430 | 200,619,051 |
| <u>378,969,523</u> | <u>-</u> | <u>45,322,696</u> | <u>29,787,075</u> | <u>2,086,084</u> | <u>9,646,430</u> | <u>860,490,294</u> |
| 390,180,835 | - | - | - | - | - | 716,335,145 |
| 19,565,638 | - | 44,868,063 | 31,805,013 | 1,859,466 | 10,296,417 | 207,429,399 |
| <u>409,746,473</u> | <u>-</u> | <u>44,868,063</u> | <u>31,805,013</u> | <u>1,859,466</u> | <u>10,296,417</u> | <u>923,764,544</u> |
| 428,160,093 | - | - | - | - | - | 780,436,884 |
| 19,234,591 | - | 51,153,993 | 33,010,980 | 1,931,237 | 14,316,032 | 224,994,104 |
| <u>447,394,684</u> | <u>-</u> | <u>51,153,993</u> | <u>33,010,980</u> | <u>1,931,237</u> | <u>14,316,032</u> | <u>1,005,430,988</u> |

City of Tempe, Arizona
Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)
Last Ten Fiscal Years
(Continued)

Tax Rates per \$100 of Assessed Valuation

| Fiscal Year | | City of Tempe | Schools | | | |
|-------------|-----------|---------------|-------------|----------------------|-------------------|-------------------------------------|
| | | | Tempe Union | Tempe Elementary (A) | Community College | East Valley Institute of Technology |
| 1994-95 | Primary | \$ 0.53 | \$ 2.53 | \$ 3.58 | \$ 0.89 | \$ - |
| | Secondary | 0.86 | 0.74 | 0.97 | - | 0.06 |
| | Total | <u>1.39</u> | <u>3.27</u> | <u>4.55</u> | <u>0.89</u> | <u>0.06</u> |
| 1995-96 | Primary | 0.56 | 2.54 | 4.01 | 0.95 | - |
| | Secondary | 0.84 | 0.86 | 1.13 | 0.17 | 0.03 |
| | Total | <u>1.40</u> | <u>3.40</u> | <u>5.14</u> | <u>1.12</u> | <u>0.03</u> |
| 1996-97 | Primary | 0.57 | 2.35 | 3.53 | 0.98 | - |
| | Secondary | 0.83 | 0.96 | 1.12 | 0.07 | 0.11 |
| | Total | <u>1.40</u> | <u>3.31</u> | <u>4.65</u> | <u>1.05</u> | <u>0.11</u> |
| 1997-98 | Primary | 0.56 | 2.23 | 3.00 | 0.98 | - |
| | Secondary | 0.84 | 1.00 | 1.10 | 0.16 | 0.07 |
| | Total | <u>1.40</u> | <u>3.23</u> | <u>4.10</u> | <u>1.14</u> | <u>0.07</u> |
| 1998-99 | Primary | 0.54 | 2.30 | 3.18 | 0.99 | - |
| | Secondary | 0.86 | 1.27 | 1.17 | 0.13 | 0.07 |
| | Total | <u>1.40</u> | <u>3.57</u> | <u>4.35</u> | <u>1.12</u> | <u>0.07</u> |
| 1999-00 | Primary | 0.55 | 2.45 | 3.37 | 0.97 | - |
| | Secondary | 0.85 | 1.45 | 1.00 | 0.15 | 0.07 |
| | Total | <u>1.40</u> | <u>3.90</u> | <u>4.37</u> | <u>1.12</u> | <u>0.07</u> |
| 2000-01 | Primary | 0.55 | 2.05 | 3.40 | 0.97 | - |
| | Secondary | 0.80 | 1.26 | 1.01 | 0.15 | 0.07 |
| | Total | <u>1.35</u> | <u>3.31</u> | <u>4.41</u> | <u>1.12</u> | <u>0.07</u> |
| 2001-02 | Primary | 0.53 | 2.08 | 3.41 | 0.96 | - |
| | Secondary | 0.82 | 1.11 | 1.00 | 0.15 | 0.06 |
| | Total | <u>1.35</u> | <u>3.19</u> | <u>4.41</u> | <u>1.11</u> | <u>0.06</u> |
| 2002-03 | Primary | 0.52 | 2.19 | 3.32 | 0.96 | - |
| | Secondary | 0.83 | 1.13 | 0.95 | 0.15 | 0.06 |
| | Total | <u>1.35</u> | <u>3.33</u> | <u>4.27</u> | <u>1.11</u> | <u>0.06</u> |
| 2003-04 | Primary | 0.55 | 2.24 | 3.10 | 0.94 | - |
| | Secondary | 0.80 | 1.05 | 1.10 | 0.14 | 0.05 |
| | Total | <u>1.35</u> | <u>3.29</u> | <u>4.19</u> | <u>1.08</u> | <u>0.05</u> |

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

(A) Tempe property owners residing within the Kyrene Elementary School District No. 28, Scottsdale Unified School District No. 48 or Mesa Unified School District No. 4 have combined rates of \$5.52, \$5.80, and \$7.71, respectively. Also, see the Net Direct and Overlapping General Obligation Bonded Debt Schedule (S-15).

City of Tempe, Arizona
Property Tax Rates - All Direct and Overlapping Governments (Exhibit S-9)
Last Ten Fiscal Years

| Maricopa County | State of Arizona | Flood District | Central Arizona Project | Fire District Assistance | County Free Library District | Total |
|-----------------|------------------|----------------|-------------------------|--------------------------|------------------------------|--------------|
| \$ 1.77 | \$ 0.47 | \$ - | \$ - | \$ - | \$ - | \$ 9.77 |
| 0.01 | - | 0.36 | 0.14 | 0.01 | 0.04 | 3.19 |
| <u>1.78</u> | <u>0.47</u> | <u>0.36</u> | <u>0.14</u> | <u>0.01</u> | <u>0.04</u> | <u>12.96</u> |
| 1.69 | 0.47 | - | - | - | - | 10.22 |
| 0.15 | - | 0.33 | 0.14 | 0.01 | 0.01 | 3.67 |
| <u>1.84</u> | <u>0.47</u> | <u>0.33</u> | <u>0.14</u> | <u>0.01</u> | <u>0.01</u> | <u>13.89</u> |
| 1.64 | - | - | - | - | - | 9.07 |
| 0.16 | - | 0.34 | 0.14 | 0.01 | 0.04 | 3.78 |
| <u>1.80</u> | <u>0.00</u> | <u>0.34</u> | <u>0.14</u> | <u>0.01</u> | <u>0.04</u> | <u>12.85</u> |
| 1.66 | - | - | - | - | - | 8.43 |
| 0.14 | - | 0.34 | 0.14 | 0.01 | 0.04 | 3.84 |
| <u>1.80</u> | <u>0.00</u> | <u>0.34</u> | <u>0.14</u> | <u>0.01</u> | <u>0.04</u> | <u>12.27</u> |
| 1.68 | - | - | - | - | - | 8.69 |
| 0.13 | - | 0.33 | 0.14 | 0.01 | 0.04 | 4.15 |
| <u>1.81</u> | <u>0.00</u> | <u>0.33</u> | <u>0.14</u> | <u>0.01</u> | <u>0.04</u> | <u>12.84</u> |
| 1.71 | - | - | - | - | - | 9.05 |
| 0.11 | - | 0.29 | 0.14 | 0.01 | 0.04 | 4.11 |
| <u>1.82</u> | <u>0.00</u> | <u>0.29</u> | <u>0.14</u> | <u>0.01</u> | <u>0.04</u> | <u>13.16</u> |
| 1.68 | - | - | - | - | - | 8.65 |
| 0.12 | - | 0.25 | 0.13 | 0.01 | 0.04 | 3.84 |
| <u>1.80</u> | <u>0.00</u> | <u>0.25</u> | <u>0.13</u> | <u>0.01</u> | <u>0.04</u> | <u>12.49</u> |
| 1.68 | - | - | - | - | - | 8.66 |
| 0.09 | - | 0.23 | 0.13 | 0.01 | 0.04 | 3.64 |
| <u>1.77</u> | <u>0.00</u> | <u>0.23</u> | <u>0.13</u> | <u>0.01</u> | <u>0.04</u> | <u>12.30</u> |
| 1.70 | - | - | - | - | - | 8.70 |
| 0.08 | - | 0.21 | 0.13 | 0.01 | 0.04 | 3.59 |
| <u>1.78</u> | <u>0.00</u> | <u>0.21</u> | <u>0.13</u> | <u>0.01</u> | <u>0.04</u> | <u>12.28</u> |
| 1.68 | - | - | - | - | - | 8.50 |
| 0.07 | - | 0.21 | 0.12 | 0.01 | 0.05 | 3.60 |
| <u>1.75</u> | <u>0.00</u> | <u>0.21</u> | <u>0.12</u> | <u>0.01</u> | <u>0.05</u> | <u>12.10</u> |

City of Tempe, Arizona
 Secured Property Tax Levies and Collections (Exhibit S-10)
 Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy | Current Tax Collections | | Delinquent Tax Collections | Total Tax Collections | | Outstanding Delinquent Taxes | |
|-------------|----------------|-------------------------|-----------|----------------------------|-----------------------|-----------|------------------------------|-----------|
| | | Amount | % of Levy | | Amount | % of Levy | Amount | % of Levy |
| 1994-95 | \$ 10,017,269 | \$ 9,793,078 | 97.8 % | \$ 134,929 | \$ 9,928,007 | 99.1 % | \$ 217,234 | 2.2 % |
| 1995-96 | 11,005,571 | 10,660,436 | 96.9 | 168,873 | 10,829,309 | 98.4 | 331,786 | 3.0 |
| 1996-97 | 11,434,626 | 11,207,792 | 98.0 | 250,976 | 11,458,768 | 100.2 | 332,277 | 2.9 |
| 1997-98 | 12,406,900 | 12,116,241 | 97.7 | 187,710 | 12,303,951 | 99.2 | 265,567 | 2.1 |
| 1998-99 | 13,667,448 | 13,357,098 | 97.7 | 241,824 | 13,598,922 | 99.5 | 275,818 | 2.0 |
| 1999-00 | 15,393,449 | 14,946,148 | 97.1 | 211,624 | 15,157,772 | 98.5 | 358,878 | 2.3 |
| 2000-01 | 16,198,733 | 15,795,257 | 97.5 | 899,687 | 16,694,944 | 103.1 | 366,985 | 2.3 |
| 2001-02 | 19,127,781 | 18,543,839 | 96.9 | 291,651 | 18,835,490 | 98.5 | 556,360 | 2.9 |
| 2002-03 | 20,453,121 | 19,789,415 | 96.8 | 404,700 | 20,194,115 | 98.7 | 503,869 | 2.5 |
| 2003-04 | 22,154,599 | 21,283,933 | 96.1 | 339,862 | 21,623,795 | 97.6 | 460,958 | 2.1 |

Source: District #506, Maricopa County Finance Office
 Secured Levy Report

City of Tempe, Arizona
Net Assessed and Estimated Actual Value of Taxable Property (Exhibit S-11)
Last Ten Fiscal Years

| | | Net Assessed Valuations (A) | Percent of Increase | Estimated Actual Cash Value (B) | Net Secondary / Primary Assessed Valuation as a percentage of the Estimated Actual Valuation |
|---------|-----------|--------------------------------|------------------------|------------------------------------|---|
| 1994-95 | Primary | \$ 836,494,386 | (1.664) % | \$ 6,211,790,007 | 13.47 % |
| | Secondary | 850,390,750 | (1.476) | 5,346,201,868 | 15.91 |
| 1995-96 | Primary | 837,449,511 | 0.114 | 6,241,416,783 | 13.42 |
| | Secondary | 887,858,508 | 4.406 | 5,791,836,968 | 15.33 |
| 1996-97 | Primary | 882,618,954 | 5.394 | 6,692,577,587 | 13.19 |
| | Secondary | 912,856,941 | 2.816 | 5,874,679,875 | 15.54 |
| 1997-98 | Primary | 954,640,295 | 8.160 | 7,176,757,224 | 13.30 |
| | Secondary | 993,270,348 | 8.809 | 6,480,327,901 | 15.33 |
| 1998-99 | Primary | 1,046,495,824 | 9.622 | 7,625,529,090 | 13.72 |
| | Secondary | 1,098,826,160 | 10.627 | 6,969,687,327 | 15.77 |
| 1999-00 | Primary | 1,142,364,500 | 9.161 | 8,194,877,901 | 13.94 |
| | Secondary | 1,240,471,800 | 12.891 | 7,767,094,564 | 15.97 |
| 2000-01 | Primary | 1,258,271,357 | 10.146 | 8,978,914,806 | 14.01 |
| | Secondary | 1,356,429,397 | 9.348 | 8,604,588,323 | 15.76 |
| 2001-02 | Primary | 1,370,020,840 | 8.881 | 9,756,507,857 | 14.04 |
| | Secondary | 1,456,361,617 | 7.367 | 9,197,839,943 | 15.83 |
| 2002-03 | Primary | 1,473,530,320 | 7.555 | 10,505,677,932 | 14.03 |
| | Secondary | 1,556,492,294 | 6.875 | 9,669,307,443 | 16.10 |
| 2003-04 | Primary | 1,575,575,814 | 6.925 | 11,424,612,316 | 13.79 |
| | Secondary | 1,688,452,415 | 8.478 | 10,779,997,040 | 15.66 |

(A) Property tax legislation approved by voters on June 3, 1980, created PRIMARY and SECONDARY valuation bases. The primary (limited) tax levy is for maintenance and operation of counties, cities, school districts and the State. The secondary (full cash) tax levy is for debt retirement, voter-approved budget overrides and maintenance and operation of special-service districts. Real estate and improvements are combined in the primary valuation.

(B) In 1968, a statewide re-appraisal program was completed in which a property's value was assessed by usage classification on varying percentages of actual cash value. These percentages have since been modified and are currently as follows:

| Property Class | Current Ratio |
|------------------------------|------------------|
| 1. Mining, Timber | 25% |
| 2. Utilities | 25 |
| 3. Commercial-Industrial | 25 |
| 4. Agricultural, Vacant Land | 16 |
| 5. Residential | 10 |
| 6. Lease-Rental | 10 |
| 7. Railroads | 21 |
| 8. Historic | 5 |

Source: Maricopa County Assessor's Office
 Cities & Towns Valuations, Abstract by Tax Authority & Legal Class Report

City of Tempe, Arizona
Estimated Assessed Valuations of Major Taxpayers (Exhibit S-12)
June 30, 2004

| <u>Taxpayer</u> | Estimated 2003/04 Net Secondary Assessed Value | Percent of City's Total Net Secondary <u>Assessed Value</u> |
|----------------------------------|---|--|
| Qwest Communications | \$ 35,570,239 | 2.11 % |
| Motorola, Incorporated | 28,790,439 | 1.71 |
| Arizona Mills LLC | 25,796,278 | 1.53 |
| Arizona Public Service Company | 19,554,733 | 1.16 |
| AT&T | 17,532,301 | 1.04 |
| Britcher Arizona | 14,482,874 | 0.86 |
| State Farm Mutual Auto Insurance | 12,052,915 | 0.71 |
| Allied Signal | 10,590,408 | 0.63 |
| Phoenix Coca-Cola | 8,046,582 | 0.48 |
| Microchip Technology | 7,922,058 | 0.47 |
| Tempe Commerce | 7,430,322 | 0.44 |
| St. Paul Properties | 7,385,985 | 0.44 |
| Wells Fargo Bank | 6,553,502 | 0.39 |
| Southwest Gas | 6,331,105 | 0.37 |
| Total | \$ 208,039,741 | 12.32 % |

Source: Maricopa County Treasurer's Office

City of Tempe, Arizona
Special Assessment Collections (Exhibit S-13)
Last Ten Fiscal Years

| Fiscal Year | Current Assessments Due (A) | Current Assessments Collections | Percent of Collections to Amount Due (B) | Total Principal Outstanding |
|----------------|-----------------------------------|---------------------------------------|---|-----------------------------------|
| 1994-95 | \$ 2,674,809 | \$ 2,673,189 | 99.94 % | \$ 30,954,855 |
| 1995-96 | 2,528,052 | 2,527,526 | 99.98 | 29,803,828 |
| 1996-97 | 17,735,945 | 17,735,854 | 100.00 | 12,716,535 |
| 1997-98 | 1,950,731 | 1,950,578 | 99.99 | 20,146,746 |
| 1998-99 | 2,604,881 | 2,604,881 | 100.00 | 24,768,881 |
| 1999-00 | 2,604,043 | 2,604,043 | 100.00 | 17,257,468 |
| 2000-01 | 2,899,583 | 2,899,583 | 100.00 | 15,750,000 |
| 2001-02 | 2,849,998 | 2,849,998 | 100.00 | 20,250,000 |
| 2002-03 | 2,839,171 | 2,839,171 | 100.00 | 18,520,000 |
| 2003-04 | 2,781,576 | 2,781,576 | 100.00 | 16,725,000 |

(A) Current assessments due includes principal, interest and prior year delinquencies but does not include advertising or title search fees.

(B) Under Arizona law, public auctions are held the first quarter of each year, at which time disposition of then delinquent assessments are made. By bid, special lien rights to properties against which assessments are due but unpaid are offered in return for payment of all outstanding amounts plus penalties. In the event there are no interested bidders, the delinquency must be satisfied from budgetary funds of the sponsoring governmental unit. Thus, in the first quarter of each year, all outstanding delinquent assessments, except those delayed by bankruptcy proceedings, are collected. The percent of collected assessments to amounts due is less than 100% only when June 1st interest installments are uncollected or bankruptcy cases remain open at June 30th.

City of Tempe, Arizona
Percent of Net Direct Debt to Assessed Valuation and
Net Direct Debt per Capita (Exhibit S-14)
Last Ten Fiscal Years

| Fiscal Year | General Obligation Debt | Less: Debt Service Reserves | Net Direct Debt | Assessed Valuation (A) | Percent of Net Direct Debt To Assessed Valuation | Population (B) | Net Direct Debt Per Capita |
|-------------|-------------------------|-----------------------------|-----------------|------------------------|--|----------------|----------------------------|
| | | | | | | | |
| 1994-95 | \$ 61,737,864 (C) | \$ 11,657,373 | \$ 50,080,491 | \$ 850,390,750 | 5.9 % | 153,821 | \$ 325.58 |
| 1995-96 | 67,164,944 (C) | 9,597,875 | 57,567,069 | 887,858,508 | 6.5 | 154,770 | 371.95 |
| 1996-97 | 64,946,129 (C) | 6,845,960 | 58,100,169 | 912,856,941 | 6.4 | 155,725 | 373.09 |
| 1997-98 | 58,247,603 (C) | 7,620,884 | 50,626,719 | 993,270,348 | 5.1 | 156,686 | 323.11 |
| 1998-99 | 70,535,000 | 8,019,429 | 62,515,571 | 1,098,826,160 | 5.7 | 157,653 | 396.54 |
| 1999-00 | 66,405,000 | 7,302,028 | 59,102,972 | 1,240,471,800 | 4.8 | 158,625 | 372.60 |
| 2000-01 | 72,105,000 | 9,135,690 | 62,969,310 | 1,356,429,397 | 4.6 | 160,388 | 392.61 |
| 2001-02 | 75,535,000 | 12,123,427 | 63,411,573 | 1,456,361,617 | 4.4 | 159,435 | 397.73 |
| 2002-03 | 90,395,000 | 13,471,704 | 76,923,296 | 1,556,492,294 | 4.9 | 159,425 | 482.50 |
| 2003-04 | 91,640,000 | 13,335,706 | 78,304,294 | 1,688,452,415 | 4.6 | 159,615 | 490.58 |

(A) Assessed valuation from Maricopa County Assessor's Office

(B) Population estimates from City of Tempe Planning Division

(C) Includes accreted interest and premium on Capital Appreciation Bonds.

City of Tempe, Arizona
Net Direct and Overlapping
General Obligation Bonded Debt (Exhibit S-15)
June 30, 2004

| Jurisdiction | 2003-04 Secondary Assessed Valuation | Net Bonded Debt | Portion Applicable To | | 2003-04 Combined Tax Rate Per \$100 Assessed |
|---|---|-------------------------|--------------------------|-----------------------|--|
| | | | City of Tempe Percent | Amount | |
| <u>Net Direct</u> | | | | | |
| City of Tempe - General (net) | \$ 1,688,452,415 | \$ 78,304,294 (A) | 100.00 % | \$ 78,304,294 | \$ 1.35 |
| <u>Overlapping</u> | | | | | |
| State of Arizona | 40,861,415,479 | None | N/A | None | N/A |
| Maricopa County | 27,477,987,528 | 20,165,000 | 6.14 | 1,238,131 | 2.14 |
| Maricopa County Community College | 27,477,987,528 | 261,015,000 | 6.14 | 16,026,321 | 1.08 |
| Tempe Union High School District No. 213 | 3,064,882,568 | 186,965,000 | 54.04 | 101,035,886 | 3.29 |
| Tempe Elementary School District No. 3 | 1,399,834,550 | 66,645,000 | 82.00 | 54,648,900 | 4.19 |
| Kyrene Elementary School District No. 28 | 1,665,048,018 | 63,305,000 | 30.54 | 19,333,347 | 4.09 |
| Scottsdale Unified School District No. 48 | 3,496,719,828 | 265,710,000 | 0.35 | 929,985 | 5.19 |
| Mesa Unified School District No. 4 | 2,491,663,621 | 230,185,000 | 0.79 | 1,818,462 | 7.15 |
| Total overlapping debt | | <u>1,093,990,000</u> | | <u>195,031,032</u> | |
| Total net direct and overlapping debt | | <u>\$ 1,172,294,294</u> | | <u>\$ 273,335,326</u> | (B) |

- (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.

Source: All information, except City of Tempe, provided by Dain Rauscher.

City of Tempe, Arizona
Computation of Legal Debt Margin (Exhibit S-16)
June 30, 2004

| | | |
|--|--------------------|------------------------|
| Assessed Valuation | | <u>\$1,688,452,415</u> |
| (A) Debt limit - 20% of assessed valuation | | \$ 337,690,483 |
| Amount of debt applicable to debt limit: | | |
| General obligation debt outstanding (see Note 9) | | |
| Governmental general obligation debt outstanding | \$ 97,545,000 | |
| Enterprise general obligation debt outstanding | <u>110,330,000</u> | |
| Total general obligation debt outstanding | \$ 207,875,000 | |
| Less: | | |
| 6% General obligation bonds | <u>65,690,000</u> | |
| Total amount of debt applicable to 20% limit | | <u>142,185,000</u> |
| Legal debt margin - 20% bonds | | <u>195,505,483</u> |
| (B) Debt limit - 6% of assessed valuation | | 101,307,145 |
| Amount of debt applicable to debt limit: | | |
| General obligation debt outstanding (see Note 9) | | |
| Governmental general obligation debt outstanding | 97,545,000 | |
| Enterprise general obligation debt outstanding | <u>110,330,000</u> | |
| Total general obligation debt outstanding | 207,875,000 | |
| Less: | | |
| 20% General obligation bonds | <u>142,185,000</u> | |
| Total amount of debt applicable to 6% limit | | <u>65,690,000</u> |
| Legal debt margin - 6% bonds | | <u>35,617,145</u> |
| Total debt margin available | | <u>\$ 231,122,628</u> |

(A) Under Arizona law, cities can issue general obligation bonds for purposes of water, wastewater and artificial light, and open space preserves, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of assessed valuation.

(B) Under Arizona law, cities can issue general obligation bonds for all purposes other than those listed in Note (A) above up to an amount not exceeding 6% of assessed valuation.

City of Tempe, Arizona
 Remaining General Obligation Bond
 Authorizations (Exhibit S-17)
 June 30, 2004

| <u>1990 Program</u> | <u>Authorization</u> | <u>Prior Issues</u> | <u>Current Year Issue</u> | <u>Remaining Authorization</u> |
|--------------------------|-----------------------|-----------------------|---------------------------|--------------------------------|
| Water / Wastewater | \$ 30,000,000 | \$ 30,000,000 | \$ - | \$ - |
| Storm Drains | 4,500,000 | 4,185,000 | - | 315,000 |
| Streets / Transportation | 20,000,000 | 20,000,000 | - | - |
| Police Protection | 6,000,000 | 6,000,000 | - | - |
| Fire Protection | 4,000,000 | 4,000,000 | - | - |
| Library / Museum | 1,000,000 | 1,000,000 | - | - |
| Park Improvements | 9,000,000 | 9,000,000 | - | - |
| Subtotal | 74,500,000 | 74,185,000 | - | 315,000 |
| | | | | |
| <u>1997 Program</u> | | | | |
| Water / Wastewater | 51,000,000 | 51,000,000 | - | - |
| Streets / Transportation | 18,000,000 | 18,000,000 | - | - |
| Police Protection | 3,000,000 | 3,000,000 | - | - |
| Fire Protection | 8,000,000 | 8,000,000 | - | - |
| Park Improvements | 10,000,000 | 10,000,000 | - | - |
| Subtotal | 90,000,000 | 90,000,000 | - | - |
| | | | | |
| <u>2002 Program</u> | | | | |
| Water / Wastewater | 77,000,000 | 25,100,000 | 12,750,000 | 39,150,000 |
| Streets / Transportation | 31,500,000 | 2,200,000 | 3,935,000 | 25,365,000 |
| Police Protection | 31,500,000 | 2,670,000 | 795,000 | 28,035,000 |
| Fire Protection | 6,000,000 | 1,370,000 | 1,300,000 | 3,330,000 |
| Park Improvements | 12,000,000 | 2,405,000 | 1,120,000 | 8,475,000 |
| Subtotal | 158,000,000 | 33,745,000 | 19,900,000 | 104,355,000 |
| | \$ 322,500,000 | \$ 197,930,000 | \$ 19,900,000 | \$ 104,670,000 |

City of Tempe, Arizona
Excise Tax Collections (Exhibit S-18)
FY 1999-00 to FY 2003-04

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Privilege and Use Tax (A) | \$ 59,967,673 | \$ 66,121,741 | \$ 59,299,059 | \$ 59,457,759 | \$ 62,492,819 |
| State Shared Sales Tax | 13,511,356 | 13,951,532 | 12,148,438 | 12,405,713 | 13,345,152 |
| State Shared Income Tax | 17,045,903 | 17,890,338 | 16,544,791 | 16,882,535 | 14,303,004 |
| Franchise Tax | 1,284,518 | 1,781,068 | 1,810,590 | 1,476,718 | 1,457,085 |
| Permits and Fees | 3,534,325 | 3,750,761 | 3,081,194 | 3,731,523 | 11,910,792 |
| Fines and Forfeitures | 4,778,418 | 4,566,819 | 4,601,758 | 5,510,476 | 5,831,133 |
| Total | \$ 100,122,193 | \$ 108,062,259 | \$ 97,485,830 | \$ 99,464,724 | \$ 109,339,985 |

Note: 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.

Source: City of Tempe Comprehensive Annual Financial Report, Fiscal Years 1999-00 through 2003-04 and City of Tempe "Revenue and Expenditure by Account by Fund" report.

City of Tempe, Arizona
Pledged Revenue, Projected Debt Service and
Estimated Coverage (Exhibit S-19)

| Fiscal Year | Senior Excise Tax Obligations | | | | Subordinate Excise Tax Obligations | | | |
|-------------|--------------------------------------|---|--|--|------------------------------------|--------------|-----------|--|
| | 2004 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) | Series 2004 Obligations | | | Total Debt Service Requirements Coverage (E) |
| | | | | | Principal | Interest | | |
| 2003-04 | \$ 109,339,985 | \$ 4,497,682 | 24.31 | \$ 110,121,883 | \$ 1,500,000 | \$ 2,021,107 | 3,521,107 | 31.27 |
| 2004-05 | | 4,495,011 | 24.32 | | 1,695,000 | 1,831,888 | 3,526,888 | 31.22 |
| 2005-06 | | 4,495,851 | 24.32 | | 1,780,000 | 1,747,138 | 3,527,138 | 31.22 |
| 2006-07 | | 4,491,123 | 24.35 | | 1,835,000 | 1,684,838 | 3,519,838 | 31.29 |
| 2007-08 | | 4,352,973 | 25.12 | | 1,910,000 | 1,611,438 | 3,521,438 | 31.27 |
| 2008-09 | | 4,350,258 | 25.13 | | 2,000,000 | 1,515,938 | 3,515,938 | 31.32 |
| 2009-10 | | 3,693,183 | 29.61 | | 2,000,000 | 1,410,938 | 3,525,938 | 31.23 |
| 2010-11 | | 3,696,443 | 29.58 | | 2,115,000 | 1,299,900 | 3,524,900 | 31.24 |
| 2011-12 | | 3,694,243 | 29.60 | | 2,225,000 | 1,183,088 | 3,523,088 | 31.26 |
| 2012-13 | | 3,694,343 | 29.60 | | 2,340,000 | 1,060,238 | 3,520,238 | 31.28 |
| 2013-14 | | 3,695,208 | 29.59 | | 2,460,000 | 931,088 | 3,521,088 | 31.27 |
| 2014-15 | | 3,697,013 | 29.58 | | 2,590,000 | 795,113 | 3,520,113 | 31.28 |
| 2015-16 | | 3,694,253 | 29.60 | | 2,725,000 | 652,050 | 3,522,050 | 31.27 |
| 2016-17 | | 3,690,213 | 29.63 | | 2,870,000 | 501,375 | 3,521,375 | 31.27 |
| 2017-18 | | 3,693,219 | 29.61 | | 3,020,000 | 342,825 | 3,522,825 | 31.26 |
| 2018-19 | | 3,698,500 | 29.56 | | 3,180,000 | 175,875 | 3,525,875 | 31.23 |
| 2019-20 | | 3,695,531 | 29.59 | | 3,350,000 | | | |
| 2020-21 | | 3,085,688 | 35.43 | | | | | |
| 2021-22 | | 3,086,938 | 35.42 | | | | | |
| 2022-23 | | 3,086,438 | 35.43 | | | | | |

(A) Excise Tax Revenues received by the City in Fiscal Year 2003-04. See statistical table S-18.

(B) Includes the annual debt service requirements of the City of Tempe Municipal Property Corporation's Series 1992 Bonds, currently outstanding in the principal amount of \$400,000; the City of Tempe, Arizona, Excise Tax Revenue Obligations, Series 2003, currently outstanding in the principal amount of \$37,595,000; the Excise Tax Refunding Obligation, Series 2003, currently outstanding in the principal amount of \$37,935,000; the City's Refunding Certificates of Participation, Series 1999, currently outstanding in the principal amount of \$2,840,000, and the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2000A, currently outstanding in the principal amount of \$6,380,000.

(C) The Estimated Coverage figures shown reflect the ratio of actual fiscal year 2003-04 Excise Tax Revenues to Total Debt Service Requirements for the City's revenue bonds.

(D) Performing Arts Center Excise Taxes and Excise Taxes (net of maximum annual debt service on Outstanding Senior Excise Tax Obligations) received in fiscal year 2003-2004.

(E) 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.

City of Tempe, Arizona
Percent of Annual Debt Service Expenditures
to Total General Expenditures (Exhibit S-20)
(General, Special Revenue and Debt Service Funds)
Last Ten Fiscal Years

| Fiscal Year | Debt Service Expenditures | | Total Debt Service Expenditures | Total General Expenditures (A) | Percent |
|----------------|---------------------------|-----------------------------|--|--------------------------------------|---------|
| | Principal | Interest and Fiscal Fees | | | |
| 1994-95 | \$10,921,177 | \$ 7,006,155 | \$ 17,927,332 | \$100,915,439 | 17.8 % |
| 1995-96 | 15,800,737 | 6,949,342 | 22,750,079 | 116,048,365 | 19.6 |
| 1996-97 | 31,497,222 | 6,396,550 | 37,893,772 | 143,994,004 | 26.3 |
| 1997-98 | 8,205,923 | 6,871,930 | 15,077,853 | 121,021,369 | 12.5 |
| 1998-99 | 16,534,670 | 7,490,564 | 24,025,234 | 143,600,548 | 16.7 |
| 1999-00 | 15,390,436 | 7,542,653 | 22,933,089 | 159,240,054 | 14.4 |
| 2000-01 | 14,869,347 | 7,568,469 | 22,437,816 | 178,213,014 | 12.6 |
| 2001-02 | 10,884,500 | 6,460,321 | 17,344,821 | 177,904,663 | 9.7 |
| 2002-03 | 8,105,000 | 7,296,250 | 15,401,250 | 183,630,979 | 8.4 |
| 2003-04 | 10,345,000 | 8,470,153 | 18,815,153 | 187,847,568 | 10.0 |

Source: Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds

(A) Amount excludes capital outlay expenditures.

**City of Tempe, Arizona
Principal Employers (Exhibit S-21)
June 30, 2004**

| <u>Company</u> | <u>Type of Business</u> | <u>Estimated Employees</u> |
|-------------------------------------|-------------------------------------|----------------------------|
| Arizona State University | State University | 12,569 |
| Wells Fargo Loan Services Division | Bank | 6,601 |
| Motorola Inc. | Electronics Manufacturing | 4,779 |
| Salt River Project | Utility | 3,331 |
| Honeywell Div | Aerospace Manufacturing | 3,000 |
| Chase Manhattan Corporation | Bank | 2,377 |
| Kyrene School District | Education | 2,205 |
| Bank One Telephone Banking Division | Bank | 2,000 |
| City of Tempe | Government | 1,679 |
| Phillips 66 Company | Petroleum Refining | 1,500 |
| Insight | Computer Direct Sales | 1,400 |
| Medtronics | Electronics Manufacturing | 1,184 |
| State Farm Insurance | Insurance | 1,057 |
| Facs Group | Department Store Financial Services | 1,040 |

Source: City of Tempe, Economic Development, Major 100 Employers List

City of Tempe, Arizona
Demographic Statistics (Exhibit S-22)
Last Ten Fiscal Years

| Fiscal Year | Population (A) | Elementary District Enrollment (B) | High School District Enrollment (B) | Arizona State University Enrollment (C) | Average Annual Employment (D) | Percent Unemployed (D) |
|-------------|----------------|------------------------------------|-------------------------------------|---|-------------------------------|------------------------|
| 1994-95 | 153,821 | 13,244 | 9,467 | 39,499 | 91,622 | 4.0 % |
| 1995-96 | 154,770 | 13,449 | 10,167 | 39,519 | 100,058 | 2.9 |
| 1996-97 | 155,725 | 13,297 | 10,920 | 42,463 | 102,566 | 3.1 |
| 1997-98 | 156,686 | 12,888 | 11,787 | 41,006 | 111,620 | 2.5 |
| 1998-99 | 157,653 | 12,888 | 12,301 | 48,922 | 112,253 | 2.3 |
| 1999-00 | 158,625 | 12,719 | 12,605 | 50,365 | 118,284 | 2.4 |
| 2000-01 | 160,388 | 12,710 | 13,300 | 44,126 | 116,423 | 2.3 |
| 2001-02 | 159,435 | 13,476 | 12,580 | 47,359 | 119,149 | 3.3 |
| 2002-03 | 159,425 | 13,400 | 12,980 | 49,980 | 121,054 | 4.5 |
| 2003-04 | 159,615 | 13,712 | 13,248 | 52,265 | 130,818 | 4.2 |

Source: (A) City of Tempe, Planning Division Estimate
(B) Tempe School District
(C) ASU, Office of Institutional Analysis
(D) Dain Rauscher

Maricopa County
Average Annual
Non-Agricultural Wage and Salary Employment
(Exhibit S-23)

| Industry | 2001 | 2002 | 2003 |
|-------------------------------------|-------------|-------------|-------------|
| Natural Resources and Mining | 1,100 | 1,200 | 1,100 |
| Construction | 126,700 | 123,800 | 128,600 |
| Manufacturing | 150,300 | 135,800 | 126,900 |
| Trade, Transportation and Utilities | 318,200 | 318,600 | 321,200 |
| Information | 41,300 | 38,600 | 37,100 |
| Financial Activities | 128,800 | 129,400 | 133,500 |
| Professional and Business Services | 256,200 | 250,100 | 255,100 |
| Education and Health Services | 140,800 | 149,500 | 159,300 |
| Leisure and Hospitality | 149,500 | 150,100 | 152,800 |
| Other Services | 58,000 | 59,700 | 60,200 |
| Government | 188,600 | 195,600 | 200,800 |

Source: Dain Rauscher

City of Tempe, Arizona
Total Taxable Sales and Net Taxable Retail Sales
Last Ten Fiscal Years
(Exhibit S-24)

| Fiscal Year | Total Taxable Sales | Net Taxable Retail Sales | % of Net Taxable Retail Sales to Total Taxable Sales |
|----------------|------------------------|-----------------------------|---|
| 1994-95 | \$ 3,783,186,421 | \$ 1,864,627,865 | 49.29 % |
| 1995-96 | 4,014,724,109 | 2,222,203,718 | 55.35 |
| 1996-97 | 4,158,465,174 | 2,301,925,879 | 55.36 |
| 1997-98 | 4,780,741,615 | 2,518,818,941 | 52.69 |
| 1998-99 | 5,038,518,000 | 2,630,888,000 | 52.22 |
| 1999-00 | 5,269,802,000 | 2,737,598,000 | 51.95 |
| 2000-01 | 5,576,484,000 | 2,823,977,000 | 50.64 |
| 2001-02 | 5,155,027,000 | 2,686,206,000 | 52.11 |
| 2002-03 | 5,046,755,000 | 2,660,949,000 | 52.73 |
| 2003-04 | 5,321,355,000 | 2,799,928,000 | 52.62 |

Source: City of Tempe - Tax & License Division

Note: The City of Tempe tax rate is 1.8% for all taxable products and/or services.

City of Tempe, Arizona
New Construction Activity (Exhibit S-25)
Last Ten Years

| Calendar Year | Number of Housing Starts | Value of Building Permits Issued | | | |
|---------------|--------------------------|----------------------------------|-------------------------|---------------|----------------|
| | | Residential | Commercial & Industrial | Other | Total |
| 1994 | 1,632 | \$ 124,247,000 | \$ 154,333,000 | \$ 42,005,000 | \$ 320,585,000 |
| 1995 | 1,161 | 63,922,000 | 118,609,000 | 73,335,000 | 255,866,000 |
| 1996 | 1,361 | 49,798,000 | 275,023,000 | 36,528,000 | 361,349,000 |
| 1997 | 1,694 | 47,319,000 | 328,367,000 | 53,768,000 | 429,454,000 |
| 1998 | 394 | 55,679,000 | 270,115,000 | 40,096,000 | 365,890,000 |
| 1999 | 711 | 60,413,000 | 183,558,000 | 30,945,000 | 274,916,000 |
| 2000 | 48 | 16,348,000 | 202,057,000 | 91,426,000 | 309,831,000 |
| 2001 | 291 | 10,822,000 | 139,288,000 | 36,913,000 | 187,023,000 |
| 2002 | 106 | 19,206,000 | 83,334,000 | 26,164,000 | 128,704,000 |
| 2003 | 852 | 18,517,000 | 150,435,000 | 31,657,000 | 200,609,000 |

Source: Dain Rauscher

City of Tempe, Arizona
Maricopa County Bank Deposits (Exhibit S-26)
Last Ten Fiscal Years
(in thousands)

| Fiscal Year | Amount |
|----------------|-------------------|
| 1994-95 | \$ 20,017,167 (A) |
| 1995-96 | 21,171,950 (A) |
| 1996-97 | 17,806,183 (A) |
| 1997-98 | 20,568,058 (B) |
| 1998-99 | 24,529,547 (C) |
| 1999-00 | 26,490,225 (D) |
| 2000-01 | 28,379,815 (D) |
| 2001-02 | 29,293,209 (D) |
| 2002-03 | 34,753,406 (D) |
| 2003-04 | 37,333,430 (D) |

- (A) Amount represents Maricopa County Bank Deposits as of December 31 of the respective fiscal year.
- (B) Amount represents Maricopa County Bank Deposits as of 06/30/98.
- (C) Amount represents Maricopa County Bank Deposits as of 03/31/99.
- (D) Amount represents Maricopa County Bank Deposits as of June 30 of the respective fiscal year.

Source: Arizona Bankers Association

**City of Tempe, Arizona
Schedule of Insurance (Exhibit S-27)**

| <u>Carrier and Policy Data</u> | | <u>Annual Renewal Date</u> | <u>Coverage Limits</u> | <u>Annual Premium</u> |
|---|--|------------------------------------|------------------------------|---------------------------|
| Primary Public Liability & Automobile | | | | |
| A. Primary | Self-insured | N/A | \$1,000,000 | None |
| B. Excess | Royal Indemnity Company #RHJ090432 | 7/1/2002 | 25,000,000 X/S 1,000,000 | \$ 206,591 |
| | Gulf Insurance Company #GA2857192 | 7/1/2002 | 25,000,000 X/S 25,000,000 | 195,332 |
| | Clarendon National Insurance Co. XLX39306118 | 7/1/2002 | X/S 1,000,000 25,000,000 | 142,106 |
| Property | | | | |
| A. Primary | Self-insured | N/A | 100,000 | None |
| B. Excess | St. Paul Guardian Insurance Co. #CF08900120 | 7/1/2002 | 215,560,635 | 322,637 |
| C. Cardinal's Training Facility | St. Paul Guardian Insurance Co. #CF08900121 | 7/1/2002 | 13,100,000 | 13,462 |
| D. Inland Marine Town Lake Dams | Fireman's Fund Insurance Co. #MXI9838054 | 7/1/2002 | 5,000,000 | 39,850 |
| Workers' Compensation and Employer's Liability | | | | |
| A. Primary | Self-insured | N/A | 250,000 | None |
| B. Excess | Employers Reinsurance | 7/1/2002 | 1,000,000 | 116,167 |
| Bonds | | | | |
| A. Position | Hartford Fire Insurance Company # 59BSBCC3252 | 1/6/2003 | 1,000,000 | 3,360 |
| B. Public Employee Blanket | Hartford Fire Insurance Company #59BPEAD6547 | 7/1/2002 | 1,000,000 | 15,596 |

N/A - Not applicable

Source: City of Tempe, Risk Management Division

**City of Tempe, Arizona
Miscellaneous Statistical Data (Exhibit S-28)**

| | | | | | |
|------------------------------|---|-------------------|----------------------------------|----------------|----------------|
| Date of Incorporation | - | November 26, 1894 | Total Construction Activity: | | |
| Date Charter Adopted | - | October 19, 1964 | F/Y | No. of Permits | Value |
| Form of Government | - | Council/Manager | 2003-04 | 1,267 | \$ 223,282,300 |
| | | | 2002-03 | 1,313 | 199,569,500 |
| Area - Square Miles: | | | 2001-02 | 1,261 | 121,230,900 |
| 2003 | | 40.0 | 2000-01 | 1,417 | 262,266,000 |
| 2002 | | 40.0 | 1999-00 | 1,717 | 317,142,700 |
| 2001 | | 40.0 | 1998-99 | 1,905 | 304,600,000 |
| 2000 | | 40.0 | 1997-98 | 2,533 | 492,419,400 |
| 1999 | | 39.8 | 1996-97 | 1,984 | 406,820,800 |
| 1998 | | 39.8 | 1995-96 | 2,038 | 248,475,500 |
| 1997 | | 39.8 | 1994-95 | 2,291 | 275,408,500 |
| 1990 | | 39.3 | 1993-94 | 2,298 | 265,148,300 |
| 1980 | | 38.1 | | | |
| 1970 | | 25.3 | Fire Protection: | | |
| 1960 | | 17.5 | No. of Stations | | 6 |
| 1950 | | 2.7 | No. of employees (FT) | | 157 |
| | | | No. of fire calls | | 2,123 |
| Population: | | | No. of medical calls | | 13,068 |
| 2003-04 | | 159,615 | No. of other assistance calls | | 1,788 |
| 2002-03 | | 159,425 | Emergency service average | | |
| 2001-02 | | 159,435 | response time (minimum) | | 4:25 |
| 2000-01 Official U.S. Census | | 160,388 | | | |
| 1999-00 | | 158,625 | Police Protection: | | |
| 1998-99 | | 157,653 | No. of employees | | 508 |
| 1997-98 | | 156,686 | Crime index (CY) | | 15,920 |
| 1995-96 Interim Census | | 154,770 | Crime rate (per 100,000 pop.) | | 10,000 |
| 1990-91 Official U.S. Census | | 141,993 | Traffic accidents | | 6,367 |
| 1980-81 Official U.S. Census | | 106,920 | Emergency service average | | |
| | | | response time (minimum) | | 4:41 |
| Elections: | | | Refuse Collection (residential): | | |
| Registered voters | | 73,352 | Refuse accounts served | | 35,870 |
| No. of ballots cast last | | | Refuse collected (tons) | | 54,578 |
| City general election | | 11,581 | | | |
| Percentage voting last | | | Water: | | |
| City election | | 15.8 | Connections | | 41,567 |
| School Registration: | | | Production (billions of gallons) | | 17.9 |
| Tempe Elementary District | | 13,712 | Miles of lines | | 841 |
| Tempe High School District | | 13,248 | | | |
| Arizona State University | | 52,265 | Sanitary Sewers: | | |
| Municipal Parks: | | | Connections | | 35,481 |
| No. of parks | | 50 | Miles of lines | | 502 |
| Developed acres | | 1,610 | Miles of Storm Sewers | | 174 |
| City playgrounds | | 44 | | | |
| Swimming pools | | 4 | Miles of: | | |
| Golf courses | | 2 | Streets - maintained | | 1,241 |
| Lighted ballfields | | 30 | Paved alleys - maintained | | 15 |
| Lighted multipurpose fields | | 44 | Unpaved alleys - maintained | | 165 |
| Libraries: | | | City employees (FTEs): | | |
| No. of items in collection | | 466,102 | Governmental | | 1,515 |
| Annual circulation | | 1,404,031 | Utility | | 129 |
| Registered borrowers | | 141,509 | Total | | <u>1,644</u> |



Comprehensive Annual Financial Report

City of Tempe, Arizona

**For the Fiscal Year Ended
June 30, 2004**

City Council:

Neil G. Giuliano, Mayor
Barb Carter, Vice Mayor
P. Ben Arredondo
Dennis J. Cahill
Leonard Cople
Pamela L. Goronkin
Mark Mitchell

Administrative Staff:

Will Manley, City Manager

Presented by:

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



Comprehensive Annual Financial Report

City of Tempe, Arizona

**For the Fiscal Year Ended
June 30, 2004**

City Council:

Neil G. Giuliano, Mayor
Barb Carter, Vice Mayor
P. Ben Arredondo
Dennis J. Cahill
Leonard Cople
Pamela L. Goronkin
Mark Mitchell

Administrative Staff:

Will Manley, City Manager

Presented by:

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