Comprehensive Annual Financial Report

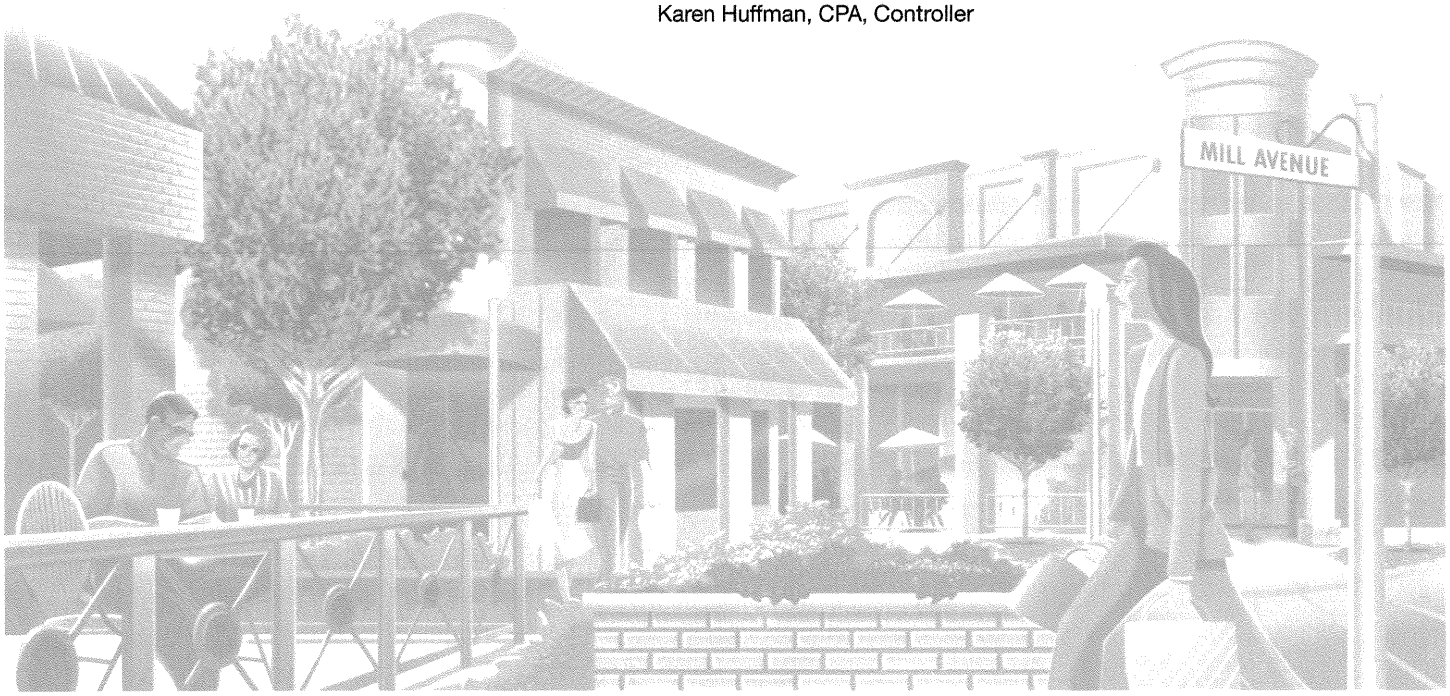
City of Tempe, Arizona

For the Fiscal Year Ended June 30, 2005

City Council:
Hugh Hallman, Mayor
Mark Mitchell, Vice Mayor
P. Ben Arredondo
Barbara J. Carter
Leonard Copple
Pamela L. Goronkin
J.G. "Hut" Hutson

Administrative Staff:
Will Manley, City Manager

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



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CITY OF TEMPE
P.O. BOX 5002
20 EAST SIXTH STREET
TEMPE, AZ 85280
480.350.8350

FINANCIAL SERVICES

Tempe

October 7, 2005

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, 2005 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 condition. 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 solid waste 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 the 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 through fiscal year 2003/2004, the City has since experienced recovery. Increases occurred in both total taxable sales and retail taxable sales when compared to the prior year. (Retail taxable sales comprise approximately 52.8% of total taxable sales). Actual local sales tax revenue (including city sales, local bed, transit and performing arts taxes) increased by 8.6% 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 9.1% growth in comparison to the prior year.

The economic recovery resulted in a 10.1% increase in state-shared sales tax, a large revenue source of the General Fund. In addition, state-shared income tax increased a slight 2.0% from fiscal year 2003/2004 to 2004/2005.

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 could have a major impact to the City. Management continues 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 both the public and private sectors to facilitate economic development. The fiscal year 2004/2005 highlights include:

- **Edward Jones** began construction of a 100,000 square foot office tower, the second on the campus of their regional headquarters at the Arizona State University Research Park.
- **Motorola Embedded Systems Group,** corporate headquarters began an expansion of their campus with the addition of 125 new employees.
- **Macroelectronics Works (Flexible Display Center)** occupied 275,000 square feet of research, development and production space at the Arizona State University Research Park. The partnership between academia, industry and government will accelerate the development of lightweight, flexible and portable display technologies for the US Army and private industry.
- **Smith Barney** located a corporate office on the eighth floor of the Hayden Ferry Lakeside tower and added its name to the top story of the building.
- **Hayden Ferry Lakeside** broke ground on its first condominium tower, Edgewater. The 45 Edgewater units are priced between $250,000 and $2.5 million. Once construction is complete, the second Hayden Ferry Lakeside project, Bridgeview, will begin construction.
- Two projects on **Playa del Norte** are underway. Scheduled to open in 2006, the **Mondrian** project is under construction and will have more than 500 condominium and apartment units complemented by approximately 8,500 square feet of office and retail space. When completed the **Northshore** condominiums will be located near the Rio Salado Town Lake marina.
- Containing 720 units, the **Centerpoint Condominiums** is a four 22-story project located in downtown Tempe. Scheduled to be completed the summer of 2007, the first phase will include 176 condominiums, a gourmet café grocery store and a public plaza.
- **College Block 12** is scheduled to open in 2006. Located on four acres, this project will include 300 residential units in up to 12 stories with office space and retail shops on the bottom floor. This 250,000

square foot project is located across the street from Sun Devil Stadium and convenient to the main campus of Arizona State University.

In the Fall of 2004, the City of Tempe saw the opening of only the second **Costco Home** store in the United States as well as the grand opening of **IKEA**. 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 were completed for the expansion of the existing Wal-Mart across the street into a Wal-Mart Supercenter.

In November, 2004, the City entered into a 20 year lease agreement with Angels Baseball, LP, also known as **Los Angeles Angels of Anaheim**, to host spring training baseball at Tempe's Diablo Stadium. The agreement includes $20.0 million in improvements to the stadium. These improvements are funded by both the City and the Arizona Sports and Tourism Authority.

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 fiscal year 2005-2006.

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.

Also during fiscal year 2004/2005, construction continued on the **Tempe Center for the Arts**. This 88,000 square foot facility will feature a theater, studio, gallery, banquet/meeting room, donor lounge, on-site, full-service box office, dedicated catering areas, an arts retail space and a 17-acre park. The facility is scheduled to open in 2006.

On April 21, 2005, the Tempe City Council voted to award a 5-year contract for city-wide wireless broadband Internet services. This **Wi-Fi Project** will cover all of Tempe and offer services to residents and visitors on an annual, monthly, daily and hourly basis with access to multiple Internet service providers. In addition, a zone will be established in the merchant district of downtown Tempe that offers free Internet access on a limited basis.

FINANCIAL INFORMATION

Internal Control

The management of the City of Tempe is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

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 also prepared for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. However, for budget administrative purposes, the City maintains budgeting controls at department appropriation levels. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. 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 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, 2005, 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 2004/05 fiscal year was 2.43% which is due mainly to historically low interest rates over the past few years. While the economy is showing a recovery, it is the City's policy to hold investments to maturity. As such, the increase in the City's yield on its investments will somewhat follow behind the economic recovery.

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, 2005, 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 an independent certified public accountant. Through a cooperative Request for Proposal process, the accounting firm of Heinfeld, Meech & Co., P.C. was 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, Heinfeld, Meech & Co., P.C. 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, 2004. 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.

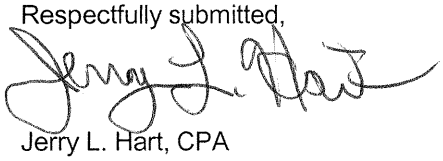
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-nine consecutive years (fiscal years 1975/1976 through 2003/2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, 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, 2004

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.

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

For the Fiscal Year
Ended June 30, 2005

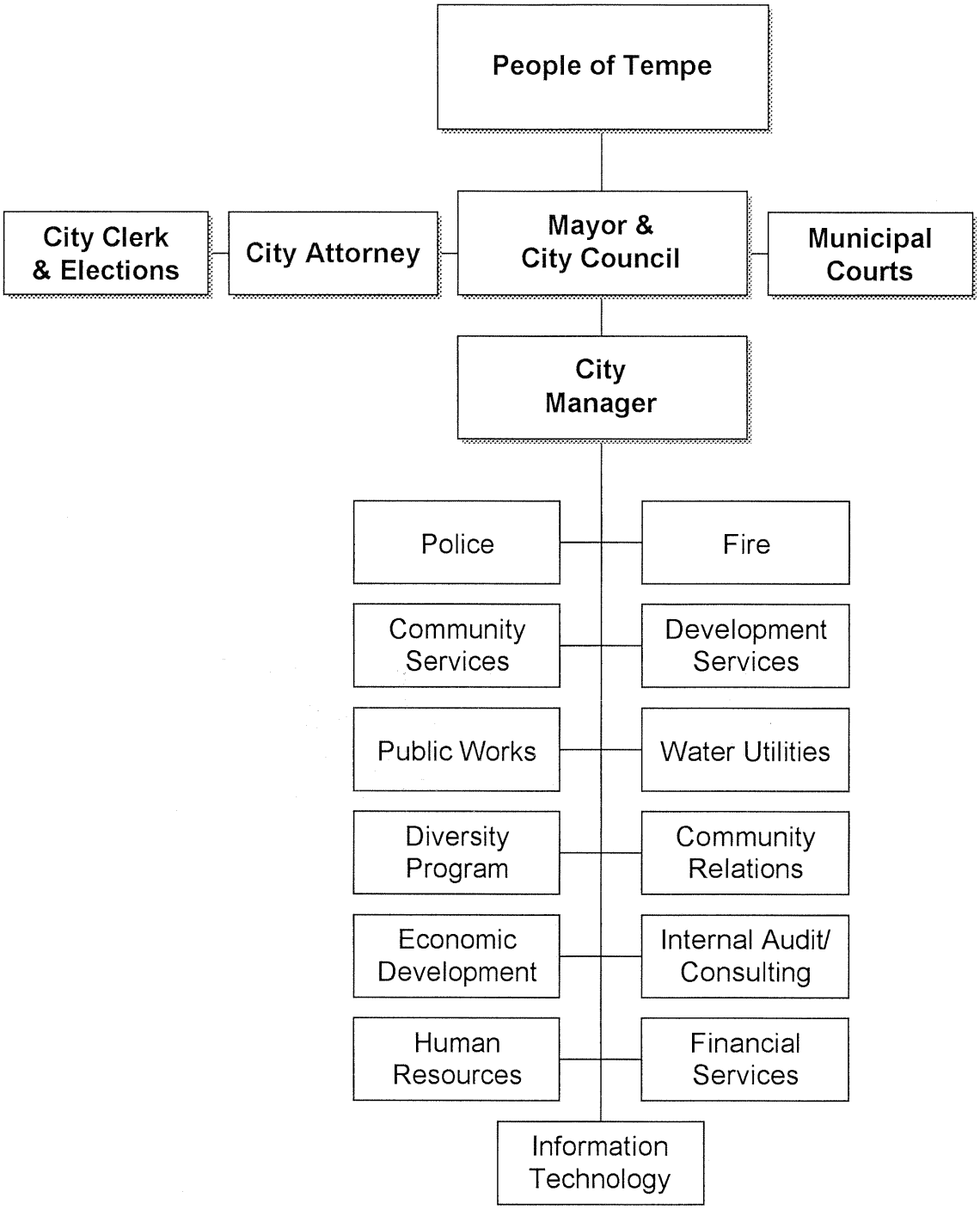
City of Tempe, Arizona
List of Principal Officials

City Council

Hugh Hallman, Mayor
Mark Mitchell, Vice Mayor
P. Ben Arredondo
Barbara J. Carter
Leonard Copple
Pamela L. Goronkin
J.G. "Hut" Hutson

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
Chris Salomone, Economic Development


People of Tempe
City Clerk & Elections
City Attorney
Mayor & City Council
Municipal Courts
City Manager
Police
Fire
Community Services
Development Services
Public Works
Water Utilities
Diversity Program
Community Relations
Economic Development
Internal Audit/ Consulting
Human Resources
Financial Services
Information Technology

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

Gary Heinfeld, CPA, CGFM
Nancy A. Meech, CPA, CGFM
Jennifer L. Shields, CPA
Corey Arvizu, CPA
Scott W. Kies, CPA

3003 N. Central Avenue, Suite 1175
Phoenix, Arizona 85012
(602) 277-9449
Fax (602) 277-9297

www.heinfeldmeech.com

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Transit Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 17 through 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information such as the introductory section, combining statements, Other Supplementary Information and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and Other Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Heinfeld, Meech & Co, P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 7, 2005

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, 2005. 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 $982.7 million (net assets). Of this amount, $228.6 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 $56.3 million during the fiscal year.
- At June 30, 2005, the City's governmental funds reported combined ending fund balances of $234.4 million. Approximately 66.0% of this total amount ($154.7 million) is unreserved fund balance available for spending at the government's discretion.
- At June 30, 2005, total unreserved fund balance for the general fund was $78.1 million. The undesignated portion of unreserved fund balance is $37.8 million, which is 27.4% of total general fund revenues of $138.0 million.
- At June 30, 2005, the City's proprietary funds reported combined total net assets of $266.3 million, and total unrestricted net assets of $74.7 million. $72.1 million of the unrestricted net assets are in the Water and Wastewater Fund.
- The City issued $52.4 million in new general obligation debt during the current fiscal year for water and wastewater system improvements, street improvements and community services/park improvements.
- The City entered into a $7.0 million Section 108 guaranteed loan agreement with the U.S. Department of Housing and Urban Development for an onsite environmental remediation 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, solid waste, golf and cemetery operations.

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.

Other than the general fund, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, transit special revenue fund, general obligation debt service fund, special assessment debt service fund, 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, Solid Waste collection/disposal, Golf Course operations and Cemetery operations. Although, capital construction has begun on the cemetery, there are no operating revenues or expenses for the year ended June 30, 2005. 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, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	$ 376,332,242	$ 186,683,760	$ 563,016,002
Capital assets, net	629,510,645	234,208,331	863,718,976
Total assets	1,005,842,887	420,892,091	1,426,734,978
Liabilities			
Long-term liabilities	234,057,021	137,665,000	371,722,021
Other liabilities	55,426,220	16,878,129	72,304,349
Total liabilities	289,483,241	154,543,129	444,026,370
Net Assets			
Invested in capital assets, net of related debt	425,257,427	191,670,395	616,927,822
Restricted	137,183,741	-	137,183,741
Unrestricted	153,918,478	74,678,567	228,597,045
Total net assets	$ 716,359,646	$ 266,348,962	$ 982,708,608

Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
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	936,505,102	386,443,733	1,322,948,835
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	274,094,223	122,439,741	396,533,964
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	$ 662,410,879	$ 264,003,992	$ 926,414,871

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 $982.7 million and $926.4 million at June 30, 2005 and 2004, 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 $616.9 million and $601.7 million at June 30, 2005 and 2004, respectively. These totals represent 62.7% and 64.9% of total net assets at June 30, 2005 and 2004, 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 $137.2 million (14.0% of total net assets) and $152.7 million (16.5% of total net assets) at June 30, 2005 and 2004, 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 $228.6 million (23.3% of total net assets) and $172.0 million (18.5% of total net assets) at June 30, 2005 and 2004, 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 $56.3 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, 2005

Revenues	Governmental Activities	Business-type Activities	Total
Program revenues:			
Charges for services	$ 28,037,748	$ 58,452,605	$ 86,490,353
Operating grants and contributions	16,245,880	-	16,245,880
Capital grants and contributions	33,688,443	2,835,223	36,523,666
General revenues:			
Sales taxes	131,256,519	-	131,256,519
State income taxes	14,582,117	-	14,582,117
Property taxes	24,872,388	-	24,872,388
Franchise taxes	1,678,437	-	1,678,437
Auto-lieu taxes	6,791,043	-	6,791,043
Unrestricted investment earnings	4,537,422	1,408,251	5,945,673
Other	2,126,029	438,447	2,564,476
Gain on sale of capital assets	2,004,326	392,108	2,396,434
Total revenues	265,820,352	63,526,634	329,346,986

Expenses			
Police	51,928,073	-	51,928,073
Fire	17,679,667	-	17,679,667
Community services	21,116,067	-	21,116,067
Public works	61,853,194	-	61,853,194
Community relations	2,312,548	-	2,312,548
Mayor and council	400,549	-	400,549
City manager	312,882	-	312,882
Diversity program	544,872	-	544,872
Internal audit/consulting	446,333	-	446,333
City clerk and elections	443,255	-	443,255
City attorney	2,262,903	-	2,262,903
Municipal courts	3,655,280	-	3,655,280
Development services	21,449,181	-	21,449,181
Economic development	3,187,992	-	3,187,992
Financial services	4,102,556	-	4,102,556
Human resources	2,561,746	-	2,561,746
Information technology	1,854,603	-	1,854,603
Non-departmental	6,895,583	-	6,895,583
Interest on long-term debt	9,033,035	-	9,033,035
Water/Wastewater	-	47,156,603	47,156,603
Solid waste	-	11,413,402	11,413,402
Golf	-	2,442,925	2,442,925
Total expenses	212,040,319	61,012,930	273,053,249
Increase in net assets before Transfers	53,780,033	2,513,704	56,293,737
Transfers	168,734	(168,734)	-
Change in net assets	53,948,767	2,344,970	56,293,737
Net assets at beginning of year	662,410,879	264,003,992	926,414,871
Net assets at end of year	$ 716,359,646	$ 266,348,962	$ 982,708,608

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	224,193,156	57,941,808	282,134,964

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
Solid waste	-	10,912,307	10,912,307
Golf	-	2,353,586	2,353,586
Total expenses	210,630,073	56,005,129	266,635,202
Increase in net assets before Transfers	13,563,083	1,936,679	15,499,762
Transfers	(199,750)	199,750	-
Change in net assets	13,363,333	2,136,429	15,499,762
Net assets at beginning of year	649,047,546	261,867,563	910,915,109
Net assets at end of year	$ 662,410,879	$ 264,003,992	$ 926,414,871

Governmental activities. Governmental activities increased the City's net assets by $53.9 million (compared to $13.4 million during the prior year) due largely to an increase in capital grants and contributions revenue, a recovery from the economic slowdown experienced during the prior and only a 0.7% increase in total expenses. The key factors for this increase are as follows:

- During the current fiscal year, sales tax revenue exceeded original budget projections due to the continued economic recovery. Sales tax revenue increased $11.2 million (a total of 9.3%).

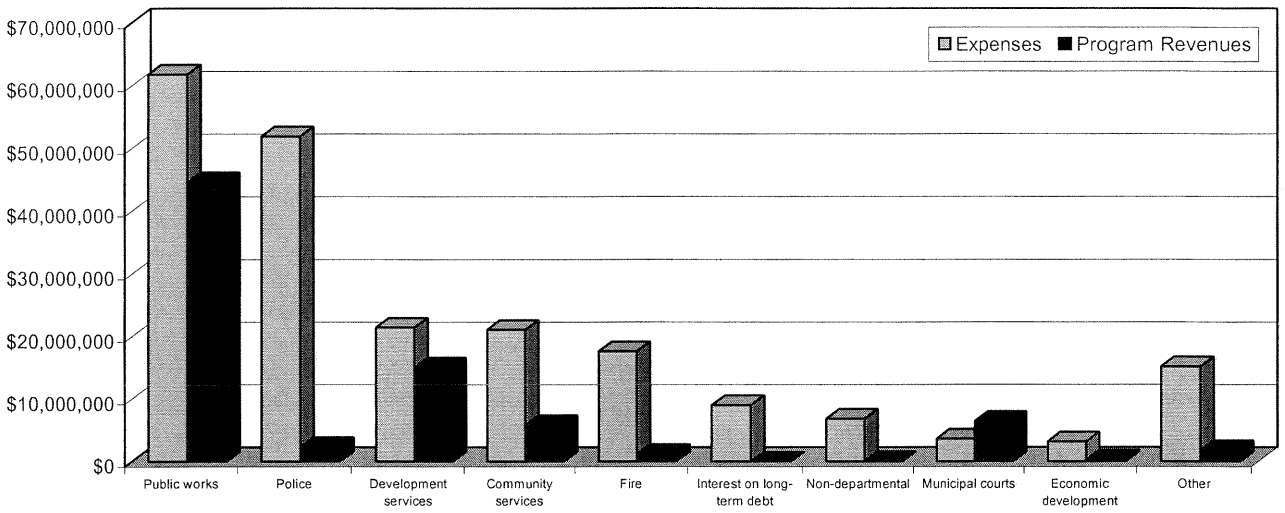
- The City saw an increase of $21.1 million in capital grants and contributions due mainly to Valley Metro Rail contributions to the City's Transit program primarily for real estate acquisition and right of way costs related to the light rail project.

- Charges for services increased by $6.0 million due primarily to the recognition of revenue from a $4.4 million special assessment due to the City for a street construction project.

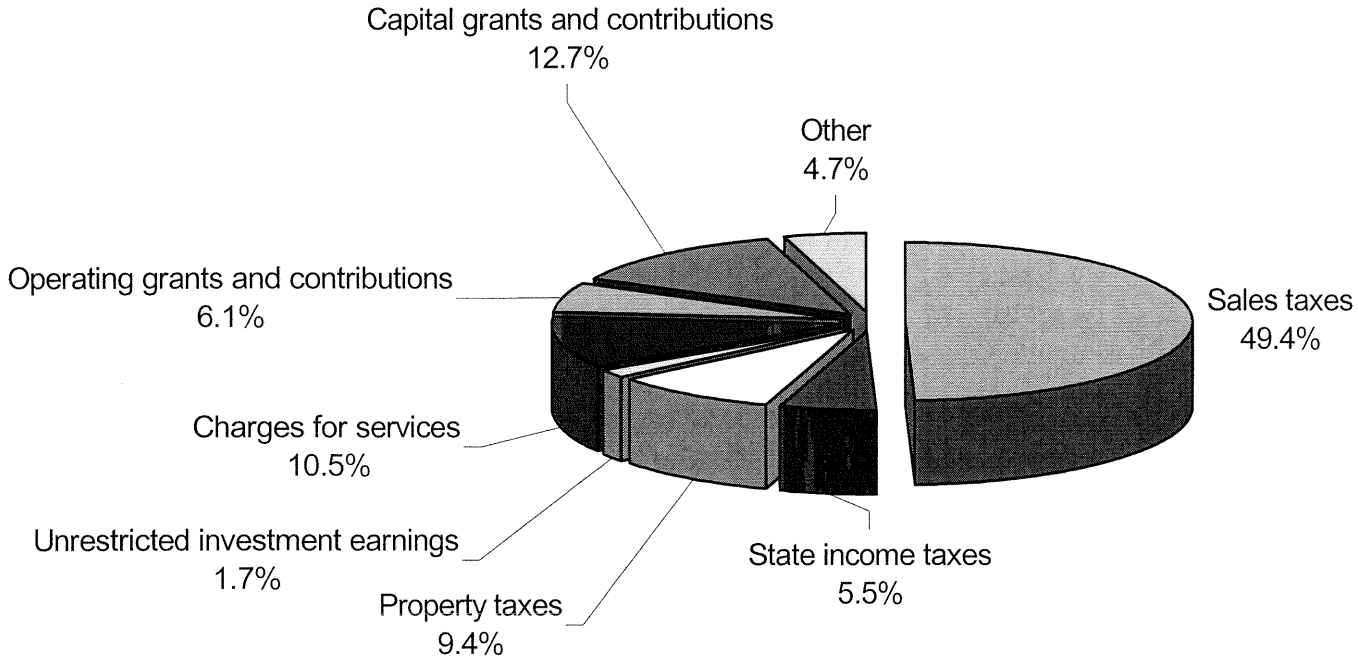
- Unrestricted investment earnings increased by $2.2 million due primarily to a partial recovery of the loss on investments from the prior year.

- Total expenses increased by only $1.4 million (a 0.7% increase).

Fiscal Year 2004-05 Expenses and Program Revenues - Governmental Activities



Fiscal Year 2004-05 Revenues by Source - Governmental Activites



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.

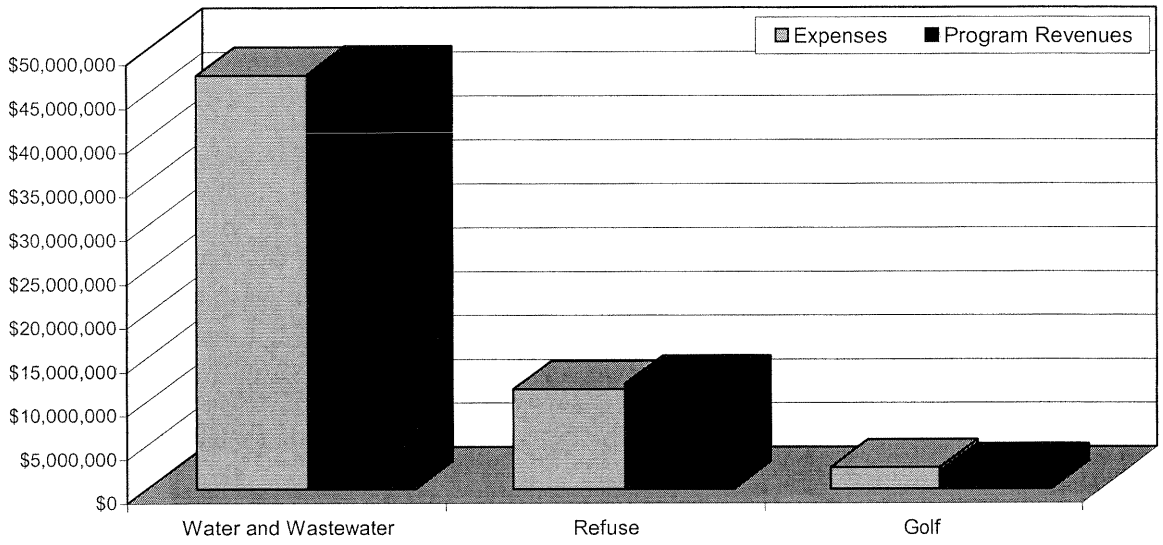
	Fiscal Year Ended June 30, 2005		June 30, 2004	
Public works	61,853,194	29.2%	$61,814,870	29.3%
Police	51,928,073	24.5	49,973,991	23.7
Development services	21,449,181	10.1	19,111,722	9.1
Community services	21,116,067	10.0	20,629,836	9.8
Fire	17,679,667	8.3	16,990,382	8.1

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.

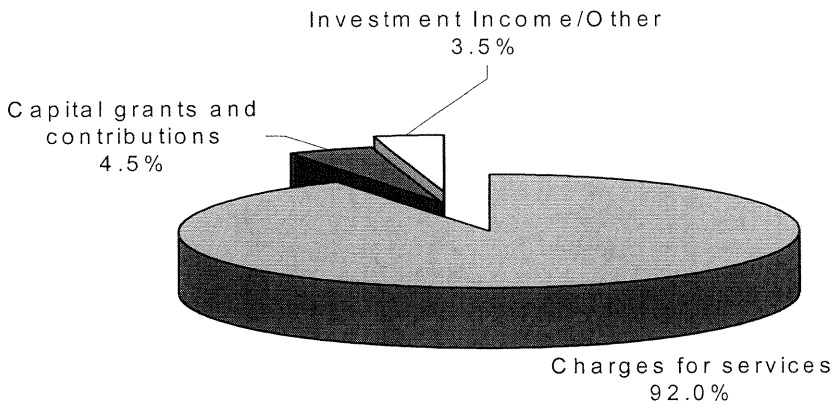
	Fiscal Year Ended			
	June 30, 2005		June 30, 2004	
Sales Taxes	$131,256,519	49.4%	$120,075,959	53.6%
Capital Grants and Contributions	33,688,443	12.7	12,589,817	5.6
Charges for Services	28,037,748	10.5	22,031,500	9.8
Property Taxes	24,872,388	9.4	22,580,678	10.1

Business-type activities. Business-type activities increased the City's net assets by $2.3 million for the year ended June 30, 2005 compared to an increase of $2.1 million for the year ended June 30, 2004. This slight increase is due primarily to an increase in capital contributions.

Fiscal Year 2004-05 Expenses and Program Revenues - Business-type Activities



Fiscal Year 2004-05 Revenues by Source - Business-type Activites



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

	For the Year Ended June 30, 2005			
	Water and Wastewater	**Solid Waste**	**Golf**	**Total**
Charges for services	$ 44,443,764	$ 12,054,563	$ 1,954,278	$ 58,452,605
Capital grants and contributions	2,835,223	-	-	2,835,223
Investment income/other	1,963,277	263,185	12,344	2,238,806
Total	$ 49,242,264	$ 12,317,748	$ 1,966,622	$ 63,526,634

	For the Year Ended June 30, 2004			
	Water and Wastewater	**Solid Waste**	**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

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 $47.2 million for the fiscal year, followed by Solid Waste with $11.4 million, and Golf with $2.4 million. For the fiscal year, revenues exceeded expenses in both the Water and Wastewater and Solid Waste operations. Expenses exceeded revenues in the Golf operations. The City has approved rate increases for Water and Wastewater services and will be reviewing Solid Waste and Golf rates during the next fiscal year. During the fiscal year, charges for services provided the largest share of revenues (92.0%) 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 $234.4 million, an increase of $7.7 million from the prior year. Approximately $154.7 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 ($61.7 million), (2) to pay debt service ($16.5 million), and (3) for other restricted purposes ($1.6 million).

Revenues for governmental functions overall totaled approximately $261.1 million in the fiscal year ended June 30, 2005, which represents an increase of 19.1% from the fiscal year ended June 30, 2004. Expenditures for governmental functions, totaling $280.8 million, increased by 16.7% from the fiscal year ended June 30, 2004. In the fiscal year ended June 30, 2005, expenditures for governmental functions exceeded revenues by $19.7 million or 7.5% 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 $78.1 million (the undesignated portion equaled $37.8 million), while total fund balance was $81.3 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, 2005		June 30, 2004	
Revenues	$ 137,985,362		$ 125,778,061	
Total fund balance	81,340,119	58.9 %	74,784,670	59.5 %
Unreserved fund balance	78,064,176	56.6	72,823,641	57.9
Unreserved, designated fund balance	40,236,917	29.2	38,342,887	27.4

The fund balance in the City's general fund increased by $6.6 million during the fiscal year due mainly to the increased sales tax revenue from a continuing economic recovery. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2005 of $13.3 million. This is an increase of $8.3 million over the comparable figure from the prior year of $5.0 million.

The **Transit Special Revenue Fund** is used to account for receipts and expenditures of Transit Tax monies. The unreserved fund balance totaled $29.6 million at June 30, 2005, compared to a $42.1 million unreserved fund balance at June 30, 2004. The net change in fund balance for the year ended June 30, 2005 was a decrease of $10.4 million compared to a decrease of $6.8 million for the year ended June 30, 2004. A large portion of the transit fund balance will be applied toward the City's light rail project and other transit capital projects. A total of $23.3 million was transferred from the Transit Special Revenue Fund to the Transit Capital Projects Fund for the fiscal year ended June 30, 2005.

The **General Obligation Debt Service Fund** accounts for the accumulation of resources for and payments of general obligation debt. Total fund balance (restricted for general obligation debt service payments) increased from $13.3 million at June 30, 2004 to $16.0 million at June 30, 2005. 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 $480,026 at June 30, 2004 to $498,348 at June 30, 2005. Total special assessments receivable increased from $16.8 million to $19.4 million from June 30, 2004 to June 30, 2005. A total of $4.4 million of special assessments receivable were recognized as a result of special assessment debt issuance.

The **Performing Arts Capital Projects Fund** accounts for the construction of the performing and visual arts center. Total fund balance decreased from $22.6 million at June 30, 2004 to $11.6 million at June 30, 2005 due primarily to capital outlay spending of excise tax revenue debt proceeds recognized in the prior year.

The **Transit Capital Projects Fund** accounts for the acquisition of buses, the light rail system and other traffic flow improvements. Total fund balance increased from $21.1 million at June 30, 2004 to $33.2 million at June 30, 2005. Total expenditures increased by $12.0 million from fiscal year ended June 30, 2004 to June 30, 2005; however, the increased expenditures were offset by $28.5 million in Valley Metro Rail contributions (other intergovernmental revenue) to the City's Transit program primarily for real estate acquisition and right of way costs related to the light rail project and transfers from the Transit Special Revenue Fund of $23.3 million.

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 increased from $3.3 million for the fiscal year ended June 30, 2004 to $10.3 million for the fiscal year ended June 30, 2005. The increase in expenditures is due primarily to an onsite environmental remediation project funded with a $7.0 million Section 108 guaranteed loan agreement with the U.S. Department of Housing and Urban Development.

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, 2005	**June 30, 2004**
Water and wastewater fund	$72,098,545	$78,405,486
Solid waste fund	2,226,136	1,138,305
Golf fund	540,158	604,703
Cemetery fund	(186,272)	n/a
Internal service fund	1,270,889	1,573,729

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 $1.9 million for the fiscal year ended June 30, 2005. This increase was less than prior year's $2.3 million increase due primarily to an increase in the net loss from joint venture for the current fiscal year. A series of three rate increases were authorized effective November 1, 2005, November 1, 2006 and November 1, 2007.

The **Solid Waste Fund** accounts for the provision of solid Waste collection and disposal services for both residential and commercial customers. Despite increases in operating expense of $0.5 million from the fiscal year ended June 30, 2004 to June 30, 2005, revenues increased as a result of an August 1, 2004 rate increase. A rate increase was authorized effective November 1, 2005.

The **Golf Fund** accounts for the operation of the Rolling Hills and Ken McDonald golf courses. The $0.4 million loss in the Golf fund was due to continued competition from golf courses in neighboring cities resulting in reduced rounds of play.

The **Cemetery Fund** was established during the fiscal year ended June 30, 2005 to account for the improvements, expansion and eventual operations of the Double Butte Cemetery. Although the cemetery has not

commenced operations as of June 30, 2005, construction has begun and operations are expected to commence during the fiscal year ended June 30, 2006.

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 approximately $1.0 million.

During the year, actual revenues exceeded budgetary estimates by $12.4 million (9.8% of total budgeted revenue) in the General Fund. This is due primarily to sales taxes and intergovernmental revenues exceeding budgetary estimates by $6.7 million and $2.3 million, respectively because of the continued economic recovery.

Actual expenditures were less than budgetary estimates by $374,427 (0.3% 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, 2005 amount to $863.7 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 $28.3 million (3.4%). The tables below reflect the capital assets at the end of the fiscal year June 30, 2005 and 2004, respectively.

Capital Assets, Net of Depreciation
June 30, 2005

	Governmental Activities	Business-type Activities	Total
Land	$ 38,160,136	$ 8,352,554	$ 46,512,690
Buildings	83,840,346	35,356,493	119,196,839
Infrastructure	368,708,526	82,895,566	451,604,092
Improvements	53,597,354	95,020,026	148,617,380
Machinery and equipment	33,679,074	12,029,786	45,708,860
Construction in progress	51,525,209	553,906	52,079,115
Total	$ 629,510,645	$ 234,208,331	$ 863,718,976

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	$ 638,434,569	$ 196,935,128	$ 835,369,697

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

- 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 $65.7 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 $13.6 million for the fiscal year ended June 30, 2005.

- In the Community Development Capital Projects Fund, onsite environmental remediation improvements totaled $7.0 million for the fiscal year ended June 30, 2005.

- Improvements to the Johnny G. Martinez Water Treatment Plant totaled $12.9 million. In addition, capital replacement and expansion of the Kyrene Water Reclamation Plant continued during the year with $24.0 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 $371.7 million. Of this amount, $237.3 million is general obligation bonds backed by the full faith and credit of the City, $19.3 million is improvement district bonds, $81.4 million represents excise tax revenue obligations, $7.0 million is a HUD Section 108 loan, $2.8 million is the capital improvement notes payable and the remaining includes other governmental activities.

Outstanding Long-term Obligations
June 30, 2005

	Governmental Activities	Business-type Activities	Total
General obligation bonds	$ 99,880,000	$ 137,390,000	$ 237,270,000
Special assessment bonds	19,345,000	-	19,345,000
1992 Excise tax TMPC obligations	-	275,000	275,000
1999 Excise tax certificates of participation	2,320,000	-	2,320,000
2000A Excise tax obligations	6,115,000	-	6,115,000
2003 Excise tax refunding obligations	36,570,000	-	36,570,000
2004 Excise tax obligations	36,095,000	-	36,095,000
2004 HUD Section 108 loan	7,000,000	-	7,000,000
Capital improvement notes	2,845,604	-	2,845,604
Total debt payable	210,170,604	137,665,000	347,835,604
Capital leases	7,209,396	-	7,209,396
Compensated absences	12,336,699	-	12,336,699
Claims and judgements	4,340,322	-	4,340,322
Total long-term obligations	$ 234,057,021	$ 137,665,000	$ 371,722,021

The City's issued $52.4 million in new general obligation debt during the current fiscal year for water and wastewater system improvements, street improvements and community services/park improvements. The City also entered into a $7.0 Section 108 guaranteed loan agreement with the U.S. Department of Housing and Urban Development for an onsite environmental remediation project.

The City's total governmental general obligation bonded debt increased by approximately $41.9 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 2004/2005	Fiscal Year 2003/2004
Net general bonded debt	$83,888,853	$78,305,294
Net general bonded debt per capita	522	491
Ratio of net general bonded debt to net assessed value	4.7%	4.6%
Debt service secondary tax rate per $100 of taxable valuation	$ 0.82	$ 0.80

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, 2005 is $32.6 million and $179.5 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 general obligation 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 2005/2006 annual budget sales tax revenue growth of approximately 3.0%. In planning the 2005/2006 operating budget, which was adopted in the fiscal year ended June 30, 2005, the following budget policy direction was followed.

- Increases in personnel were avoided;
- Maintain strong financial reserves and fund balance program;
- Increase the property tax rate from $1.35/$100 of assessed value to $1.40/$100 of assessed value to provide additional bonding capacity.

In addition, during the fiscal year ended June 30, 2005, the City's five-year long-range financial forecast projected a deficit in the General Fund beginning in the fiscal year ended June 30, 2007. The City convened the Ad-Hoc Long-Range Budget and Finance Planning Committee to review expenditure and revenue sources to identify opportunities to eliminate the gap.

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, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	$ 220,740,011	$ 68,521,941	$ 289,261,952
Receivables:			
Taxes	11,256,386	-	11,256,386
Accounts, net	3,193,477	6,277,960	9,471,437
Accrued interest	979,366	528,382	1,507,748
Due from other governments	26,761,229	-	26,761,229
Inventories	939,831	734,527	1,674,358
Prepaid items	187,830	-	187,830
Restricted cash and investments	26,167,340	7,388,282	33,555,622
Special assessment receivables	19,378,907	-	19,378,907
Capital improvement notes receivable	-	2,845,604	2,845,604
Equity in joint venture	66,727,865	100,387,064	167,114,929
Capital assets (net of accumulated depreciation):			
Land	38,160,136	8,352,554	46,512,690
Buildings	83,840,346	35,356,493	119,196,839
Infrastructure	368,708,526	82,895,566	451,604,092
Improvements	53,597,354	95,020,026	148,617,380
Machinery and equipment	33,679,074	12,029,786	45,708,860
Construction in progress	51,525,209	553,906	52,079,115
Total assets	1,005,842,887	420,892,091	1,426,734,978
Liabilities			
Accounts payable	18,949,957	6,237,788	25,187,745
Deposits	7,106,602	340,966	7,447,568
Accrued expenses	10,607,380	2,911,093	13,518,473
Deferred revenue	6,045,088	-	6,045,088
Liabilities payable from restricted assets	12,717,193	7,388,282	20,105,475
Long-term liabilities:			
Special assessment debt with a governmental commitment:			
Due within one year	1,855,000	-	1,855,000
Due in more than one year	17,490,000	-	17,490,000
Other long-term liabilities:			
Due within one year	21,515,793	7,180,000	28,695,793
Due in more than one year	193,196,228	130,485,000	323,681,228
Total liabilities	289,483,241	154,543,129	444,026,370
Net Assets			
Invested in capital assets, net of related debt	425,257,427	191,670,395	616,927,822
Restricted for:			
Transit	65,056,171	-	65,056,171
Cultural and recreation	26,498,773	-	26,498,773
Highways and streets	11,493,167	-	11,493,167
Court enhancements	886,661	-	886,661
Debt Service	33,248,969	-	33,248,969
Unrestricted	153,918,478	74,678,567	228,597,045
Total net assets	$ 716,359,646	$ 266,348,962	$ 982,708,608

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, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
Police	$ 51,928,073	$ 877,330	$ 1,497,692	$ -
Fire	17,679,667	41,561	1,179,848	-
Community services	21,116,067	5,045,852	854,158	-
Public works	61,853,194	9,904,057	1,039,052	33,688,443
Community relations	2,312,548	-	-	-
Mayor and council	400,549	-	-	-
City manager	312,882	-	-	-
Diversity program	544,872	-	-	-
Internal audit/consulting	446,333	-	-	-
City clerk and elections	443,255	-	-	-
City attorney	2,262,903	-	-	-
Municipal courts	3,655,280	6,497,384	-	-
Development services	21,449,181	3,523,443	11,561,940	-
Economic development	3,187,992	325,191	-	-
Financial services	4,102,556	1,744,163	113,190	-
Human resources	2,561,746	-	-	-
Information technology	1,854,603	-	-	-
Non-departmental	6,895,583	78,767	-	-
Interest on long-term debt	9,033,035	-	-	-
Total governmental activities	212,040,319	28,037,748	16,245,880	33,688,443
Business-type activities:				
Water/Wastewater	47,156,603	44,443,764	-	2,835,223
Refuse	11,413,402	12,054,563	-	-
Golf course	2,442,925	1,954,278	-	-
Cemetery	-	-	-	-
Total business-type activities	61,012,930	58,452,605	-	2,835,223
Total government	$ 273,053,249	$ 86,490,353	$ 16,245,880	$ 36,523,666
General revenues:				
Sales taxes				
State shared 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, 2005

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
	$ (49,553,051)	$ -	$ (49,553,051)
	(16,458,258)	-	(16,458,258)
	(15,216,057)	-	(15,216,057)
	(17,221,642)	-	(17,221,642)
	(2,312,548)	-	(2,312,548)
	(400,549)	-	(400,549)
	(312,882)	-	(312,882)
	(544,872)	-	(544,872)
	(446,333)	-	(446,333)
	(443,255)	-	(443,255)
	(2,262,903)	-	(2,262,903)
	2,842,104	-	2,842,104
	(6,363,798)	-	(6,363,798)
	(2,862,801)	-	(2,862,801)
	(2,245,203)	-	(2,245,203)
	(2,561,746)	-	(2,561,746)
	(1,854,603)	-	(1,854,603)
	(6,816,816)	-	(6,816,816)
	(9,033,035)	-	(9,033,035)
	(134,068,248)	-	(134,068,248)
	-	122,384	122,384
	-	641,161	641,161
	-	(488,647)	(488,647)
	-	-	-
	-	274,898	274,898
	(134,068,248)	274,898	(133,793,350)
	131,256,519	-	131,256,519
	14,582,117	-	14,582,117
	24,872,388	-	24,872,388
	1,678,437	-	1,678,437
	6,791,043	-	6,791,043
	4,537,422	1,408,251	5,945,673
	2,126,029	438,447	2,564,476
	2,004,326	392,108	2,396,434
	168,734	(168,734)	-
	188,017,015	2,070,072	190,087,087
	53,948,767	2,344,970	56,293,737
	662,410,879	264,003,992	926,414,871
	$ 716,359,646	$ 266,348,962	$ 982,708,608

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

City of Tempe, Arizona
Balance Sheet
Governmental Funds
June 30, 2005

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Assets				
Pooled cash and investments	$ 84,176,474	$ 32,489,662	$ 15,658,020	$ 385,143
Receivables:				
Taxes	7,451,301	2,721,988	505,438	-
Accounts	2,718,477	-	-	-
Accrued interest	795,623	100,720	3,066	214
Due from other funds	1,017,418	-	-	-
Due from other governments	1,307,662	3,482,508	-	-
Inventories	305,364	-	-	-
Prepaid items	-	-	-	-
Restricted cash and investments	131,541	-	7,904,028	328,316
Special assessments	-	-	-	19,378,907
Total assets	$ 97,903,860	$ 38,794,878	$ 24,070,552	$ 20,092,580
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 2,681,571	$ 6,849,347	$ 17,157	$ 3,248
Deposits	6,716,248	-	-	-
Accrued expenditures	4,650,076	98,477	-	-
Claims and judgements	859,582	16,434	-	-
Due to other funds	-	-	-	-
Deferred revenue	1,656,264	-	216,422	19,378,907
Matured bonds payable	-	-	5,620,000	-
Matured interest payable	-	-	2,225,826	212,077
Total liabilities	16,563,741	6,964,258	8,079,405	19,594,232
Fund Balances				
Fund balances:				
Reserved for:				
Encumbrances	2,440,579	2,262,871	-	-
Inventories and prepaid items	305,364	-	-	-
Notes receivable	530,000	-	-	-
Debt Service	-	-	15,991,147	498,348
Unreserved, designated (see note 17)	40,236,917	-	-	-
Unreserved, reported in:				
General fund	37,827,259	-	-	-
Special revenue funds	-	29,567,749	-	-
Capital projects funds	-	-	-	-
Total fund balances	81,340,119	31,830,620	15,991,147	498,348
Total liabilities and fund balances	$ 97,903,860	$ 38,794,878	$ 24,070,552	$ 20,092,580

(continued)

City of Tempe, Arizona
Balance Sheet
Governmental Funds
June 30, 2005

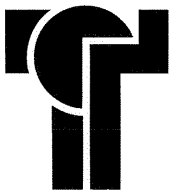
Performing Arts Capital Projects	Transit Capital Projects	Community Development Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 20,982,707	$ 4,690,263	$ 56,516,476	$ 214,898,745
-	-	-	577,659	11,256,386
-	-	475,000	-	3,193,477
28,708	-	-	51,035	979,366
-	-	-	-	1,017,418
-	17,625,189	-	4,345,870	26,761,229
-	-	-	634,467	939,831
-	-	-	187,830	187,830
13,129,627	-	14,538	4,659,290	26,167,340
-	-	-	-	19,378,907
$ 13,158,335	$ 38,607,896	$ 5,179,801	$ 66,972,627	$ 304,780,529
$ 1,157,699	$ 5,382,345	$ 58,857	$ 2,748,069	$ 18,898,293
20,300	-	281,131	88,923	7,106,602
-	-	-	413,477	5,162,030
-	-	-	50,621	926,637
347,740	-	-	669,678	1,017,418
-	-	-	3,296,436	24,548,029
-	-	-	2,865,000	8,485,000
-	-	-	1,794,290	4,232,193
1,525,739	5,382,345	339,988	11,926,494	70,376,202
11,632,596	33,225,551	231,045	11,776,984	61,569,626
-	-	-	822,297	1,127,661
-	-	-	-	530,000
-	-	-	-	16,489,495
-	-	-	-	40,236,917
-	-	-	-	37,827,259
-	-	-	25,902,372	55,470,121
-	-	4,608,768	16,544,480	21,153,248
11,632,596	33,225,551	4,839,813	55,046,133	234,404,327
$ 13,158,335	$ 38,607,896	$ 5,179,801	$ 66,972,627	$ 304,780,529

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, 2005

Fund balances- total governmental funds	$	234,404,327
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		629,510,645
The equity in joint venture is not a financial resource and, therefore, is not reported in the funds.		66,727,865
Bond premium net of issuance costs are not financial resources and, therefore are not reported in the funds.		(2,748,652)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.		(234,057,021)
Other long-term assets are not available to pay current-period expenditures and, therefore are offset by deferred revenue in the funds.		21,251,593
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.		1,270,889
Net assets of governmental activities	$	716,359,646

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, 2005

	General	Transit Special Revenue	General Obligation Debt Service	Special Assessment Debt Service
Revenues:				
Taxes:				
Sales taxes	$ 68,961,781	$ 28,848,493	$ -	$ -
Property taxes	9,407,236	-	15,557,079	-
Franchise taxes	1,678,437	-	-	-
Intergovernmental:				
Federal grants	7,800	218,240	-	-
State grants	167,218	-	-	-
State sales tax	14,695,069	-	-	-
State income tax	14,582,117	-	-	-
Auto lieu tax	6,791,043	-	-	-
Other	-	-	-	-
Investment income	2,530,820	1,218,182	4,693	1,376
Charges for services	8,402,602	6,413,291	-	-
Fines and forfeitures	6,651,934	602,642	-	-
Other entities' participation	-	-	-	-
Special assessments	-	-	-	2,706,951
Licenses and permits	1,250,205	-	-	-
Miscellaneous	2,859,100	101,518	-	1,524
Total revenues	137,985,362	37,402,366	15,561,772	2,709,851
Expenditures:				
Current:				
Police	48,822,932	-	-	-
Fire	16,046,346	-	-	-
Community services	17,474,789	-	-	-
Public works	13,311,926	24,809,569	-	-
Community relations	2,380,562	-	-	-
Mayor and council	400,549	-	-	-
City manager	293,964	-	-	-
Diversity program	544,032	-	-	-
Internal audit/consulting	420,449	-	-	-
City clerk and elections	440,041	-	-	-
City attorney	2,206,857	-	-	-
Municipal courts	3,339,339	-	-	-
Development services	6,753,528	-	-	-
Economic development	865,676	-	-	-
Financial services	3,867,513	-	-	-
Human resources	2,567,259	-	-	-
Information technology	537,006	-	-	-
Non-departmental	4,433,871	-	-	-
Debt service:				
Principal retirement	-	-	5,820,000	1,785,000
Interest and fiscal fees	-	-	4,769,230	906,529
Capital outlay	-	-	-	-
Total expenditures	124,706,639	24,809,569	10,589,230	2,691,529
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	13,278,723	12,592,797	4,972,542	18,322
Other financing sources (uses):				
Transfers in	71,400	278,834	2,000,000	-
Transfers out	(7,333,680)	(23,260,792)	(4,317,101)	-
Issuance of debt	-	-	-	-
Capital lease proceeds	537,006	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Proceeds from loan	-	-	-	-
Total other financing sources (uses)	(6,725,274)	(22,981,958)	(2,317,101)	-
Net change in fund balances	6,553,449	(10,389,161)	2,655,441	18,322
Fund balance at beginning of year	74,786,670	42,219,781	13,335,706	480,026
Fund balance at end of year	$ 81,340,119	$ 31,830,620	$ 15,991,147	$ 498,348

(continued)

City of Tempe, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Performing Arts Capital Projects	Transit Capital Projects	Community Development Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 6,258,357	$ 104,068,631
-	-	-	68,438	25,032,753
-	-	-	-	1,678,437
-	745,974	-	13,529,671	14,501,685
-	382,745	-	421,438	971,401
-	-	-	12,492,819	27,187,888
-	-	-	-	14,582,117
-	-	-	-	6,791,043
-	28,452,168	67,504	1,795,564	30,315,236
327,993	-	20,472	433,886	4,537,422
-	-	-	80,687	14,896,580
-	-	-	488,353	7,742,929
-	-	78,433	-	78,433
-	-	-	-	2,706,951
-	-	-	-	1,250,205
-	-	720,887	1,065,128	4,748,157
327,993	29,580,887	887,296	36,634,341	261,089,868
-	-	-	1,325,862	50,148,794
-	-	-	1,188,885	17,235,231
-	-	-	1,179,126	18,653,915
-	-	-	7,731,532	45,853,027
-	-	-	-	2,380,562
-	-	-	-	400,549
-	-	-	-	293,964
-	-	-	-	544,032
-	-	-	-	420,449
-	-	-	-	440,041
-	-	-	-	2,206,857
-	-	-	248,978	3,588,317
-	-	-	12,681,475	19,435,003
-	-	-	2,431,016	3,296,692
-	-	-	-	3,867,513
-	-	-	-	2,567,259
-	-	-	-	537,006
-	-	-	-	4,433,871
-	-	-	2,865,000	10,470,000
-	-	-	3,796,842	9,472,601
13,624,026	40,529,809	10,326,515	20,045,378	84,525,728
13,624,026	40,529,809	10,326,515	53,494,094	280,771,411
(13,296,033)	(10,948,922)	(9,439,219)	(16,859,753)	(19,681,543)
2,340,000	23,260,792	6,273,357	6,739,874	40,964,257
-	(183,474)	(78,296)	(5,622,180)	(40,795,523)
-	-	-	17,680,000	17,680,000
-	-	-	-	537,006
-	-	-	2,004,326	2,004,326
-	-	7,000,000	-	7,000,000
2,340,000	23,077,318	13,195,061	20,802,020	27,390,066
(10,956,033)	12,128,396	3,755,842	3,942,267	7,708,523
22,588,629	21,097,155	1,083,971	51,103,866	226,695,804
$ 11,632,596	$ 33,225,551	$ 4,839,813	$ 55,046,133	$ 234,404,327

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, 2005

Net change in fund balances- total governmental funds	$ 7,708,523
Amounts reported for the governmental activities in the statement of activities are different because:	
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.	(606,405)
Certain revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	2,726,158
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.	57,803,941
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.	(22,684)
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.	439,566
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.	(13,797,492)
The net revenues of certain activities of internal service funds is reported with governmental activities.	(302,840)
Changes in net assets of governmental activities	$ 53,948,767

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues				
Taxes	$ 73,332,791	$ 73,332,791	$ 80,047,454	$ 6,714,663
Intergovernmental	33,897,635	33,897,635	36,243,247	2,345,612
Investment income	2,188,068	2,188,068	2,970,650	782,582
Charges for services	7,519,651	7,519,651	8,402,602	882,951
Fines and forfeitures	5,268,138	5,268,138	6,651,934	1,383,796
Licenses and permits	1,115,077	1,115,077	1,250,205	135,128
Miscellaneous	2,732,665	2,732,665	2,859,100	126,435
Total revenues	126,054,025	126,054,025	138,425,192	12,371,167
Expenditures				
Police	48,161,203	47,814,717	48,791,266	(976,549)
Fire	15,813,509	15,903,663	16,399,679	(496,016)
Community services	17,863,291	17,744,244	17,731,262	12,982
Public works	13,603,424	13,569,370	13,561,112	8,258
Community relations	2,474,458	2,579,392	2,434,495	144,897
Mayor and council	399,500	408,053	393,744	14,309
City manager	273,270	296,016	291,609	4,407
Diversity program	442,187	532,315	539,643	(7,328)
Internal audit/consulting	425,245	422,888	417,146	5,742
City clerk and elections	455,244	451,382	436,471	14,911
City attorney	2,320,102	2,318,715	2,198,385	120,330
Municipal courts	3,327,576	3,316,320	3,315,785	535
Development services	7,092,231	7,266,630	6,697,737	568,893
Economic development	769,371	938,759	937,928	831
Financial services	4,093,607	4,065,538	3,864,078	201,460
Human resources	2,551,350	2,616,380	2,594,621	21,759
Information technology	-	1,240,039	953,849	286,190
Non-departmental	5,201,815	4,912,650	4,463,834	448,816
Total expenditures	125,267,383	126,397,071	126,022,644	374,427
Other financing sources (uses)				
Transfers from other funds	-	-	71,400	71,400
Transfers to other funds	(232,971)	(232,971)	(7,333,680)	(7,100,709)
Total other financing sources (uses)	(232,971)	(232,971)	(7,262,280)	(7,029,309)
Net change in fund balance	$ 553,671	$ (576,017)	5,140,268	$ 5,716,285

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	(439,830)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	38,950
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	2,440,579
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(626,518)
Net change in fund balance as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	$ 6,553,449

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues				
Taxes	$ 26,858,153	$ 26,858,153	$ 28,848,493	$ 1,990,340
Intergovernmental	5,955,394	5,955,394	6,631,531	676,137
Investment income	1,061,807	1,061,807	1,410,065	348,258
Fines and forfeitures	535,636	535,636	602,642	67,006
Miscellaneous	227,000	227,000	101,518	(125,482)
Total revenues	34,637,990	34,637,990	37,594,249	2,956,259
Expenditures				
Current:				
Public works	24,234,284	24,349,648	27,056,980	(2,707,332)
Contingency	449,232	449,232	-	449,232
Debt service:				
Principal retirement	2,406,389	2,406,389	-	2,406,389
Interest and fiscal fees	5,076,905	5,076,905	-	5,076,905
Total expenditures	32,166,810	32,282,174	27,056,980	5,225,194
Other financing sources (uses)				
Transfers from other funds	285,700	285,700	278,834	(6,866)
Transfers to other funds	(26,260,792)	(26,260,792)	(23,260,792)	3,000,000
Total other financing sources (uses)	(25,975,092)	(25,975,092)	(22,981,958)	2,993,134
Net change in fund balance	$ (23,503,912)	$ (23,619,276)	(12,444,689)	$ 11,174,587

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	(191,883)
The City budgets for claims and other accrued expenses on a cash basis, rather than on a modified accrual basis	(14,633)
The City recognizes encumbrances as expenditures for budgetary purposes but not for GAAP purposes	2,262,871
The City recognizes certain other expenditures on a cash basis, rather than on a modified accrual basis	(827)
Net change in fund balance as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	$(10,389,161)

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, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Assets						
Current assets:						
Pooled cash and investments	$ 65,819,438	$ 2,115,393	$ 587,110	$ -	$ 68,521,941	$ 5,841,266
Restricted cash and investments	7,251,774	-	136,508	-	7,388,282	-
Accounts receivable	5,332,500	945,460	-	-	6,277,960	-
Accrued interest receivable	471,372	44,266	12,744	-	528,382	-
Due from other funds	186,272	-	-	-	186,272	-
Inventories	734,527	-	-	-	734,527	-
Total current assets	79,795,883	3,105,119	736,362	-	83,637,364	5,841,266
Noncurrent assets:						
Capital improvement notes receivable	2,845,604	-	-	-	2,845,604	-
Equity in joint venture	100,387,064	-	-	-	100,387,064	-
Capital Assets:						
Land	7,990,006	-	362,548	-	8,352,554	-
Buildings	47,726,700	1,265,783	1,822,663	-	50,815,146	-
Infrastructure	173,211,706	-	-	-	173,211,706	-
Improvements	136,826,345	-	4,498,598	-	141,324,943	-
Machinery and equipment	28,325,472	14,966,969	1,207,375	-	44,499,816	-
Construction in progress	313,582	-	54,052	186,272	553,906	-
Less accumulated depreciation	(167,143,474)	(12,878,345)	(4,527,921)	-	(184,549,740)	-
Total capital assets (net of accumulated depreciation)	227,250,337	3,354,407	3,417,315	186,272	234,208,331	-
Total noncurrent assets	330,483,005	3,354,407	3,417,315	186,272	337,440,999	-
Total assets	$ 410,278,888	$ 6,459,526	$ 4,153,677	$ 186,272	$ 421,078,363	$ 5,841,266

(continued)

City of Tempe, Arizona
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Liabilities						
Current liabilities:						
Accounts payable	$ 5,840,063	$ 359,579	$ 38,146	$ -	$ 6,237,788	$ 51,664
Deposits	324,700	16,266	-	-	340,966	-
Accrued expenses	2,261,405	503,138	146,550	-	2,911,093	4,518,713
Due to other funds	-	-	-	186,272	186,272	-
Accrued interest payable	2,116,774	-	11,508	-	2,128,282	-
General obligation bonds- current	5,135,000	-	-	-	5,135,000	-
Tempe Municipal Property Corporation bonds payable	-	-	125,000	-	125,000	-
Total current liabilities	15,677,942	878,983	321,204	186,272	17,064,401	4,570,377
Noncurrent liabilities:						
General obligation bonds payable	137,390,000	-	-	-	137,390,000	-
Tempe Municipal Property Corporation bonds payable	-	-	275,000	-	275,000	-
Total noncurrent liabilities	137,390,000	-	275,000	-	137,665,000	-
Total liabilities	153,067,942	878,983	596,204	186,272	154,729,401	4,570,377
Net Assets						
Invested in capital assets, net of related debt	185,112,401	3,354,407	3,017,315	186,272	191,670,395	-
Unrestricted	72,098,545	2,226,136	540,158	(186,272)	74,678,567	1,270,889
Total net assets	$ 257,210,946	$ 5,580,543	$ 3,557,473	$ -	$ 266,348,962	$ 1,270,889

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, 2005

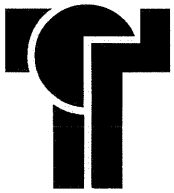
	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Operating revenues:						
Charges for services	$ 44,443,764	$ 12,054,563	$ 1,954,278	$ -	$ 58,452,605	$ 20,488,609
Miscellaneous	437,977	-	470	-	438,447	-
Total operating revenues	44,881,741	12,054,563	1,954,748	-	58,891,052	20,488,609
Operating expenses:						
Personal services	11,610,782	3,914,105	1,049,819	-	16,574,706	-
Supplies and materials	2,871,642	267,022	329,310	-	3,467,974	-
Fees and services	14,101,630	6,260,333	691,726	-	21,053,689	20,791,449
Depreciation	9,959,723	971,942	347,041	-	11,278,706	-
Total operating expenses	38,543,777	11,413,402	2,417,896	-	52,375,075	20,791,449
Operating income (loss)	6,337,964	641,161	(463,148)	-	6,515,977	(302,840)
Nonoperating revenues (expenses):						
Investment income	1,364,267	32,110	11,874	-	1,408,251	-
Interest and fiscal fees	(4,826,452)	-	(25,029)	-	(4,851,481)	-
Gain on sale of capital asset	161,033	231,075	-	-	392,108	-
Net loss from joint venture	(3,786,374)	-	-	-	(3,786,374)	-
Income (loss) before operating transfers	(749,562)	904,346	(476,303)	-	(321,519)	(302,840)
Capital contributions	2,835,223	-	-	-	2,835,223	-
Transfers in	1,769,832	-	49,879	-	1,819,711	-
Transfers out	(1,988,445)	-	-	-	(1,988,445)	-
Change in net assets	1,867,048	904,346	(426,424)	-	2,344,970	(302,840)
Total net assets- beginning	255,343,898	4,676,197	3,983,897	-	264,003,992	1,573,729
Total net assets- ending	$ 257,210,946	$ 5,580,543	$ 3,557,473	$ -	$ 266,348,962	$ 1,270,889

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, 2005

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water and Wastewater	Solid Waste	Golf Course	Cemetery	Total	
Cash flows from operating activities:						
Receipts from customers	$ 44,432,056	$ 11,790,629	$ 1,954,748	$ -	$ 58,177,433	$ -
Receipts from other funds	-	-	-	-	-	20,488,609
Payments to employees for services	(11,417,571)	(3,933,093)	(1,065,613)	-	(16,416,277)	-
Payments to suppliers for goods and services	(16,614,690)	(6,820,423)	(1,010,981)	-	(24,446,094)	-
Payment for premiums and settlement of claims	-	-	-	-	-	(20,705,818)
Net cash provided (used) by operating activities	16,399,795	1,037,113	(121,846)	-	17,315,062	(217,209)
Cash flows from noncapital financing activities:						
Advances from/(to) other funds	(186,272)	-	-	186,272	-	-
Transfers in	1,769,832	-	49,879	-	1,819,711	-
Transfers out	(1,988,445)	-	-	-	(1,988,445)	-
Net cash provided (used) by noncapital financing activities	(404,885)	-	49,879	186,272	(168,734)	-
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds	39,150,000	-	-	-	39,150,000	-
Principal paid on long-term debt	(6,955,000)	-	(120,000)	-	(7,075,000)	-
Interest and fiscal fees	(4,993,664)	-	(28,359)	-	(5,022,023)	-
Acquisition of capital assets	(47,577,180)	(788,457)	-	(186,272)	(48,551,909)	-
Capital contributions	2,835,223	-	-	-	2,835,223	-
Proceeds from the sale of assets	161,033	231,075	-	-	392,108	-
Investment in joint venture	(15,416,892)	-	-	-	(15,416,892)	-
Net cash used by capital and related financing activities	(32,796,480)	(557,382)	(148,359)	(186,272)	(33,688,493)	-
Cash flows from investing activities:						
Interest received	1,486,736	37,356	13,509	-	1,537,601	-
Collection of notes receivable	412,508	-	-	-	412,508	-
Net cash provided by investing activities	1,899,244	37,356	13,509	-	1,950,109	-
Net increase (decrease) in cash and cash equivalents	(14,902,326)	517,087	(206,817)	-	(14,592,056)	(217,209)
Cash and cash equivalents at beginning of year	87,973,538	1,598,306	930,435	-	90,502,279	6,058,475
Cash and cash equivalents at end of year	$ 73,071,212	$ 2,115,393	$ 723,618	$ -	$ 75,910,223	$ 5,841,266
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 6,337,964	$ 641,161	$ (463,148)	$ -	$ 6,515,977	$ (302,840)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	9,959,723	971,942	347,041	-	11,278,706	-
Change in assets and liabilities:						
(Increase) decrease in receivables	(449,685)	(263,934)	-	-	(713,619)	-
(Increase) decrease in inventories	35,068	-	-	-	35,068	-
Increase (decrease) in deposits	(429,076)	(15,817)	-	-	(444,893)	-
Increase (decrease) in payables	752,590	(277,251)	10,055	-	485,394	-
Increase (decrease) in accrued expenses	193,211	(18,988)	(15,794)	-	158,429	85,631
Net cash provided (used) by operating activities	$ 16,399,795	$ 1,037,113	$ (121,846)	$ -	$ 17,315,062	$ (217,209)
Noncash investing, capital, and financing activities:						
Net loss from joint venture	$ (3,786,374)	$ -	$ -	$ -	$ (3,786,374)	$ -
Total noncash investing, capital, and financing activities:	$ (3,786,374)	$ -	$ -	$ -	$ (3,786,374)	$ -

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 and facilitate development 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 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 Funds

Governmental Funds are those through which most of the governmental functions of the City are financed. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Governmental Funds (Continued)

Governmental Funds include the following fund types:

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

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

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

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

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

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

Capital Projects - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds). 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 Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Proprietary Funds (Continued)

Proprietary funds include the following fund types:

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

Equity in Joint Venture - The equity method is used to account for the City's equity interest in a joint venture (See Note 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.

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

E. Budgetary Data

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. For the fiscal year ending June 30, 2006, the City will be adopting an annual budget plan.

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 2004-2005 Expenditure Limitation is $236,952,345.

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

G. Pooled Cash and Investments

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

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

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

H. Receivables

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

I. Inventories and Prepaid Items

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

Prepaid items consist of a payment of interest applicable to a future accounting period. It is recorded as a prepaid item in both the government-wide and fund financial statements.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

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

Assets	Useful life (years)
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. Compensated absences are only reported in the governmental funds if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). These long-term liabilities of the governmental funds are not shown on the fund financial statements, as the benefits are not expected to be liquidated with expendable available financial resources.

Vacation leave will be absorbed by time off from work or, within certain limitations, may be payable to the employees.

Sick leave is accumulated at the rate of 96 hours (or a proportionate equivalent for employees with workweeks other than 40 hours) per year up to a maximum of 480 hours. Each year, hours accumulated in excess of 480 hours are either converted to cash at a 4-for-1 rate or accumulated in a "sick bank". Upon retirement or resignation, employees with at least 10 years service are eligible for compensation of up to 50 percent of accumulated sick leave.

Each employee with 3 years service receives a "Mediflex" allowance each year as reimbursement for all otherwise nonreimbursed health maintenance costs. Benefits are prorated based on length of service and

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	$ 214,898,745	$ -	$ 5,841,266	$ -	$ 220,740,011
Receivables:					
Taxes	11,256,386	-	-	-	11,256,386
Accounts	3,193,477	-	-	-	3,193,477
Accrued interest	979,366	-	-	-	979,366
Due from other funds	1,017,418	-	-	(1,017,418)	-
Due from other governments	26,761,229	-	-	-	26,761,229
Inventories	939,831	-	-	-	939,831
Prepaid items	187,830	-	-	-	187,830
Restricted cash and investments	26,167,340	-	-	-	26,167,340
Special assessments	19,378,907	-	-	-	19,378,907
Equity in joint venture	-	66,727,865	-	-	66,727,865
Capital assets (net):	-	629,510,645	-	-	629,510,645
Total assets	304,780,529	696,238,510	5,841,266	(1,017,418)	1,005,842,887
Liabilities					
Accounts payable	18,898,293	-	51,664	-	18,949,957
Deposits	7,106,602	-	-	-	7,106,602
Accrued expenditures (< 1 year)	5,162,030	-	4,518,713	926,637	10,607,380
Claims and judgements (<1 year)	926,637	-	-	(926,637)	-
Due to other funds	1,017,418	-	-	(1,017,418)	-
Deferred revenue	24,548,029	(18,502,941)	-	-	6,045,088
Matured bonds payable (restrict)	8,485,000	-	-	-	8,485,000
Matured interest payable (restrict)	4,232,193	-	-	-	4,232,193
Capital Leases	-	7,209,396	-	-	7,209,396
Capital improvement notes payable	-	9,225,604	-	-	9,225,604
Long term debt	-	200,945,000	-	-	200,945,000
Compensated absences (>1 year)	-	12,336,699	-	-	12,336,699
Claims and judgements (>1 year)	-	4,340,322	-	-	4,340,322
Total liabilities	70,376,202	215,554,080	4,570,377	(1,017,418)	289,483,241
Fund balance/net assets					
Total fund balance/net assets	234,404,327	480,684,430	1,270,889	-	716,359,646
Total liabilities and fund balances/net assets	$ 304,780,529	$ 696,238,510	$ 5,841,266	$ (1,017,418)	$ 1,005,842,887

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) Costs associated with the joint venture are reported as expenditures in the governmental funds. However, the statement of net assets includes these costs as an asset.

	$ 66,727,865

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	$ 978,301,267
Accumulated depreciation	(348,790,622)
	$ 629,510,645

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	$ 12,336,699
Claims and judgements	4,340,322
Bonds, capital improvement notes and capital leases	217,380,000
	$ 234,057,021

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	$ 19,378,907
Deferred tax revenue	342,614
Deferred court revenue	1,530,072
Unamortized premium	(2,748,652)
	$ 18,502,941

(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.

	$ 1,270,889

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	$104,068,631	$ -	$ -	$ -	$ -	$104,068,631
Property taxes	25,032,753	(160,365)	-	-	-	24,872,388
Franchise taxes	1,678,437	-	-	-	-	1,678,437
Intergovernmental:						
Federal grants	14,501,685	-	-	-	-	14,501,685
State grants	971,401	-	-	-	-	971,401
State sales tax	27,187,888	-	-	-	-	27,187,888
State income tax	14,582,117	-	-	-	-	14,582,117
Auto lieu tax	6,791,043	-	-	-	-	6,791,043
Other	30,315,236	-	-	-	-	30,315,236
Investment income	4,537,422	-	-	-	-	4,537,422
Charges for services	14,896,580	267,090	-	-	-	15,163,670
Fines and forfeitures	7,742,929	-	-	-	-	7,742,929
Other entities participation	78,433	-	-	-	-	78,433
Special assessments	2,706,951	2,619,433	-	-	-	5,326,384
Licenses and permits	1,250,205	-	-	-	-	1,250,205
Miscellaneous	4,748,157	-	-	-	-	4,748,157
Total revenues	261,089,868	2,726,158	-	-	-	263,816,026
Expenditures/expenses						
Current:						
Police	50,148,794	162,408	1,616,871	-	-	51,928,073
Fire	17,235,231	124,326	320,110	-	-	17,679,667
Community services	18,653,915	96,933	2,365,219	-	-	21,116,067
Public works	45,853,027	(510,226)	16,745,863	(235,470)	-	61,853,194
Community relations	2,380,562	(82,407)	14,393	-	-	2,312,548
Mayor and council	400,549	-	-	-	-	400,549
City manager	293,964	7,132	11,786	-	-	312,882
Diversity program	544,032	840	-	-	-	544,872
Internal audit/consulting	420,449	25,884	-	-	-	446,333
City clerk and elections	440,041	2,003	1,211	-	-	443,255
City attorney	2,206,857	56,046	-	-	-	2,262,903
Municipal courts	3,588,317	51,196	15,767	-	-	3,655,280
Development services	19,435,003	712,693	1,301,485	-	-	21,449,181
Economic development	3,296,692	(39,154)	(69,546)	-	-	3,187,992
Financial services	3,867,513	11,873	223,170	-	-	4,102,556
Human resources	2,567,259	(7,998)	2,485	-	-	2,561,746
Information technology	537,006	(5,144)	1,720,194	(397,453)	-	1,854,603
Non-departmental	4,433,871	-	2,452,779	(293,907)	302,840	6,895,583

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)

	Total Governmental Funds	Long-term Revenues/ Expenditures (3)	Capital-related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds (6)	Statement of Activities
Debt service:						
Principal retirement	10,470,000	-	-	(10,470,000)	-	-
Interest and fiscal fees	9,472,601	-	-	(439,566)	-	9,033,035
Capital outlay	84,525,728	-	(84,525,728)	-	-	
Total expenditures	280,771,411	606,405	(57,803,941)	(11,836,396)	302,840	212,040,319
Other financing sources (uses)/changes in net assets						
Operating transfers, net	168,734	-	-	-	-	168,734
Issuance of debt	17,680,000	-	-	(17,680,000)	-	
Capital lease proceeds	537,006	-	-	(537,006)	-	
Proceeds from sale of capital assets	2,004,326	-	(2,004,326)	-	-	-
Loan proceeds	7,000,000	-	-	(7,000,000)	-	-
Gain on sale of capital assets		-	2,004,326	-	-	2,004,326
Total other financing sources (uses)/ changes in net assets	27,390,066	-	-	(25,217,006)	-	2,173,060
Net change for the year	$ 7,708,523	$ 2,119,753	$ 57,803,941	$(13,380,610)	$ (302,840)	$ 53,948,767

(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	$ (160,365)
Court revenue	267,090
Special assessments received	2,619,433
	$ 2,726,158

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	$ (606,405)

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	$ 83,958,001
Depreciation expenses	(26,154,060)
	$ 57,803,941

(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	$ 514,322
Capital lease agreements	(537,006)
	$ (22,684)

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	$ 268,583
Amortization of bond issuance costs	170,983
	$ 439,566

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	$ 10,882,508

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	$ (17,680,000)
Loan proceeds	(7,000,000)
	$ (24,680,000)

(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.

	$ (302,840)

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 2005 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 $10,488,125 and the bank balance was $16,078,099. Of the bank balance, $200,000 was covered by federal depository insurance (Category 1) and $15,878,099 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 US treasury obligations, US agency obligations, certificates of deposit that are fully insured or collateralized, banker's acceptances issued by the 10 largest domestic banks and the 20 largest international banks, A-1/P-1 rated commercial paper secured by an irrevocable line of credit or collateralized by US government securities, repurchase agreements whose underlying collateral consist of the foregoing, money market funds whose portfolios consist of the foregoing and the Arizona Local Government Investment Pool.

The City's investment in the State of Arizona Local Government Investment Pools (LGIP and LGIP-GOVT) is stated at fair value, which approximates the value of the City's pool shares. The LGIP and LGIP-GOVT are operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313, regulate authorized investments. The Arizona State Legislature has created the Arizona Board of Investments which review the investment of state monies, serving as trustees of the Permanent Land Trust Funds, and approval of the State Treasurer's Office Investment Policy.

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Carrying amount of investments	$ 312,329,449
Carrying amount of cash deposits	10,488,125
Total pooled cash and investments	$ 322,817,574
Pooled cash and investments – unrestricted	$ 289,261,952
Restricted cash and investments	33,555,622
Total pooled cash and investments	$ 322,817,574

The City had a net decrease in the fair value of investments during fiscal year 2004-2005 of $867,858. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

NOTE 5 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

At June 30, 2005, the City maintained the following investments and maturities (amounts exclude all investments in mutual funds):

		Remaining Maturity in Months		
Investment Type	Fair Value	12 Months or Less	13 - 24 Months	24 - 36 Months
US government treasuries	$ 79,813,694	$ 34,377,940	$ 35,690,940	$ 9,744,814
US government agencies	124,003,533	49,923,489	50,175,594	23,904,450
Money Market	31,758,747	31,758,747	-	-
State investment pool	76,753,475	76,753,475	-	-
	$ 312,329,449	$ 192,813,651	$ 85,866,534	$ 33,649,264

Interest rate risk. One of the ways the City limits its exposure to fair value losses arising from rising interest rates is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City limits all securities to a final maturity of no more than three years and assumes that its callable investments will not be called. It is the City's policy to hold investments to maturity.

Credit risk. The investments in all of the US Agency obligations were rated Aaa by Moody's Investor Service and AAA by Standard & Poor's. The Arizona Local Government Investment Pool is currently not rated.

Concentration of Credit Risk. The City policy places no limit on the amount that the City may invest in any one issuer for the US treasury obligations and the US Agency Obligations. The investment policy does require a maximum percentage of 10% in banker's acceptances, 20% in commercial paper and 25% in repurchase agreements. The maximum investment in any one issuer for certificates of deposits is 33% and for repurchase agreements is 10%. The City is required to disclose if 5% or more of its investments are in securities of a single issuer. As of June 30, 2005, 30.5% of the City's investments are in Federal Home Loan Bank securities.

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

Due to/from other funds consisted of the following at June 30, 2005:

	Due to	Due from
General Fund	$ -	$ 1,017,418
Performing Arts Capital Projects Fund	347,740	-
Nonmajor Governmental	669,678	-
Total governmental funds	$ 1,017,418	$ 1,017,418

	Due to	Due from
Water and Wastewater Fund	$ -	$ 186,272
Cemetery Fund	186,272	-
Total proprietary funds	$ 186,272	$ 186,272

The interfund balances at June 30, 2005 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2005 are expected to be repaid within one year.

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

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

Transfers In	Transfers Out: General	Transit Special Revenue	General Obligation Debt Service	Transit Capital Projects	Community Development Capital Projects	Nonmajor Governmental	Water and Wastewater	Total
General	$ -	$ -	$ -	$ -	$ -	$ 71,400	$ -	$ 71,400
Transit special revenue	5,230	-	-	-	-	273,604	-	278,834
General obligation debt service	-	-	-	-	-	2,000,000	-	2,000,000
Special assessments	-	-	-	-	-	-	-	-
Performing arts	-	-	-	-	-	2,340,000	-	2,340,000
Transit capital projects	-	23,260,792	-	-	-	-	-	23,260,792
Community development capital projects	4,510,550	-	-	104,362	-	-	1,658,445	6,273,357
Nonmajor governmental	2,535,051	-	3,090,101	79,112	78,296	627,314	330,000	6,739,874
Water and wastewater	232,970	-	1,227,000	-	-	309,862	-	1,769,832
Golf	49,879	-	-	-	-	-	-	49,879
Total	$ 7,333,680	$ 23,260,792	$ 4,317,101	$ 183,474	$ 78,296	$ 5,622,180	$ 1,988,445	$ 42,783,968

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 2004-2005 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, 2005, capital improvement notes receivable totaled $2,845,604 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 Valley Metro Rail, Inc.

Subregional Operating Group (SROG)

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

NOTE 8 - JOINT VENTURE (Continued)

Subregional Operating Group (SROG) (Continued)

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

As of June 30, 2004 (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, 2004 (the latest information available) is as follows (in thousands):

Total assets	$ 605,726
Total liabilities	(52,147)
Total net assets	$ 553,579
Total revenues	$ 134,401
Total expenses	(47,563)
Total non-operating revenues (expenses)	(1,102)
Net increase in net assets	$ 85,736

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, 2005, was $100,387,064. The City's net loss from joint venture was $3,786,374 for the fiscal year ended June 30, 2005. Separately audited financial statements for the jointly used wastewater treatment and transportation facilities may be obtained from the Arizona Municipal Water Users Associations, 4041 North Central, Suite 900, Phoenix, Arizona, 85012.

Valley Metro Rail, Inc. (VMRI)

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

The project is currently in the planning, design and construction phase. Therefore, the City has not incurred operation and maintenance costs related to light rail nor has the City recognized a loss/gain on joint venture as all contributions have been capitalized by VMRI and will be depreciated upon completion of the project. The schedule completion date for the light rail project is December 2008.

Member contributions to the joint venture are offset by a Federal funding agreement between the U.S. Department of Transportation and VMRI. These contributions are recognized as intergovernmental revenue in the Transit Capital Projects fund.

NOTE 8 - JOINT VENTURE (Continued)

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

The City has an ongoing financial responsibility as a result of the joint powers agreement to participate in the cost to construct and operate the light rail project less any Federal reimbursements and operating fares. The equity interests will be determined, and periodically adjusted, based on the number of rail mileage located within each City. The City expended $36.6 million in the fiscal year ended June 30, 2005 toward the light rail project. These expenditures were included in the financial statements as capital outlay in the Transit Capital Projects fund and as equity in joint venture government-wide financial statements. In prior years, the expenditures, totaling $30.1 million, were recorded in construction-in-progress. These expenditures were moved out of the beginning construction-in-progress balance and reclassed to equity in joint venture (see note 9). The City's equity in joint venture at June 30, 2005 was $66,727,865. 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, 2005 is as follows:

	Balances June 30, 2004 (restated)	Additions	Retirements	Transfers in (out)	Balances June 30, 2005
Governmental activities:					
Non-depreciable assets:					
Land	$ 36,676,925	$ -	$ -	$ 1,483,211	$ 38,160,136
Construction-in-progress	27,912,642	47,884,414	(3,005,790)	(21,266,057)	51,525,209
Total non-depreciable assets	64,589,567	47,884,414	(3,005,790)	(19,782,846)	89,685,345
Depreciable assets:					
Buildings	112,422,187	91,119	-	262,162	112,775,468
Infrastructure	588,642,477	-	-	5,013,073	593,655,550
Improvements	62,220,139	-	-	11,923,573	74,143,712
Machinery and equipment	104,037,421	2,346,944	(937,202)	2,594,029	108,041,192
Total depreciable assets	867,322,224	2,438,063	(937,202)	19,792,837	888,615,922
Accumulated depreciation:					
Buildings	(25,737,421)	(3,197,701)	-	-	(28,935,122)
Infrastructure	(210,985,093)	(13,961,931)	-	-	(224,947,024)
Improvements	(18,127,389)	(2,418,969)	-	-	(20,546,358)
Machinery and equipment	(68,713,870)	(6,575,459)	937,202	(9,991)	(74,362,118)
Total accumulated depreciation	(323,563,773)	(26,154,060)	937,202	(9,991)	(348,790,622)
Governmental activities capital assets, net	$608,348,018	$24,168,417	$(3,005,790)	$ -	$629,510,645

NOTE 9 - CAPITAL ASSETS (Continued)

	Balances June 30, 2004 (restated)	Additions	Retirements	Transfers in (out)	Balances June 30, 2005
Business-type activities:					
Non-depreciable assets:					
Land	$ 10,011,732	$ -	$ (1,659,178)	$ -	$ 8,352,554
Construction-in-progress	577,805	49,348,103	-	(49,372,002)	553,906
Total non-depreciable assets	10,589,537	49,348,103	(1,659,178)	(49,372,002)	8,906,460
Depreciable assets:					
Buildings	49,489,688	-	-	1,325,458	50,815,146
Infrastructure	170,779,585	-	-	2,432,121	173,211,706
Improvements	99,983,543	-	-	41,341,400	141,324,943
Machinery and equipment	40,118,297	862,984	(744,497)	4,263,032	44,499,816
Total depreciable assets	360,371,113	862,984	(744,497)	49,362,011	409,851,611
Accumulated depreciation:					
Buildings	(14,345,377)	(1,113,276)	-	-	(15,458,653)
Infrastructure	(86,444,037)	(3,872,103)	-	-	(90,316,140)
Improvements	(42,371,952)	(3,932,964)	-	-	(46,304,916)
Machinery and equipment	(30,864,156)	(2,360,363)	744,497	9,991	(32,470,031)
Total accumulated depreciation	(174,025,522)	(11,278,706)	744,497	9,991	(184,549,740)
Business-type activities capital assets, net	$ 196,935,128	$ 38,932,381	$ (1,659,178)	$ -	$ 234,208,331

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

Police	$ 1,194,348
Fire	1,151,380
Community services	1,274,123
Public works	17,853,655
Community relations	14,393
City manager	11,786
City clerk and elections	1,211
Municipal courts	15,767
Development services	392,880
Economic development	38,516
Financial services	50,634
Human resources	2,485
Information technology	1,700,103
Non-departmental	2,452,779
Total depreciation expense	$ 26,154,060

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 previously issued general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2005, 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%	$ 8,085,000
$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%	7,885,000
$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%	2,790,000
$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%	10,030,000
$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%	27,480,000
$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%	21,140,000
$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%	7,655,000
$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%	19,830,000
$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%	42,525,000
$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%	19,340,000
$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%	18,085,000
$52,425,000 2005 Capital Improvement Serial Bonds due in annual installments of $1,740,000 to $3,860,000 through July 1,2024; interest at 3.50% to 5.00%	52,425,000
Total general obligation bonds outstanding (excluding current portion of Enterprise Fund general obligation bonds outstanding)	$ 237,270,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 13,220,000	$ 10,646,318	$ 23,866,318
2007	13,115,000	9,839,341	22,954,341
2008	13,705,000	9,238,619	22,943,619
2009	14,320,000	8,592,509	22,912,509
2010	14,990,000	7,932,576	22,922,576
2011-2015	73,890,000	29,970,790	103,860,790
2016-2020	59,185,000	14,324,280	73,509,280
2021-2024	34,845,000	2,898,562	37,743,562
	$ 237,270,000	$ 93,442,995	$ 330,712,995

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 6,165,000	$ 4,500,887	$ 10,665,887
2007	6,060,000	4,152,496	10,212,496
2008	6,235,000	3,868,571	10,103,571
2009	6,410,000	3,567,141	9,977,141
2010	6,785,000	3,266,626	10,051,626
2011-2015	33,140,000	11,955,731	45,095,731
2016-2020	23,155,000	5,212,084	28,367,084
2021-2024	11,930,000	967,063	12,897,063
	$ 99,880,000	$ 37,490,599	$ 137,370,599

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 7,055,000	$ 6,145,431	$ 13,200,431
2007	7,055,000	5,686,845	12,741,845
2008	7,470,000	5,370,048	12,840,048
2009	7,910,000	5,025,368	12,935,368
2010	8,205,000	4,665,950	12,870,950
2011-2015	40,750,000	18,015,058	58,765,058
2016-2020	36,030,000	9,112,196	45,142,196
2021-2024	22,915,000	1,931,500	24,846,500
	$ 137,390,000	$ 55,952,396	$ 193,342,396

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, 2005, the special assessments receivable of $19,378,907, 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.

NOTE 10 - LONG-TERM DEBT (Continued)

Special Assessment Bonds Payable with Governmental Commitment (Continued)

Special assessment bonds payable with governmental commitment outstanding at June 30, 2005, were as follows:

$1,665,000 ID 158 Special Assessment Bonds Payable with Governmental Commitment issued May 1, 1985; maturing January 1, 2010; due in annual installments of $65,000 to $70,000; interest at 10.125%	$ 335,000
$11,440,000 ID 170 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 1992; maturing January 1, 2011; due in annual installments of $460,000 to $1,160,000; interest at 6.875%	5,960,000
$7,070,000 ID 172 Special Assessment Bonds Payable with Governmental Commitment issued August 1, 1997; maturing January 1, 2013; due in annual installments of $470,000 to $475,000; interest at 5.10%	3,760,000
$1,085,000 ID 173 Special Assessment Bonds Payable with Governmental Commitment issued September 1, 1997; maturing January 1, 2008; due in annual installments of $105,000 to $110,000; interest at 5.10%	315,000
$6,175,000 ID 175 Special Assessment Bonds Payable with Governmental Commitment issued May 6, 1999; maturing January 1, 2015; due in annual installments of $295,000 to $555,000; interest at 4.70%	4,570,000
$4,405,000 ID 179 Special Assessment Bonds Payable with Governmental Commitment issued June 1, 2005; maturing January 1, 2021; due in annual installments of $220,000 to $385,000; interest at 4.10%	4,405,000
Total special assessment bonds outstanding	$ 19,345,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 1,855,000	$ 990,863	$ 2,845,863
2007	2,145,000	872,808	3,017,808
2008	2,225,000	745,367	2,970,367
2009	2,215,000	615,312	2,830,312
2010	2,310,000	482,062	2,792,062
2011-2015	6,505,000	1,032,994	7,537,994
2016-2020	1,705,000	259,430	1,964,430
2021	385,000	7,893	392,893
	$ 19,345,000	$ 5,006,729	$ 24,351,729

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

NOTE 10 - LONG-TERM DEBT (Continued)

Tempe Municipal Property Corporation Bonds (Continued)

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, 2005 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	$ 275,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 135,000	$ 15,953	$ 150,953
2007	140,000	8,190	148,190
	$ 275,000	$ 24,143	$ 299,143

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 1999B 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%	$ 2,320,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 540,000	$ 110,760	$ 650,760
2007	560,000	85,785	645,785
2008	595,000	59,185	654,185
2009	625,000	30,625	655,625
	$ 2,320,000	$ 286,355	$ 2,606,355

Excise Tax Revenue Obligations. On April 1, 2000, the City issued $17,310,000 of Excise Tax Revenue Obligations. The proceeds were used to finance the construction and acquisition of various improvements, furnishings and equipment 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

NOTE 10 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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

$17,310,000 2000A Excise Tax Revenue Obligations due in annual installments of $245,000 to $2,880,000 through July 1, 2020; interest at 4.825% to 5.625%	$ 6,115,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 280,000	$ 326,910	$ 606,910
2007	295,000	313,050	608,050
2008	310,000	298,300	608,300
2009	325,000	282,645	607,645
2010	340,000	266,070	606,070
2011-2015	1,985,000	1,047,485	3,032,485
2016-2020	2,580,000	450,656	3,030,656
	$ 6,115,000	$ 2,985,116	$ 9,100,116

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%	$ 36,570,000

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
2006	$ 1,395,000	$ 1,692,228	$ 3,087,228
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	1,610,000	1,477,112	3,087,112
2011-2015	9,150,000	6,294,760	15,444,760
2016-2020	11,540,000	3,901,062	15,441,062
2021-2023	8,435,000	824,064	9,259,064
	$ 36,570,000	$ 19,015,800	$ 55,585,800

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.

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

NOTE 10 - LONG-TERM DEBT (Continued)

Excise Tax Revenue Obligations (Continued)

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%	$ 36,095,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,000,000	1,515,938	3,515,938
2011-2015	11,730,000	5,885,252	17,615,252
2016-2020	15,145,000	2,467,240	17,612,240
	$ 36,095,000	$ 16,743,732	$ 52,838,732

Section 108 Guaranteed Loan. In July 2004, the City entered into a Section 108 guaranteed loan agreement with the U.S. Department of Housing and Urban Development (HUD) for funding of $7,000,000 for on-site environmental remediation of the University/Hayden Butte Redevelopment Area 5 (Rio Salado Marketplace Redevelopment). The note requires interest only payments until August 2007. At that time the note will be due in annual installments of $261,000 to $549,000 through August 1, 2024; interest at 5.37% to 6.1%. The City has pledged its Community Development Block Grants as security for HUD's guarantee. The City was awarded a $1,000,000 HUD Brownfield Economic Development Initiative grant to be used to pay interest on the HUD Section 108 loan until such time the development generates sufficient tax revenue to cover the debt service of the development.

NOTE 10 - LONG-TERM DEBT (Continued)

Section 108 Guaranteed Loan (Continued)

The following discloses debt service requirements as of June 30, 2005 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ -	$ 375,660	$ 375,660
2007	-	375,660	375,660
2008	261,000	370,936	631,936
2009	273,000	360,752	633,752
2010	285,000	349,136	634,136
2011-2015	1,629,000	1,526,054	3,155,054
2016-2020	2,028,000	1,044,158	3,072,158
2021-2025	2,524,000	389,045	2,913,045
Total	$ 7,000,000	$ 4,791,401	$ 11,791,401

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, 2005 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%	$ 2,845,604

The following discloses debt service requirements as of June 30, 2005 segregating principal and interest, for the next five years and five-year increments thereafter:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	$ 429,008	$ 113,825	$ 542,833
2007	446,169	96,664	542,833
2008	464,016	78,817	542,833
2009	482,576	60,257	542,833
2010	501,880	40,953	542,833
2011	521,955	20,878	542,833
Total	$ 2,845,604	$ 411,394	$ 3,256,998

NOTE 10 - LONG-TERM DEBT (Continued)

Capital Leases. The City has entered into capital lease agreements for land 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
Equipment, net	1,170,539
Total	$ 7,606,101

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, 2005.

Fiscal Year Ending June 30,	Total
2006	$ 1,285,532
2007	1,104,108
2008	829,910
2009	812,500
2010	812,500
2011-2015	4,062,500
2016-2018	3,250,000
Total minimum lease payments	12,157,050
Less: interest at 8.10 % to 8.50%	(4,947,655)
Present value of future minimum lease payments	$ 7,209,395

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, 2005, the 20 percent debt limitation was $353,775,477 with $174,265,000 of outstanding debt. This provided a 20 percent debt margin of $179,510,477. The 6 percent debt limitation was $106,132,643 with $73,535,000 of outstanding debt. This provided a 6 percent debt margin of $32,597,643. The authorized, unissued debt subject to the statutory limitations of 20 percent and 6 percent at June 30, 2005, was $212,108,120.

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, 2005. However, the City has designated $500,000 in the General Fund for this purpose.

NOTE 10 - LONG-TERM DEBT (Continued)

Changes in Long-term Liabilities. The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Debt payable:					
General obligation bonds payable	$ 91,640,000	$13,275,000	$ (5,035,000)	$ 99,880,000	$ 6,165,000
Special assessments	16,725,000	4,405,000	(1,785,000)	19,345,000	1,855,000
Refunding certificate of participation	2,840,000	-	(520,000)	2,320,000	540,000
Excise tax revenue refunding obligations	37,935,000	-	(1,365,000)	36,570,000	1,395,000
Excise tax revenue obligations 2004	37,595,000	-	(1,500,000)	36,095,000	1,695,000
Excise tax revenue obligations 2000A	6,380,000	-	(265,000)	6,115,000	280,000
HUD section 108 loan	-	7,000,000		7,000,000	-
Capital improvement notes payable	3,258,112	-	(412,508)	2,845,604	429,008
Total debt payable	196,373,112	24,680,000	(10,882,508)	210,170,604	12,359,008
Capital leases	7,186,712	537,006	(514,322)	7,209,396	1,285,532
Compensated absences	11,488,907	8,765,632	(7,917,840)	12,336,699	8,037,975
Claims and judgments	5,460,555	403,636	(1,523,869)	4,340,322	1,688,278
Governmental activities long-term	$ 220,509,286	34,386,274	(20,838,539)	234,057,021	23,370,793
Business-type activities:					
General obligation bonds payable	$ 103,735,000	$ 39,150,000	$ (5,495,000)	$ 137,390,000	$ 7,055,000
TMPC bonds	400,000	-	(125,000)	275,000	125,000
Total debt payable	$ 104,135,000	$ 39,150,000	$ (5,620,000)	$ 137,665,000	$ 7,180,000

The long-term liabilities at June 30, 2005 have been reduced by deposits made with the City's fiscal agent for July 1, 2005 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.

NOTE 11 - BONDS TO BE PAID FROM ASSETS HELD IN TRUST (Continued)

Advance Bond Refundings (Continued)

Bonds which have been advance refunded (and thus not included in the debt of the City) and are still outstanding as of June 30, 2005, are as follows:

$15,000,000 general obligation bonds issued in 1991 and refunded in 1994	$ 7,950,000
$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.	1,085,000
$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	$44,830,000

NOTE 12 - COMMITMENTS

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

At June 30, 2005 the City's construction commitments are as follows:

	Construction in Progress	Commitment
Governmental funds:		
Performing Arts	$ 31,033,141	$ 11,632,596
Transit	2,106,282	33,225,551
Streets	6,420,067	3,249,226
Police	910,166	732,774
Fire	5,315	170,335
Storm Sewers	-	3,890
Parks	3,519,760	6,354,186
Rio Salado	6,951,277	26,900
Community Development	576,233	231,045
Bikeways	-	9,815
Signals	2,968	276,271
	$ 51,525,209	$ 55,912,589

	Construction in Progress	Commitment
Proprietary funds:		
Water/Wastewater	$ 313,582	$ 12,392,425
Golf	54,052	-
Cemetery	186,272	39,029
	$ 553,906	$ 12,431,454

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, 2005 was $364,809.

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

Fiscal Year Ending June 30,	Amount
2006	$ 255,730
2007	128,809
2008	56,170
2009	42,773
2010	9,839
Total minimum payments required	$ 493,321

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.

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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 2004-05 was 8.30% for fire personnel and 11.15% 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 $1,517,210 and fire personnel $493,423 during fiscal year 2004-2005. For 2005, the City's annual pension cost of $2,211,358 for police and $899,514 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation determining contribution requirements for fiscal year 2004-2005, 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, 2004 was 20 years.

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

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2002	$1,683,966	100%	-
2003	1,233,257	100	-
2004	1,882,440	100	-

Fire

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2002	$469,435	100%	-
2003	567,868	100	-
2004	706,065	100	-

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

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
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
2004	83,522,612	100,614,938	83.0	17,062,326	19,273,574	88.5

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
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
2004	68,343,366	68,995,788	99.1	652,422	8,290,624	7.9

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, Suite1300, Phoenix, AZ,85012 or by calling 602-240-2000.

B. Funding Policy

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

Covered employees contributed 5.70% 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, 2005, 2004, and 2003 were $3,653,699, $3,564,811 and $1,321,928 respectively, equal to the annual required contributions for each year.

NOTE 14 - RETIREMENT AND PENSION PLANS (Continued)

Elected Officials Retirement Plan (Mayor and City Council)

A. Plan Description

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing pension plan. The Fund Manager of the Arizona Public Safety Personnel Retirement System ("PSPRS") is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. The authority to amend Title 38, Chapter 5, Article 3 is reserved for the State Legislature. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 602-255-5575.

B. Funding Policy

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7% of their annual covered salary. The employer rate for 2004-2005 was 13.49%. The City's contributions to EORP for the fiscal years ended June 30, 2005, 2004 and 2003 were $24,641, $23,138 and $11,314 respectively, equal to the annual required contributions for each year. The City's employees contributed $12,786, $12,007, and $11,362 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, 533 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.

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 $4,018,529 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, 2005, 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, 2005, 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	9,224,966
Rio Salado	6,644,489
Compensated absences	7,026,071
Arbitrage rebate	500,000
Total Governmental Funds	$ 40,236,917

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, 2005, and that the amount was reasonably estimable. A liability for incurred but not reported claims was based on historical experience.

NOTE 18 - RISK FINANCING ACTIVITIES (Continued)

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, 2004	Claims Incurred Net of Change in Estimates	Payments	June 30, 2005
General liability	$ 3,174,105	$ 42,296	$ (164,267)	$ 3,052,134
Automobile liability	45,970	120,847	(150,567)	16,250
Property liability	12,167	83,697	(83,865)	11,999
Workers' compensation	1,063,413	1,486,070	(1,125,171)	1,424,312
Health insurance	1,035,998	11,242,100	(11,184,145)	1,093,953
	$5,331,653	$12,975,010	$(12,708,015)	$ 5,598,648

	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
	$ 6,006,577	$10,987,988	$(11,662,912)	$5,331,653

At June 30, 2005, the internal service accrued expenses totaled $4,518,713. This balance includes the general liability, automobile liability, property liability and worker's compensation liability of $4,504,695 and other accrued expenses of $14,018. The insurance claims liability at June 30, 2005 of $1,093,953 are deemed due and payable at June 30, 2005 and recorded as accrued expenditures/accrued expense in the governmental and proprietary funds, respectively. Additionally, at June 30, 2005, 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.

The City participates in federally-funded and state-funded programs administered by various government agencies. The programs included in these financial statements may be subject to program compliance and/or financial monitoring by the granting agency or its representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

NOTE 20 - RELATED ORGANIZATION

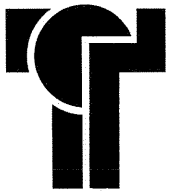
The Industrial Development Authority (IDA) is a non-profit corporation established by the City in 1981 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Tempe. The Board of Directors of the IDA is appointed by the City Council; 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 and the Police Capital Projects Fund had deficit fund balances of $46,160 and $592,096, respectively, at June 30, 2005. The deficits will be funded by general obligation bonds expected to be issued during fiscal year 2005-2006.

NOTE 22 - SUBSEQUENT EVENTS

On July 14, 2005, a notice of claims was filed by Mondrian TTL, LLC and GDG Partners, LLC for breach of contract, breach of the implied duty of good faith and fair dealing, and negligence. The claim is in relation to a development agreement along the north bank of the Rio Salado Town Lake. The claimant is seeking damages for approximately $17.1 million. It is the preliminary assessment of legal counsel that some amount of liability is probable and a settlement is reasonably possible; however, the amount of a settlement, if any, cannot be reasonably estimated and therefore a loss has not been accrued as of June 30, 2005.



Combining Fund Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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 for the design of the Rio Salado projects 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, 2005

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Assets				
Pooled cash and investments	$ 14,361,551	$ 5,549,042	$ 3,558,149	$ -
Receivables:				
Taxes	543,887	-	-	-
Accrued interest	13,595	-	-	-
Due from other governments	-	2,129,593	-	428,301
Inventories	-	634,467	-	-
Prepaid items	-	-	-	187,830
Restricted cash and investments	2,432,819	-	-	-
Total assets	$ 17,351,852	$ 8,313,102	$ 3,558,149	$ 616,131
Liabilities				
Accounts payable	$ 39,537	$ 166,704	$ -	$ 55,667
Deposits	-	-	-	-
Accrued expenditures	12,162	175,706	-	28,239
Claims and judgements	1,157	35,674	-	4,399
Due to other funds	-	-	-	198,705
Deferred revenue	-	-	-	329,121
Matured bonds payable	1,500,000	-	-	-
Matured interest payable	932,819	-	-	-
Total liabilities	2,485,675	378,084	-	616,131
Fund Balances				
Fund balance (deficit):				
Reserved for:				
Encumbrances	26,500	39,804	-	622
Inventories and prepaids	-	634,467	-	187,830
Unreserved:				
Undesignated	14,839,677	7,260,747	3,558,149	(188,452)
Total fund balances (deficit)	14,866,177	7,935,018	3,558,149	-
Total liabilities and fund balances	$ 17,351,852	$ 8,313,102	$ 3,558,149	$ 616,131

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue				
	Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
$	861,036	$ 415,803	$ 1,790,028	$ 112,464	$ 26,648,073
	-	33,772	-	-	577,659
	-	37,025	-	415	51,035
	171,918	-	1,567,064	-	4,296,876
	-	-	-	-	634,467
	-	-	-	-	187,830
	-	-	-	2,226,471	4,659,290
$	1,032,954	$ 486,600	$ 3,357,092	$ 2,339,350	$ 37,055,230
$	4,581	$ 18,875	$ 271,304	$ 112,879	$ 669,547
	-	-	88,923	-	88,923
	139,760	29,810	27,775	-	413,452
	3,727	5,664	-	-	50,621
	-	-	-	-	198,705
	884,886	-	2,082,429	-	3,296,436
	-	-	-	1,365,000	2,865,000
	-	-	-	861,471	1,794,290
	1,032,954	54,349	2,470,431	2,339,350	9,376,974
	-	-	886,661	-	953,587
	-	-	-	-	822,297
	-	432,251	-	-	25,902,372
	-	432,251	886,661	-	27,678,256
$	1,032,954	$ 486,600	$ 3,357,092	$ 2,339,350	$ 37,055,230

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Capital Projects				
	Streets	Police	Fire	Storm Sewers	Parks
Assets					
Pooled cash and investments	$ 12,773,346	$ -	$ 1,010,132	$ 1,341,962	$ 7,146,116
Receivables:					
Taxes	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	$ 12,773,346	$ -	$ 1,010,132	$ 1,341,962	$ 7,146,116
Liabilities					
Accounts payable	$ 660,958	$ 167,258	$ 8,297	$ -	$ 1,195,860
Deposits	-	-	-	-	-
Accrued expenditures	-	25	-	-	-
Claims and judgements	-	-	-	-	-
Due to other funds	-	424,813	-	-	-
Deferred revenue	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Matured interest payable	-	-	-	-	-
Total liabilities	660,958	592,096	8,297	-	1,195,860
Fund Balances					
Fund balance (deficit):					
Reserved for:					
Encumbrances	3,249,226	732,774	170,335	3,890	6,354,186
Inventories and prepaids	-	-	-	-	-
Unreserved:					
Undesignated	8,863,162	(1,324,870)	831,500	1,338,072	(403,930)
Total fund balances (deficit)	12,112,388	(592,096)	1,001,835	1,341,962	5,950,256
Total liabilities and fund balances	$ 12,773,346	$ -	$ 1,010,132	$ 1,341,962	$ 7,146,116

(continued)

City of Tempe, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Capital Projects				
	Rio Salado	Bikeways	Signals	Total	Total Nonmajor Governmental Funds
	$ 5,764,102	$ -	$ 1,832,745	$ 29,868,403	$ 56,516,476
	-	-	-	-	577,659
	-	-	-	-	51,035
	48,994	-	-	48,994	4,345,870
	-	-	-	-	634,467
	-	-	-	-	187,830
	-	-	-	-	4,659,290
	$ 5,813,096	$ -	$ 1,832,745	$ 29,917,397	$ 66,972,627
	$ 40,855	$ -	$ 5,294	$ 2,078,522	$ 2,748,069
	-	-	-	-	88,923
	-	-	-	25	413,477
	-	-	-	-	50,621
	-	46,160	-	470,973	669,678
	-	-	-	-	3,296,436
	-	-	-	-	2,865,000
	-	-	-	-	1,794,290
	40,855	46,160	5,294	2,549,520	11,926,494
	26,900	9,815	276,271	10,823,397	11,776,984
	-	-	-	-	822,297
	5,745,341	(55,975)	1,551,180	16,544,480	42,446,852
	5,772,241	(46,160)	1,827,451	27,367,877	55,046,133
	$ 5,813,096	$ -	$ 1,832,745	$ 29,917,397	$ 66,972,627

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue			
	Performing Arts	Highway User Revenue	Local Transportation Assistance	Community Development
Revenues:				
Sales taxes	$ 5,768,058	$ -	$ -	$ -
Property taxes	-	-	-	-
Intergovernmental:				
Federal grants	-	-	-	2,517,226
State grants	-	-	-	-
State sales tax	-	12,492,819	-	-
Other	-	-	820,812	479,385
Investment income	274,768	-	-	118
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	975	-	-
Total revenues	6,042,826	12,493,794	820,812	2,996,729
Expenditures:				
Current:				
Police	-	-	-	-
Fire	-	-	-	-
Community services	292,120	-	-	-
Public works	-	7,731,532	-	-
Municipal courts	-	-	-	-
Development services	-	-	-	2,996,729
Economic development	-	-	-	-
Principal retirement	1,500,000	-	-	-
Interest and fiscal fees	2,071,741	-	-	-
Capital outlay	-	-	-	-
Total expenditures	3,863,861	7,731,532	-	2,996,729
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	2,178,965	4,762,262	820,812	-
Other financing sources (uses):				
Transfers in:				
General fund	-	3,130	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Enterprise funds	-	-	-	-
Transfers out:				
General fund	(650)	-	-	-
Special revenue funds	-	-	(273,604)	-
Debt service funds	-	(2,000,000)	-	-
Capital projects funds	(2,300,000)	(96,875)	-	-
Enterprise funds	-	(309,862)	-	-
Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	41,912	-	-
Total other financing sources (uses)	(2,300,650)	(2,361,695)	(273,604)	-
Net change in fund balances	(121,685)	2,400,567	547,208	-
Fund balance at beginning of year	14,987,862	5,534,451	3,010,941	-
Fund balance (deficit) at end of year	$ 14,866,177	$ 7,935,018	$ 3,558,149	$ -

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Special Revenue				
Housing Assistance	Rio Salado	Grants and Court Awards	Community Facilities District	Total
$ -	$ 490,299	$ -	$ -	$ 6,258,357
-	68,438	-	-	68,438
8,562,338	-	2,138,913	-	13,218,477
-	-	421,438	-	421,438
-	-	-	-	12,492,819
2,991	-	454,885	37,491	1,795,564
12,414	127,218	18,766	602	433,886
-	10,698	45,199	-	55,897
-	-	488,353	-	488,353
-	100,489	338,130	277,002	716,596
8,577,743	797,142	3,905,684	315,095	35,949,825
-	-	1,325,862	-	1,325,862
-	-	1,188,885	-	1,188,885
-	-	887,006	-	1,179,126
-	-	-	-	7,731,532
-	-	248,978	-	248,978
8,577,743	1,107,003	-	-	12,681,475
-	-	-	2,431,016	2,431,016
-	-	-	1,365,000	2,865,000
-	-	-	1,725,101	3,796,842
-	-	-	-	-
8,577,743	1,107,003	3,650,731	5,521,117	33,448,716
-	(309,861)	254,953	(5,206,022)	2,501,109
-	-	-	2,115,921	2,119,051
-	-	-	-	-
-	-	-	3,090,101	3,090,101
-	-	-	-	-
-	-	-	-	-
-	(47,000)	-	-	(47,650)
-	-	-	-	(273,604)
-	-	-	-	(2,000,000)
-	-	-	-	(2,396,875)
-	-	-	-	(309,862)
-	-	-	-	-
-	789,112	-	-	831,024
-	742,112	-	5,206,022	1,012,185
-	432,251	254,953	-	3,513,294
-	-	631,708	-	24,164,962
$ -	$ 432,251	$ 886,661	$ -	$ 27,678,256

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	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	23,898	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous	-	-	-	-	58,750
Total revenues	23,898	-	-	-	58,750
Expenditures:					
Current:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Municipal courts	-	-	-	-	-
Development services	-	-	-	-	-
Economic development	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Capital outlay	8,487,708	2,623,201	215,342	67,653	6,774,399
Total expenditures	8,487,708	2,623,201	215,342	67,653	6,774,399
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(8,463,810)	(2,623,201)	(215,342)	(67,653)	(6,715,649)
Other financing sources (uses):					
Transfers in:					
General fund	-	-	-	-	416,000
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	489,000	-	-	-	151,612
Enterprise funds	-	-	-	200,000	130,000
Transfers out:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	(41,439)	-	-
Enterprise funds	-	-	-	-	-
Issuance of debt	9,800,000	-	-	-	6,935,000
Proceeds from sale of capital assets	1,173,302	-	-	-	-
Total other financing sources (uses)	11,462,302	-	(41,439)	200,000	7,632,612
Net change in fund balances	2,998,492	(2,623,201)	(256,781)	132,347	916,963
Fund balance at beginning of year	9,113,896	2,031,105	1,258,616	1,209,615	5,033,293
Fund balance (deficit) at end of year	$ 12,112,388	$ (592,096)	$ 1,001,835	$ 1,341,962	$ 5,950,256

(continued)

City of Tempe, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Capital Projects				Total Nonmajor Governmental Funds
Rio Salado	Bikeways	Signals	Total	
$ -	$ -	$ -	$ -	$ 6,258,357
-	-	-	-	68,438
-	-	311,194	311,194	13,529,671
-	-	-	-	421,438
-	-	-	-	12,492,819
-	-	-	-	1,795,564
-	-	-	-	433,886
-	-	892	24,790	80,687
-	-	-	-	488,353
-	-	289,782	348,532	1,065,128
-	-	601,868	684,516	36,634,341
-	-	-	-	1,325,862
-	-	-	-	1,188,885
-	-	-	-	1,179,126
-	-	-	-	7,731,532
-	-	-	-	248,978
-	-	-	-	12,681,475
-	-	-	-	2,431,016
-	-	-	-	2,865,000
-	-	-	-	3,796,842
890,490	29,974	956,611	20,045,378	20,045,378
890,490	29,974	956,611	20,045,378	53,494,094
(890,490)	(29,974)	(354,743)	(19,360,862)	(16,859,753)
-	-	-	416,000	2,535,051
-	-	96,875	96,875	96,875
-	-	-	-	3,090,101
-	-	47,235	687,847	687,847
-	-	-	330,000	330,000
(23,750)	-	-	(23,750)	(71,400)
-	-	-	-	(273,604)
-	-	-	-	(2,000,000)
(529,000)	-	-	(570,439)	(2,967,314)
-	-	-	-	(309,862)
-	-	945,000	17,680,000	17,680,000
-	-	-	1,173,302	2,004,326
(552,750)	-	1,089,110	19,789,835	20,802,020
(1,443,240)	(29,974)	734,367	428,973	3,942,267
7,215,481	(16,186)	1,093,084	26,938,904	51,103,866
$ 5,772,241	$ (46,160)	$ 1,827,451	$ 27,367,877	$ 55,046,133

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, 2005

	Risk Management	Health	Total
Assets			
Current assets:			
Pooled cash and investments	$ 4,550,011	$ 1,291,255	$ 5,841,266
Total assets	4,550,011	1,291,255	5,841,266
Liabilities			
Current liabilities:			
Accounts payable	31,298	20,366	51,664
Accrued expenses and claims payable	4,518,713	-	4,518,713
Total liabilities	4,550,011	20,366	4,570,377
Net Assets			
Unrestricted	-	1,270,889	1,270,889
Total net assets	$ -	$ 1,270,889	$ 1,270,889

City of Tempe, Arizona
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2005

	Risk Management	Health	Total
Operating revenues:			
Contributions	$ 3,231,397	$ 17,257,212	$ 20,488,609
Total operating revenues	3,231,397	17,257,212	20,488,609
Operating expenses:			
Claims incurred	3,231,397	17,560,052	20,791,449
Total operating expenses	3,231,397	17,560,052	20,791,449
Change in net assets	-	(302,840)	(302,840)
Total net assets- beginning	-	1,573,729	1,573,729
Total net assets- ending	$ -	$ 1,270,889	$ 1,270,889

City of Tempe, Arizona
Internal Service Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2005

	Risk Management	Health	Total
Cash flows from operating activities:			
Receipts from other funds	$ 3,231,397	$ 17,257,212	$ 20,488,609
Payments for settlement of claims	(3,007,742)	(17,698,076)	(20,705,818)
Net cash provided (used) by operating activities	223,655	(440,864)	(217,209)
Net increase (decrease) in cash and cash equivalents	223,655	(440,864)	(217,209)
Cash and cash equivalents, beginning of year	4,326,356	1,732,119	6,058,475
Cash and cash equivalents, end of year	$ 4,550,011	$ 1,291,255	$ 5,841,266
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ -	$ (302,840)	$ (302,840)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Increase (decrease) in accrued expenses	223,655	(138,024)	85,631
Net cash provided (used) by operating activities	$ 223,655	$ (440,864)	$ (217,209)

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Postive (Negative)
Revenues			
Taxes	$ 121,200,821	$ 130,779,821	$ 9,579,000
Intergovernmental	64,330,381	67,752,182	3,421,801
Investment income	3,516,929	4,882,714	1,365,785
Charges for services	7,528,451	8,450,791	922,340
Fines and forfeitures	5,803,774	7,254,576	1,450,802
Licenses and permits	1,115,077	1,250,205	135,128
Miscellaneous	3,000,415	3,339,084	338,669
Total revenues	206,495,848	223,709,373	17,213,525
Expenditures			
Current:			
Police	47,814,717	48,791,266	(976,549)
Fire	15,903,663	16,399,679	(496,016)
Community services	18,557,659	18,047,310	510,349
Public works	45,980,429	48,254,491	(2,274,062)
Community relations	2,579,392	2,434,495	144,897
Mayor and council	408,053	393,744	14,309
City manager	296,016	291,609	4,407
Diveristy program	532,315	539,643	(7,328)
Internal audit/consulting	422,888	417,146	5,742
City clerk and elections	451,382	436,471	14,911
City attorney	2,318,715	2,198,385	120,330
Municipal courts	3,316,320	3,315,785	535
Development services	21,477,951	19,376,448	2,101,503
Economic development	3,444,577	3,368,793	75,784
Financial Services	4,065,538	3,864,078	201,460
Human resources	2,616,380	2,594,621	21,759
Information technology	1,240,039	953,849	286,190
Non-departmental	4,912,650	4,463,834	448,816
Contingency	449,232	-	449,232
Debt Service:			
Principal	12,914,901	8,685,000	4,229,901
Interest and fiscal fees	16,880,268	8,566,072	8,314,196
Total expenditures	206,583,085	193,392,719	13,190,366
Other financing sources (uses)			
Transfers from other funds	285,700	7,559,386	7,273,686
Transfers to other funds	(29,420,938)	(39,939,564)	(10,518,626)
Proceeds from sale of capital assets	-	789,112	789,112
Total other financing sources (uses)	(29,135,238)	(31,591,066)	(2,455,828)
Net change in fund balance	$ (29,222,475)	$ (1,274,412)	$ 27,948,063

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Property taxes	$ 15,190,977	$ 15,557,079	$ 366,102
Investment income	-	4,693	4,693
Total revenues	15,190,977	15,561,772	370,795
Expenditures:			
Debt service:			
Principal retirement	6,702,246	5,820,000	882,246
Interest and fiscal fees	6,776,420	4,769,230	2,007,190
Total expenditures	13,478,666	10,589,230	2,889,436
Excess of revenues over expenditures before other financing uses	1,712,311	4,972,542	3,260,231
Other financing sources (uses):			
Transfers in	-	2,000,000	2,000,000
Transfers out	-	(4,317,101)	(4,317,101)
Total other financing uses	-	(2,317,101)	(2,317,101)
Excess of revenues over expenditures and other financing uses	1,712,311	2,655,441	943,130
Fund balance at beginning of year	13,196,507	13,196,507	-
Fund balance at end of year	$ 14,908,818	$ 15,851,948	$ 943,130

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales Taxes	$ 5,343,800	$ 5,768,058	$ 424,258
Investment income	189,500	335,344	145,844
Total revenues	5,533,300	6,103,402	570,102
Expenditures:			
Current:			
Community services	813,415	316,048	497,367
Debt service:			
Principal retirement	2,441,266	1,500,000	941,266
Interest and fiscal fees	3,224,001	2,071,741	1,152,260
Total expenditures	6,478,682	3,887,789	2,590,893
Excess of revenues over expenditures before other financing sources (uses)	(945,382)	2,215,613	3,160,995
Other financing uses:			
Transfers out	(2,300,000)	(2,300,000)	-
Total other financing uses	(2,300,000)	(2,300,000)	-
Excess of revenues over expenditures and other uses	(3,245,382)	(84,387)	3,160,995
Fund balance at beginning of year	14,339,689	14,339,689	-
Fund balance at end of year	$11,094,307	$ 14,255,302	$ 3,160,995

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
State sales tax	$10,903,791	$ 12,492,819	$ 1,589,028
Miscellaneous	-	975	975
Total revenues	10,903,791	12,493,794	1,590,003
Expenditures:			
Current:			
Public works	8,061,411	7,636,399	425,012
Total expenditures	8,061,411	7,636,399	425,012
Excess of revenues over expenditures before other financing sources (uses)	2,842,380	4,857,395	2,015,015
Other financing sources (uses):			
Transfers in	-	3,130	3,130
Transfers out	(356,175)	(2,406,737)	(2,050,562)
Proceeds from sale of capital assets	-	41,912	41,912
Total other financing uses	(356,175)	(2,361,695)	(2,005,520)
Excess of revenues and other sources over expenditures and other uses	2,486,205	2,495,700	9,495
Fund balance at beginning of year	4,999,297	4,999,297	-
Fund balance at end of year	$ 7,485,502	$ 7,494,997	$ 9,495

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Other	$ 821,152	$ 820,812	$ (340)
Total revenues	821,152	820,812	(340)
Expenditures:			
Current:			
Public works	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures before other financing uses	821,152	820,812	(340)
Other financing uses:			
Transfers out	(271,000)	(273,604)	(2,604)
Total other financing uses	(271,000)	(273,604)	(2,604)
Excess of revenues over expenditures and other financing uses	550,152	547,208	(2,944)
Fund balance at beginning of year	3,010,941	3,010,941	-
Fund balance at end of year	$ 3,561,093	$ 3,558,149	$ (2,944)

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	$ 3,741,216	$ 2,519,059	$ (1,222,157)
Other	200,000	479,385	279,385
Investment income	-	118	118
Total revenues	3,941,216	2,998,562	(942,654)
Expenditures:			
Current:			
Development services	3,941,216	2,998,562	942,654
Total expenditures	3,941,216	2,998,562	942,654
Excess of expenditures over revenues	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	$ -	$ -	$ -

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Intergovernmental:			
Federal grants	$ 8,811,193	$ 8,562,338	$ (248,855)
Other	-	2,991	2,991
Investment income	-	12,414	12,414
Total revenues	8,811,193	8,577,743	(233,450)
Expenditures:			
Current:			
Development services	8,811,193	8,577,743	233,450
Total expenditures	8,811,193	8,577,743	233,450
Excess of expenditures over revenues	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	$ -	$ -	$ -

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Sales taxes	$ 382,500	$ 490,299	$ 107,799
Property taxes	92,600	68,438	(24,162)
Investment income	77,554	148,828	71,274
Charges for services	8,800	10,698	1,898
Miscellaneous	40,750	100,489	59,739
Total revenues	602,204	818,752	216,548
Expenditures:			
Current:			
Development services	1,458,912	1,102,406	356,506
Total expenditures	1,458,912	1,102,406	356,506
Deficiency of revenues over expenditures before other financing uses	(856,708)	(283,654)	573,054
Other financing uses:			
Transfers out	-	(47,000)	(47,000)
Proceeds from sale of capital assets	-	789,112	789,112
Total other financing uses	-	742,112	742,112
Excess (deficiency) of revenues over expenditures and other financing uses	(856,708)	458,458	1,315,166
Fund balance at beginning of year	20,730	20,730	-
Fund balance at end of year	$ (835,978)	$ 479,188	$ 1,315,166

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, 2005

	Final Budget Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Revenues:			
Investment income	$ -	$ 602	$ 602
Charges for services	38,770	37,491	(1,279)
Miscellaneous	1,000	277,002	276,002
Total revenues	39,770	315,095	275,325
Expenditures:			
Current:			
Economic development	2,505,818	2,430,865	74,953
Debt service:			
Principal	1,365,000	1,365,000	-
Interest and fiscal fees	1,802,942	1,725,101	77,841
Total expenditures	5,673,760	5,520,966	152,794
Excess of revenues over expenditures before other financing sources (uses)	(5,633,990)	(5,205,871)	428,119
Other financing sources:			
Transfers in	-	5,206,022	5,206,022
Total other financing sources	-	5,206,022	5,206,022
Deficiency of revenues and other sources over expenditures	(5,633,990)	151	5,634,141
Fund balance at beginning of year	(433,748)	(433,748)	-
Fund balance (deficit) at end of year	$ (6,067,738)	$ (433,597)	$ 5,634,141

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, 2005

Line Item #	Account Description	Section 8 Voucher Program
	Assets	
111	Cash - Unrestricted	$ 861,036
121	Accounts Receivable - PHA Projects	171,918
	Total Assets	$ 1,032,954
	Liabilities	
312	Accounts Payable <= 90 days	$ 8,308
321	Accrued Wage/Payroll Taxes Payable	21,864
331	Accounts Payable - HUD PHA Programs	117,896
342	Deferred Revenues	884,886
	Total Liabilities	1,032,954
	Equity	
512	Undesignated Fund Balance	-
	Total Equity	-
	Total Liabilities and Equity	$ 1,032,954

City of Tempe, Arizona
Housing Assistance Fund
Other Supplementary Information - Financial Data Schedule
Revenue and Expenses
For the Fiscal Year ended June 30, 2005

Line Item #	Account Description		Section 8 Voucher Program
	Revenues		
706	HUD PHA Grants	$	8,562,338
711	Investment Income - Unrestricted		9,414
715	Other Revenue		2,992
	Total Revenues		8,574,744
	Expenses		
911	Administrative Salaries		324,681
912	Auditing Fees		9,425
914	Compensated Absences		28,508
915	Employee Benefit Contributions - Administrative		94,105
916	Other Operating - Administrative		74,514
973	Housing Assistance Payments		8,043,511
	Total Expenses		8,574,744
	Excess (Deficiency) of Revenues Over (Under) Expenses	$	-
	Memo Account Information		
1113	Maximum Annual Contributions Commitment (Per ACC)	$	9,150,365
1115	Contingency Reserve, ACC Program Reserve		436,583
1116	Total Annual Contributions Available	$	9,586,948
1120	Unit Months Available		12,984
1121	Number of Unit Months Leased		12,494

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, 2005

Program	Balance June 30, 2004	Additions	Retirements	Transfers in (out)	Balance June 30, 2005
Police	$ 19,774,332	$ 2,636,406	$ (783,899)	$ 744,306	$ 22,371,145
Fire	20,095,318	1,048,320	(39,695)	2,728	21,106,671
Community services	57,664,716	20,977,689	(1,091,096)	13,408	77,564,717
Public works	660,803,609	16,912,822	(883,754)	(806,565)	676,026,112
Community relations	356,636	-	-	-	356,636
City manager	1,453,332	-	-	25,089	1,478,421
City clerk and elections	25,760	-	-	-	25,760
Municipal courts	337,271	-	-	-	337,271
Development services	14,330,865	908,604	(908,605)	13,388	14,344,252
Economic development	280,471	7,101,593	-	-	7,382,064
Financial services	1,251,184	172,536	(172,536)	-	1,251,184
Human resources	55,455	-	-	-	55,455
Information technology	38,178,432	564,507	(63,407)	17,637	38,697,169
Non-departmental	117,304,410	-	-	-	117,304,410
Total	$ 931,911,791	$ 50,322,477	$ (3,942,992)	$ 9,991	$ 978,301,267

City of Tempe, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2005

Program	Land	Buildings	Infrastructure	Improvements	Machinery and Equipment	Construction in Progress	Total
Police	$ 2,634,938	$ 4,222,418	$ -	$ 4,380,690	$ 10,222,933	$ 910,166	$ 22,371,145
Fire	1,107,061	10,285,991	-	854,171	8,854,133	5,315	21,106,671
Community services	4,716,752	15,244,057	482,850	18,727,299	3,400,670	34,993,089	77,564,717
Public works	10,805,651	5,556,278	593,172,700	21,301,471	29,661,665	15,528,347	676,026,112
Community relations	-	-	-	99,828	256,808	-	356,636
City manager	1,350,184	-	-	39,621	88,616	-	1,478,421
City clerk and elections	-	-	-	-	25,760	-	25,760
Municipal courts	-	-	-	-	337,271	-	337,271
Development services	3,458,318	9,813,137	-	138,266	932,606	1,925	14,344,252
Economic development	140,600	91,119	-	6,993,531	156,814	-	7,382,064
Financial services	-	-	-	426,312	824,872	-	1,251,184
Human resources	-	-	-	49,705	5,750	-	55,455
Information technology	-	12,780,291	-	12,484	25,818,027	86,367	38,697,169
Non-departmental	13,946,632	54,782,177	-	21,120,334	27,455,267	-	117,304,410
Subtotal	38,160,136	112,775,468	593,655,550	74,143,712	108,041,192	51,525,209	978,301,267
Less: accumulated depreciation	-	(28,935,122)	(224,947,024)	(20,546,358)	(74,362,118)	-	(348,790,622)
Total governmental funds capital assets	$ 38,160,136	$ 83,840,346	$ 368,708,526	$ 53,597,354	$ 33,679,074	$ 51,525,209	$ 629,510,645

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

	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05
Governmental activities:				
Police	$ 45,265,995	$ 47,729,305	$ 49,973,991	$ 51,928,073
Fire	15,988,363	15,103,049	16,990,382	17,679,667
Community services	20,874,630	20,307,801	20,629,836	21,116,067
Public works	57,047,822	57,917,031	61,814,870	61,853,194
Community relations	2,212,271	2,845,176	2,472,966	2,312,548
Mayor and council	516,899	579,089	407,818	400,549
City manager	1,414,543	918,556	209,830	312,882
Diversity program	-	-	505,865	544,872
Internal audit/consulting	-	-	440,660	446,333
City clerk and elections	784,099	433,922	652,442	443,255
City attorney	2,420,285	2,027,045	2,087,009	2,262,903
Municipal courts	3,325,642	3,230,817	4,053,127	3,655,280
Development services	16,808,229	18,760,209	19,111,722	21,449,181
Economic development	2,485,774	3,245,906	4,021,965	3,187,992
Financial services	4,906,157	5,404,942	3,946,238	4,102,556
Human resources	4,058,772	3,762,782	2,418,605	2,561,746
Information technology	804,751	4,185,163	2,280,717	1,854,603
Non-departmental	7,594,725	14,852,873	9,637,203	6,895,583
Interest on long-term debt	6,588,170	6,956,107	8,974,827	9,033,035
Total governmental activities	193,097,127	208,259,773	210,630,073	212,040,319
Business-type activities:				
Water/Wastewater	37,017,484	38,417,396	42,739,236	47,156,603
Refuse	10,294,641	10,205,570	10,912,307	11,413,402
Golf course	2,441,907	2,435,783	2,353,586	2,442,925
Total business-type activities	49,754,032	51,058,749	56,005,129	61,012,930
Total government	$ 242,851,159	$ 259,318,522	$ 266,635,202	$ 273,053,249

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)
Last Four 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	267,382,312
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	-	256,441,077
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
2004-05	86,490,353	16,245,880	36,523,666	131,256,519	14,582,117	24,872,388	1,678,437	6,791,043	5,945,673	2,564,476	2,396,434	329,346,986

Note: The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to 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
2004-05	130,779,821	64,389,785	4,188,957	14,871,790	7,742,929	2,706,951	1,250,205	3,678,738	229,609,176

City of Tempe, Arizona
General Governmental
(General, Special Revenue, and Debt Service 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 Development	Franchise	Total
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
2004-05	101,283,805	2,784,826	8,878,734	14,631,500	1,522,519	-	1,678,437	130,779,821

(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 Sales Tax	Highway User Tax	State Income Tax	Auto In-Lieu Tax	Local Transportation Assistance	Federal Grants	Other	Total
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
2004-05	14,695,069	12,492,819	14,582,117	6,791,043	820,812	13,444,517	974,752	63,801,129

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

	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05
Police	$ 44,524,665	$ 45,287,397	$ 48,576,160	$ 50,148,794
Fire	14,903,901	14,944,261	15,622,805	17,235,231
Community services	19,353,717	18,578,259	18,809,726	18,653,915
Public works	41,042,674	40,904,425	43,811,239	45,853,027
Community relations	2,126,245	2,904,697	2,414,527	2,380,562
Mayor and council	516,899	579,089	407,818	400,549
City manager	1,464,931	944,568	254,578	293,964
Diversity program	-	-	472,233	544,032
Internal audit/consulting	-	-	408,862	420,449
City clerk and elections	774,756	442,615	641,753	440,041
City attorney	2,437,072	2,121,212	2,079,092	2,206,857
Municipal courts	3,261,268	3,142,488	4,039,664	3,588,317
Development services	15,815,204	17,919,144	17,285,467	19,435,003
Economic development	2,445,475	2,956,263	4,002,794	3,296,692
Financial services	4,747,540	5,151,110	3,743,137	3,867,513
Human resources	4,049,591	3,797,137	2,388,877	2,567,259
Information technology	600,852	990,568	633,533	537,006
Non-departmental	1,412,665	9,197,356	3,440,150	4,433,871
	$159,477,455	$ 169,860,589	$ 169,032,415	$ 176,303,082

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.

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		City of Tempe	Schools			
			Tempe Union	Tempe Elementary (A)	Community College	East Valley Institute of Technology (C)
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
2004-05	Primary	8,792,691	62,191,787	39,486,342	258,560,787	-
	Secondary	14,517,177	32,057,837	15,894,306	34,904,190	6,507,464
	Total	23,309,868	94,249,624	55,380,648	293,464,977	6,507,464

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
$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
248,444,940	63,420,563	36,078,354	19,767,209	1,517,982	1,397,824	621,971,691
228,558,077	-	-	-	-	-	432,464,722
22,590,472	-	38,118,477	20,080,420	1,567,061	6,038,469	136,012,123
251,148,549	-	38,118,477	20,080,420	1,567,061	6,038,469	568,476,845
248,578,872	-	-	-	-	-	461,396,668
21,446,852	-	42,339,342	22,012,897	1,645,591	6,619,593	158,161,200
270,025,724	-	42,339,342	22,012,897	1,645,591	6,619,593	619,557,868
268,641,579	-	-	-	-	-	501,917,862
22,058,679	-	44,670,223	23,536,796	1,737,365	7,078,280	169,863,747
290,700,258	-	44,670,223	23,536,796	1,737,365	7,078,280	671,781,609
298,649,736	-	-	-	-	-	555,555,786
20,264,361	-	44,310,754	26,147,563	1,873,777	7,862,946	187,239,240
318,914,097	-	44,310,754	26,147,563	1,873,777	7,862,946	742,795,026
324,589,568	-	-	-	-	-	600,200,186
24,051,128	-	44,309,245	27,141,030	1,997,318	8,789,518	196,341,676
348,640,696	-	44,309,245	27,141,030	1,997,318	8,789,518	796,541,862
358,897,617	-	-	-	-	-	659,871,243
20,071,906	-	45,322,696	29,787,075	2,086,084	9,646,430	200,619,051
378,969,523	-	45,322,696	29,787,075	2,086,084	9,646,430	860,490,294
390,180,835	-	-	-	-	-	716,335,145
19,565,638	-	44,868,063	31,805,013	1,859,466	10,296,417	207,429,399
409,746,473	-	44,868,063	31,805,013	1,859,466	10,296,417	923,764,544
428,160,093	-	-	-	-	-	780,436,884
19,234,591	-	51,153,993	33,010,980	1,931,237	14,316,032	224,994,104
447,394,684	-	51,153,993	33,010,980	1,931,237	14,316,032	1,005,430,988
467,885,268	-	-	-	-	-	836,916,875
-	-	56,334,141	36,112,556	2,084,229	15,664,900	214,076,800
467,885,268	-	56,334,141	36,112,556	2,084,229	15,664,900	1,050,993,675

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	Schools: Tempe Elementary (A)	Schools: Community College	Schools: East Valley Institute of Technology
1995-96	Primary	$ 0.56	$ 2.54	$ 4.01	$ 0.95	$ -
	Secondary	0.84	0.86	1.13	0.17	0.03
	Total	1.40	3.40	5.14	1.12	0.03
1996-97	Primary	0.57	2.35	3.53	0.98	-
	Secondary	0.83	0.96	1.12	0.07	0.11
	Total	1.40	3.31	4.65	1.05	0.11
1997-98	Primary	0.56	2.23	3.00	0.98	-
	Secondary	0.84	1.00	1.10	0.16	0.07
	Total	1.40	3.23	4.10	1.14	0.07
1998-99	Primary	0.54	2.30	3.18	0.99	-
	Secondary	0.86	1.27	1.17	0.13	0.07
	Total	1.40	3.57	4.35	1.12	0.07
1999-00	Primary	0.55	2.45	3.37	0.97	-
	Secondary	0.85	1.45	1.00	0.15	0.07
	Total	1.40	3.90	4.37	1.12	0.07
2000-01	Primary	0.55	2.05	3.40	0.97	-
	Secondary	0.80	1.26	1.01	0.15	0.07
	Total	1.35	3.31	4.41	1.12	0.07
2001-02	Primary	0.53	2.08	3.41	0.96	-
	Secondary	0.82	1.11	1.00	0.15	0.06
	Total	1.35	3.19	4.41	1.11	0.06
2002-03	Primary	0.52	2.19	3.32	0.96	-
	Secondary	0.83	1.13	0.95	0.15	0.06
	Total	1.35	3.32	4.27	1.11	0.06
2003-04	Primary	0.55	2.24	3.10	0.94	-
	Secondary	0.80	1.05	1.10	0.14	0.05
	Total	1.35	3.29	4.20	1.08	0.05
2004-05	Primary	0.53	2.05	2.90	0.92	-
	Secondary	0.82	0.99	1.09	0.12	0.05
	Total	1.35	3.04	3.99	1.04	0.05

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 Oblicgation 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
$ 1.69	$ 0.47	$ -	$ -	$ -	$ -	$ 10.22
0.15	-	0.33	0.14	0.01	0.01	3.67
1.84	0.47	0.33	0.14	0.01	0.01	13.89
1.64	-	-	-	-	-	9.07
0.16	-	0.34	0.14	0.01	0.04	3.78
1.80	0.00	0.34	0.14	0.01	0.04	12.85
1.66	-	-	-	-	-	8.43
0.14	-	0.34	0.14	0.01	0.04	3.84
1.80	0.00	0.34	0.14	0.01	0.04	12.27
1.68	-	-	-	-	-	8.69
0.13	-	0.33	0.14	0.01	0.04	4.15
1.81	0.00	0.33	0.14	0.01	0.04	12.84
1.71	-	-	-	-	-	9.05
0.11	-	0.29	0.14	0.01	0.04	4.11
1.82	0.00	0.29	0.14	0.01	0.04	13.16
1.68	-	-	-	-	-	8.65
0.12	-	0.25	0.13	0.01	0.04	3.84
1.80	0.00	0.25	0.13	0.01	0.04	12.49
1.68	-	-	-	-	-	8.66
0.09	-	0.23	0.13	0.01	0.04	3.64
1.77	0.00	0.23	0.13	0.01	0.04	12.30
1.70	-	-	-	-	-	8.69
0.08	-	0.21	0.13	0.01	0.04	3.59
1.78	0.00	0.21	0.13	0.01	0.04	12.28
1.68	-	-	-	-	-	8.51
0.07	-	0.21	0.12	0.01	0.05	3.60
1.75	0.00	0.21	0.12	0.01	0.05	12.11
1.67	-	-	-	-	-	8.07
-	-	0.21	0.12	0.01	0.05	3.46
1.67	0.00	0.21	0.12	0.01	0.05	11.53

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
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
2004-05	23,739,716	22,921,016	96.6	201,613	23,122,629	97.4	415,475	1.8

Source: Dain Rausher
Maricopa County Treasurer

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
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
2004-05	Primary	1,661,192,389	5.434	12,379,112,416	13.42
	Secondary	1,768,877,385	4.763	11,034,323,885	16.03

(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, 2005

Taxpayer	Estimated 2004-05 Net Secondary Assessed Value	Percent of City's Total Net Secondary Assessed Value
Qwest Communications	$ 34,482,836	1.95 %
Arizona Mills LLC	25,835,209	1.46
Arizona Public Service Company	25,077,926	1.42
Freescale Semiconductor Inc	17,377,674	0.98
Birtcher Arizona	15,513,040	0.88
AT&T	15,179,080	0.86
Tosco Corporation et al	15,001,280	0.85
State Farm Mutual Auto Insurance	12,116,950	0.69
Allied Signal	10,573,743	0.60
Safeway Inc	10,004,655	0.57
Medtronics	9,469,149	0.54
St Paul Properties	7,984,808	0.45
Target Corporation	7,003,870	0.40
Microchip Technology Inc	6,925,433	0.39
Southwest Gas Corporation	6,482,508	0.37
CLH Wishire I LLC	5,934,123	0.34
Tempe Marketplace Commerce	5,842,824	0.33
Trinet Essential Facilities	5,659,550	0.32
Wells Fargo Bank	5,626,366	0.32
Total	$ 242,091,024	13.69 %

Source: Dain Rauscher

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
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
2004-05	2,709,851	2,709,851	100.00	19,345,000

(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
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
2004-05	99,880,000		15,991,147	83,888,853	1,768,877,385	4.7	160,820	521.63

(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, 2005

Jurisdiction	2004-05 Secondary Assessed Valuation	Net Bonded Debt	Portion Applicable To City of Tempe Percent	Portion Applicable To City of Tempe Amount	2004-05 Combined Tax Rate Per $100 Assessed
Net Direct					
City of Tempe - General (net)	$ 1,768,877,385	$ 83,888,853 (A)	100.00 %	$ 83,888,853	$ 1.35
Overlapping					
State of Arizona	44,461,738,026	None	N/A	None	N/A
Maricopa County	30,066,986,670	None	N/A	None	N/A
Maricopa County Community College	30,066,986,670	424,710,000	5.88	24,972,948	1.04
Tempe Union High School District No. 213	3,230,177,765	171,130,000	53.75	91,982,375	3.04
Tempe Elementary School District No. 3	1,461,503,357	63,350,000	81.55	51,661,925	3.98
Kyrene Elementary School District No. 28	1,768,674,408	50,530,000	30.78	15,553,134	3.91
Scottsdale Unified School District No. 48	3,746,387,346	243,605,000	0.33	803,897	5.03
Mesa Unified School District No. 4	2,669,437,335	208,155,000	0.75	1,561,163	6.67
Total overlapping debt		1,161,480,000		186,535,442	
Total net direct and overlapping debt		$ 1,245,368,853		$ 270,424,295 (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, 2005

Assessed Valuation			$1,768,877,385
Amount of debt applicable to debt limit:			
General obligation debt outstanding (see Note 10)			
Governmental general obligation debt outstanding	$ 104,915,000		
Enterprise general obligation debt outstanding	142,885,000		
Total general obligation debt outstanding		$247,800,000	
20% General obligation bonds outstanding	$ 174,265,000		
6% General obligation bonds outstanding	73,535,000		
Total general obligation debt outstanding		247,800,000	
(A) Debt limit - 20% of assessed valuation			$ 353,775,477
Less:			
20% General obligation bonds outstanding			174,265,000
Legal debt margin - 20% bonds			179,510,477
(B) Debt limit - 6% of assessed valuation			$ 106,132,643
Less:			
6% General obligation bonds outstanding			73,535,000
Legal debt margin - 6% bonds			32,597,643

(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, 2005

1990 Program	Authorization	Prior Issues	Current Year Issue	Remaining Authorization
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
2002 Program				
Water / Wastewater	77,000,000	37,850,000	39,150,000	-
Streets / Transportation	31,500,000	6,135,000	6,340,000	19,025,000
Police Protection	31,500,000	3,465,000	-	28,035,000
Fire Protection	6,000,000	2,670,000	-	3,330,000
Park Improvements	12,000,000	3,525,000	6,935,000	1,540,000
Subtotal	158,000,000	53,645,000	52,425,000	51,930,000
	$ 232,500,000	$ 127,830,000	$ 52,425,000	$ 52,245,000

City of Tempe, Arizona
Excise Tax Collections (Exhibit S-18)
FY 1999-00 to FY 2004-05

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Privilege and use tax (a)	$ 62,285,205	$ 66,121,741	$ 59,299,061	$ 59,379,586	$ 62,884,508	$ 68,533,088
State shared sales tax	13,511,356	13,951,532	12,148,438	12,405,713	13,345,152	14,695,069
State shared income tax	17,045,903	17,890,338	16,544,791	16,882,535	14,303,004	14,582,117
Franchise tax (b)	1,948,858	2,440,521	2,545,346	1,531,714	1,505,133	1,678,437
Permits and Fees (c)	4,097,817	3,750,761	3,081,194	3,731,523	3,722,079	4,643,117
Fines and forfeitures	4,709,748	4,566,819	4,601,758	5,510,476	5,831,133	6,651,934
Total	$ 103,598,887	$ 108,721,712	$ 98,220,588	$ 99,441,547	$ 101,591,009	$ 110,783,762

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.

(a) Privilege and use tax for fiscal years 1999-00 and 2003-04 amounts have been restated to include local bed tax and Rio Salado transaction privilege tax.

(b) Franchise tax for fiscal years 1999-00 through 2003-04 amounts have been restated to include SRP-in-lieu, DTC Assessments, and GPLET

(c) Permits and fees for fiscal year 1999-00 have been restated to include cemetery and engineering fees. Fiscal year 2003-04 have been restated to remove miscellaneous revenue.

Source: City of Tempe Comprehensive Annual Financial Report, Fiscal Years 1999-00 through 2004-05 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)

	Senior Excise Tax Obligations			Subordinate Excise Tax Obligations				
					$37,595,000 Series 2004 Obligations			
Fiscal Year	2005 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)	Principal	Interest	Total Debt Service Requirements	Coverage (E)
2004-05	$ 110,783,762	$ 4,495,011	24.65	$ 112,056,809	$ 1,500,000	$ 2,021,107	$ 3,521,107	31.82
2005-06		4,495,851	24.64		1,695,000	1,831,888	3,526,888	31.77
2006-07		4,491,123	24.67		1,780,000	1,747,138	3,527,138	31.77
2007-08		4,352,973	25.45		1,835,000	1,684,838	3,519,838	31.84
2008-09		4,350,258	25.47		1,910,000	1,611,438	3,521,438	31.82
2009-10		3,693,183	30.00		2,000,000	1,515,938	3,515,938	31.87
2010-11		3,696,443	29.97		2,115,000	1,410,938	3,525,938	31.78
2011-12		3,694,243	29.99		2,225,000	1,299,900	3,524,900	31.79
2012-13		3,694,343	29.99		2,340,000	1,183,088	3,523,088	31.81
2013-14		3,695,208	29.98		2,460,000	1,060,238	3,520,238	31.83
2014-15		3,697,013	29.97		2,590,000	931,088	3,521,088	31.82
2015-16		3,694,253	29.99		2,725,000	795,113	3,520,113	31.83
2016-17		3,690,213	30.02		2,870,000	652,050	3,522,050	31.82
2017-18		3,693,219	30.00		3,020,000	501,375	3,521,375	31.82
2018-19		3,698,500	29.95		3,180,000	342,825	3,522,825	31.81
2019-20		3,695,531	29.98		3,350,000	175,875	3,525,875	31.78
2020-21		3,085,688	35.90					
2021-22		3,086,938	35.89					
2022-23		3,086,438	35.89					

(A) Excise Tax Revenues received by the City in Fiscal Year 2004-05. 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 $275,000; the City of Tempe, Arizona, Excise Tax Refunding Obligations, Series 2003, currently outstanding in the principal amount of $36,570,000; the City's Refunding Certificates of Participation, Series 1999, currently outstanding in the principal amount of $2,320,000, and the City of Tempe, Arizona Excise Tax Revenue Obligation, Series 2000A, currently outstanding in the principal amount of $6,115,000.

(C) The Estimated Coverage figures shown reflect the ratio of actual fiscal year 2004-05 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 maximun annual debt service on Outstanding Senior Excise Tax Obligations) received in fiscal yar 2004-2005.

(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			
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
2004-05	10,470,000	9,472,601	19,942,601	196,245,683	10.2

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, 2005

Company	Type of Business	Estimated Employees
Arizona State University	State University	12,569
America West Airlines	Airline	3,916
Motorola Inc.	Electronics Manufacturing	3,510
JP Morgan Chase Bank	Bank	2,300
City of Tempe	Government	1,600
Medtronic Microelectronics	Biotechnology	1,363
State Farm Insurance	Insurance	1,149
Bank One Corp	Bank	1,000
Financial & Credit Services Group	Department Store Financial Services	914
Wilson Electric	Construction Services	850

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)
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
2004-05	160,820	13,987	12,800	49,171	135,703	3.4

Source: (A) Arizona Department of Economic Security
(B) Tempe School District
(C) ASU, Office of Institutional Analysis
(D) Arizona Department of Economic Security

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

Industry	2001	2002	2003	2004
Construction	127,800	125,700	128,900	139,400
Manufacturing	150,300	135,000	128,300	127,700
Trade, Transportation and Utilities	318,200	319,000	321,500	332,200
Information	41,300	39,100	37,200	35,500
Financial Activities	128,800	130,400	132,900	136,600
Professional and Business Services	256,200	250,300	255,600	268,000
Education and Health Services	140,800	149,600	156,700	138,600
Leisure and Hospitality	149,500	150,500	152,900	157,200
Other Services	58,000	60,400	61,300	63,000
Government	188,600	197,100	200,600	204,700

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
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
2004-05	5,799,090,000	3,061,990,000	52.80

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
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
2004	145	38,533,000	126,391,000	82,735,000	247,659,000

Source: Dain Rauscher

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

Fiscal Year	Amount	
1995-96	23,660,566	(A)
1996-97	24,073,635	(A)
1997-98	25,697,402	(B)
1998-99	27,274,743	(C)
1999-00	30,035,000	(D)
2000-01	33,467,262	(D)
2001-02	33,039,615	(D)
2002-03	38,776,297	(D)
2003-04	42,872,358	(D)
2004-05	51,137,882	(D)

(A) Amount represents Maricopa County Bank Deposits as of December 31 of the respective fisc
(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 yea

Source: Federal Deposit Insurance Corporation Website (www.fdic.gov)

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

	Carrier and Policy Data	Annual Renewal Date		Coverage Limits	Annual Premium
Primary Public Liability & Automobile Liability					
A. Primary	Self-insured	N/A		$2,000,000	None
B. Excess	Clarendon National Insurance Co.	7/1/2005		5,000,000	$ 195,000
	#XSR00310571		SIR	2,000,000	
	Evanston Insurance Company	7/1/2005		10,000,000	195,143
	#XONJ176604		X/S & SIR	5,000,000	
	Gulf Underwriters Insurance Co.	7/1/2005		10,000,000	
	#GU2868023		X/S & SIR	15,000,000	141,969
	Westchester Surplus Lines Insurance	7/1/2005		5,000,000	41,300
	#HXW776273		X/S & SIR	25,000,000	
Property					
A. Primary	Self-insured	N/A		100,000	None
B. Property, Boiler Machinery, Inland Marine	Lexington Insurance Co. #7518657	7/1/2005	+SIR	150,000,000	249,813
C. Inland Marine Town Lake Dams	Fireman's Fund Insurance Co. #MXI98384100	7/1/2005	+SIR 50,000	5,000,000	39,850
Workers' Compensation and Employer's Liability					
A. Primary	Self-insured	N/A		500,000	None
B. Excess	Midwest Employers Casualty Co	7/1/2005		Statutory	126,137
	#EWC006658				
Bonds					
A. Public Officials	Hartford Fire Insurance Company # 59BSBCC3252	1/6/2005		1,000,000	3,360
Crime					
A. Primary	Hartford Fire Insurance Company #59BPEAD6547	7/1/2005		10,000 2,000,000	14,796

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
Date Charter Adopted - October 19, 1964
Form of Government - Council/Manager

Area - Square Miles:

2004	40.0
2003	40.0
2002	40.0
2001	40.0
2000	40.0
1999	39.8
1998	39.8
1997	39.8
1990	39.3
1980	38.1
1970	25.3
1960	17.5
1950	2.7

Population:

2004-05		160,820
2003-04		159,615
2002-03		159,425
2001-02		159,435
2000-01	Official U.S. Census	160,388
1999-00		158,625
1998-99		157,653
1997-98		156,686
1995-96	Interim Census	154,770
1990-91	Official U.S. Census	141,993
1980-81	Official U.S. Census	106,920

Elections:

Registered voters	73,352
No. of ballots cast last City general election	11,736
Percentage voting last City election	16.0

School Registration:

Tempe Elementary District	13,987
Tempe High School District	12,800
Arizona State University	49,171

Municipal Parks:

No. of parks	50
Developed acres	1,684
City playgrounds	44
Swimming pools	4
Splash Playgrounds	2
Golf courses	2
Lighted ballfields	30
Lighted multipurpose fields	26
Tennis Courts	51
Volleyball Courts	19
Basketball Courts	44

Libraries:

No. of items in collection	468,027
Annual circulation	1,377,210
Registered borrowers	155,121

Total Construction Activity:

F/Y	No. of Permits	Value
2004-05	1,242	$ 302,236,050
2003-04	1,267	223,282,300
2002-03	1,313	199,569,500
2001-02	1,261	121,230,900
2000-01	1,417	262,266,000
1999-00	1,717	317,142,700
1998-99	1,905	304,600,000
1997-98	2,533	492,419,400
1996-97	1,984	406,820,800
1995-96	2,038	248,475,500
1994-95	2,291	275,408,500
1993-94	2,298	265,148,300

Fire Protection:

No. of Stations	6
No. of employees (FT)	159
No. of fire calls	2,097
No. of medical calls	13,059
No. of other assistance calls	1,722
Emergency service average response time (minimum)	5:28

Police Protection:

No. of employees	509
Crime index (CY)	13,299
Crime rate (per 100,000 pop.)	8,269
Traffic accidents	5,562
Emergency service average response time (minimum)	4:43

Refuse Collection (residential):

Refuse accounts served	33,474
Refuse collected (tons)	41,592

Water:

Connections	33,567
Production (billions of gallons)	15.2
Miles of lines	852

Sanitary Sewers:

Connections	39,128
Miles of lines	502

Miles of Storm Sewers	174

Miles of:

Streets - maintained	1,241
Paved alleys - maintained	15
Unpaved alleys - maintained	165

City employees (FTEs):

Governmental	1,514
Utility	130
Total	1,644